GLOBAL SHIFT
6TH EDITION

GLOSSARY

Codes of conduct

A set of undertakings made by firms, in some cases voluntarily but mostly in response to external pressures (by consumers, labour unions, environmental groups and other civil society organizations), to adhere to certain principles and actions in their business activities. There are four major types: codes devised by individual TNCs, or groups of TNCs, with no involvement of other stakeholders; codes drawn up by coalitions of interest groups in specific industries, such as clothing; codes formulated by TNCs in association with some of their stakeholders, such as labour unions; codes established by international organisations (such as the UN).

Consumption

Consumption is very much more than merely the economic process of 'demand'. Although it is greatly influenced by levels of income, consumption involves a complex set of social and cultural processes. People buy (or aspire to buy) particular goods for a bewildering variety of reasons, ranging from the satisfaction of basic needs to ensure survival through to ever more sophisticated discretionary goods. The idea that consumers are becoming more alike, that local tastes and preferences are being replaced by global consumer brands, needs to be treated with caution. Although there are some, mostly generation-related, mass markets, geographical variation in consumption patterns persists.

De-regulation

Starting especially in the 1980s, many states dismantled, or reduced, the mechanisms used to regulate the operation of markets (including labour markets) within their territories. In many cases, this also involved removing or reducing the constraints on the ownership of productive assets and facilitating the privatization of public utilities. Deregulation was especially prevalent in the financial services industries, where the constraints governing the relationships between different financial activities (e.g. retail banking, investment banking) and on the entry of firms into the financial services sector, were largely removed. The global financial crisis of 2008 has resulted in a resurgence of interest in the re-regulation of finance.

Economic globalization

Economic globalization is the qualitative transformation of economic relationships across geographical space, involving deep changes in the nature and the

degree of interconnection in the world economy and, especially, in the speed with which such connectivity occurs and in the stretching and intensification of economic relationships. Globalization is a complex, indeterminate set of processes operating very unevenly in both time and space. It is important to distinguish between 'internationalization' and 'globalization' of economic activities. Globalization implies both extensive geographical spread and a high degree of functional integration whilst internationalization is the simple geographical spread of economic activities across national boundaries with low levels of functional integration.

Financialization

Financialization is an all-pervasive system of values based on the overriding prioritization of an equity culture, in which 'shareholder value' and profitability have become central to all aspects of economic activity to the virtual exclusion of all other interests. It is a free-market ideology in which regulation of financial markets is regarded with suspicion because it is seen to reduce market efficiency. It is the market that is regarded as the most appropriate allocator of resources The pervasive financialization of virtually all aspects of product, distribution and consumption (not only within the financial sector itself) has been one of the most significant developments of recent years within the global economy.

Foreign direct investment (FDI)

Foreign direct investment is investment that occurs when a firm from one country buys a controlling investment in a firm in another country or where a firm sets up a branch or a subsidiary operation in another country. It differs from 'portfolio' investment, which refers to the situation in which firms purchase equity in other companies purely for financial reasons and not to gain control. FDI is about control. FDI has grown at a phenomenal rate in the past three decades whilst its geography has become more complex, with increasing FDI originating from some developing countries.

Geographical clustering

Geographical clustering is the pervasive tendency for economic activities to agglomerate together in specific geographical locations. It is based on the positive 'spillovers' created when activities in a particular place are connected with one another, either directly (through specific transactions) or indirectly. Both are based

on the idea that the 'whole' (the cluster) is greater than the sum of the parts because of the benefits that spatial proximity provides. Above all, it is the potential for face-to-face contact that is the single most important 'glue' in the localized clustering of activities, especially the potential for the creation and the sharing of knowledge.

Global civil society organizations (GCSOs)

The diverse array of non-governmental organizations and interest groups whose global concerns are expressed in a variety of agendas and actions, often focused on a specific issue (such as the environment) or a set of constituents (such as consumers or labour). Within those groups whose focus is on the costs of globalization there is huge variation both in their agendas and in how these are pursued. GCSOs undoubtedly force to recognize, and to engage with, the fact that both the benefits and the costs of globalization are very unevenly distributed and that there are severe and pressing problems that need positive action.

Global production network (GPN)

The nexus of interconnected functions, operations and transactions through which a specific product or service is produced, distributed and consumed. Networks of firms and suppliers tend to be organized by 'lead firms', usually transnational corporations. The interconnected nodes and links between and within these firms extend spatially across all geographical scales so that GPNs are therefore embedded in, and also incorporate parts of, local, national and regional economies. GPNs involve not only firms but also a variety of other actors, notably states, labour, consumers and civil society organizations in an uneven, dynamic pattern of power relationships.

'G' groupings of states

Formal meetings of groups of states aimed at addressing global economic issues, especially finance. Initiated as the G7 in 1975, involving only a core of industrialized countries. Subsequently enlarged to the G8 in 1994 (including Russia) and, more significantly to G20 in 1999, with the addition of leading emerging market economies. The G20 has become a key focus of international collaboration since the 2008 crisis.

Import-substituting and export-oriented industrialization

Import-substituting industrialization (ISI) involves the manufacture of products that would otherwise be imported, based upon protection against such imports. The aim is to protect a nation's infant industries so that the overall industrial structure can be developed and diversified and dependence on foreign technology and capital reduced. ISI is, ultimately, limited by the size of the domestic market. Hence, many industrializing countries have tended to shift towards a policy of export-oriented industrialization (EOI), often using a battery of regulations and incentives to promote and boost export performance. In fact, most countries have tended to adopt a mix of industrialization policies.

International Monetary Fund (IMF)

Created in 1944, the IMF's primary purpose was to encourage international monetary co-operation among nations through a set of rules for world payments and currencies. Each member nation contributes to the fund (a quota) and voting rights are proportional to the size of a nation's quota. A major function of the IMF has been to aid member states in temporary balance of payments difficulties. Headquarters: Washington, D.C.

Labour markets

Workers seek employment and employers seek workers through the mechanism of labour markets which, in an ideal world, would match both sets of demands smoothly. In reality, labour markets are highly segmented: by skill, by gender, and by geography. On balance, labour is more *place-bound* and generally far less geographically mobile than capital, although the strength of labour's tie to place varies a great deal between different types of labour. On average, male workers are more mobile than female workers; skilled workers are more mobile than unskilled workers; professional white-collar workers are more mobile than blue-collar workers.

Migration

The permanent, or semi-permanent, relocation of individuals either within or between countries. The geographical distances over which international migration

occurs are enormously varied. A large proportion of migrant flows are to countries close to the place of origin, for reasons including cost, greater knowledge of closer opportunities, greater cultural compatibility. But over and above such short-distance migrations are the long-distance, often inter-continental, flows. In the case of large countries, like China, there is also a vast amount of internal migration whose geographical scale is greater than much cross-border migration. International migration has become a highly controversial issue in many countries.

Offshoring

Offshoring is the practice of locating one or more of a firm's production or service functions in a different country. It may be organized within the firm's own organizational boundaries through setting up, or acquiring, a new overseas facility or transference to an existing facility. Alternatively, it may be organized using independent firms located overseas; a geographically specific form of outsourcing. The usual rationale for offshoring is cost reduction, especially where it involves developing country locations. But it also raises questions of control and risk. While many firms continue to engage in offshoring, there is also a trend back towards 'onshoring'.

Outsourcing

Outsourcing is the process whereby a firm makes a contract with another firm to perform a specific production or service function which it chooses not to perform for itself internally. For the outsourcing firm the process is widely seen as a way of enabling it to focus on its 'core competences' and to shed activities that do not fit. The logic is that costs will be reduced and profits enhanced through such concentration on core activities. This may well be the case. But there are also risks in outsourcing, notably the loss of control over quality and delivery, especially if offshoring is involved.

Regional trade agreements (RTAs)

RTAs are a specific form of economic collaboration between states which involve an agreement to grant preferential trading terms to other participating states. Most commonly this involves tariff reductions. RTAs are essentially defensive; they represent an attempt to gain advantages of size in trade by creating large markets for their producers and protecting them, at least in part, from outside competition. Most RTAs are solely free trade agreements but some may evolve towards a

greater degree of integration, including a common external trade policy, the free movement of factors of production (capital, labour) between member states and, in the extreme case, full economic union.

Resources

Resources are socio-cultural constructions, in the sense that they exist only in relation to a perceived use. The term usually refers to so-called 'natural' resources but also includes human capabilities, such as knowledge. In the case of natural resources, a distinction is conventionally made between non-renewable and renewable resources. However, the extent to which a resource is being depleted, in relation to potential reserves, is subject to highly contingent assumptions. A small change in one of the variables, whether on the demand or the supply side can drastically change the predictions.

States

A state is a portion of geographical space within which the resident population is organized (i.e. governed) by an authority structure. States, particularly nation-states, have externally recognized sovereignty over their own territory but not over others. States are the political building blocs of the international economy; they legitimize global governance institutions, like the IMF, the UN, and the WTO. They attempt to control economic transactions within their borders (for example, using fiscal and monetary policies) and across their borders (for example, through mechanisms to regulate trade, investment and population movements). The number of nation-states has grown significantly in the past few decades.

Strategic alliances

Strategic alliances are formal agreements between firms to pursue a *specific* strategic objective; to enable them to achieve a specific goal that they cannot achieve on their own. It involves the sharing of risks as well as rewards through joint decision-making responsibility for a specific venture. In a strategic alliance only some of the participants' business activities are involved; in every other respect the firms remain not only separate but also usually competitors. In that sense, strategic alliances differ from mergers. Many companies are involved in not just single alliances but in networks of alliances.

Technological change

Technological change involves not only the invention of new things, or new ways of doing things, but also the transformation of inventions into usable innovations, and the subsequent adoption and diffusion or spread of such innovations. Technological change is a socially and institutionally embedded process. The ways in which technologies are used – even their very creation – are conditioned by their social, political and economic context. It enables new structures, new organizational and geographical arrangements of economic activities, new products and new processes, while not making particular outcomes inevitable. A useful distinction is between incremental/gradual technological change and radical/revolutionary technological change.

Territorial embeddedness

Every component in a global production network – every firm, every economic function – is, quite literally, 'grounded' in specific locations. Such grounding is both physical (in the form of the built environment) and also less tangible (in the form of localized social relationships and in distinctive institutions and cultural practices). Such territorial embeddedness may be manifested at a variety of geographical scales. However, the national state continues to be the most important bounded territorial form in which production networks are embedded because this is the primary scale at which regulatory and legal processes operate.

Time-space convergence

The relative distances between places on the earth's surface have been progressively reduced by developments in transportation and information and communication technologies. Such increased speed of flows in effect compresses the time taken to traverse geographical space and 'shrinks distance', bringing places closer together in a relative, though not an absolute, sense. However, such shrinkage is highly uneven: time-space convergence affects some places more than others. The time-space surface is highly plastic; some parts shrink whilst other parts become, in effect, extended. By no means everywhere benefits equally from technological innovations in transportation and communication. The world has 'shrunk', but uniformly.

Transnational corporations (TNCs)

A transnational corporation is a firm that has the power to coordinate and control operations in more than one country, even if it does not own them. Its significance lies in three basic capabilities: to coordinate and control processes and transactions within and between different countries; to take advantage of geographical differences in the distribution of factors of production (for example, natural resources, capital, labour) and in state policies (for example, taxes, trade barriers, subsidies etc); to switch and to re-switch its resources and operations between locations at an international, or even a global, scale.

World Bank

Established, like the IMF, at Bretton Woods in 1944. Its primary purpose is to provide financial (low interest loans, interest free credit and grants) and technical assistance to developing countries. It has a specific focus on the alleviation of poverty. Headquarters: Washington, D.C.

World Trade Organization (WTO)

The WTO was established in 1995 as the successor to the GATT (General Agreement on Tariffs and Trade), which had regulated world trade since 1947. The WTO embodies a multilateral, 'rule-oriented' approach to trade based on non-discriminatory agreements between member states. The WTO is, in principle, a far more democratic organization than the IMF, in which the voting system is 'weighted', so that the more powerful states have a greater share of the vote. In the WTO each of the 153 member states has an equal vote. However, the position is not as straightforward as it seems. Headquarters: Geneva, Switzerland.