This chapter addresses the globalization of production. Although companies have been investing abroad for centuries, the most recent era of globalization has created an unprecedented range of possibilities for global firms to reorganize and relocate their activities. The chapter analyses how advances in transportation and technology allow a firm to divide up a global value chain — the sequence of activities that lead to the production of a particular good or service — and how these decisions create new opportunities and challenges for both companies and the societies within which they operate. It first reviews the rise of global production and the forces that have led to dramatic increases in foreign direct investment (FDI) and outsourcing. The central questions for any firm involved in global production involves how to govern the value chain and where to locate different activities. The chapter then provides a framework for understanding these issues and the implications of the various choices. It also applies these concepts to the case of East Asia, particularly China.