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Global politics

Higher level and standard level

Paper 1

23 October 2023

Zone A afternoon | **Zone B** afternoon | **Zone C** afternoon

1 hour 15 minutes

Instructions to candidates

- Do not open this examination paper until instructed to do so.
- Answer all the questions.
- The maximum mark for this examination paper is **[25 marks]**.

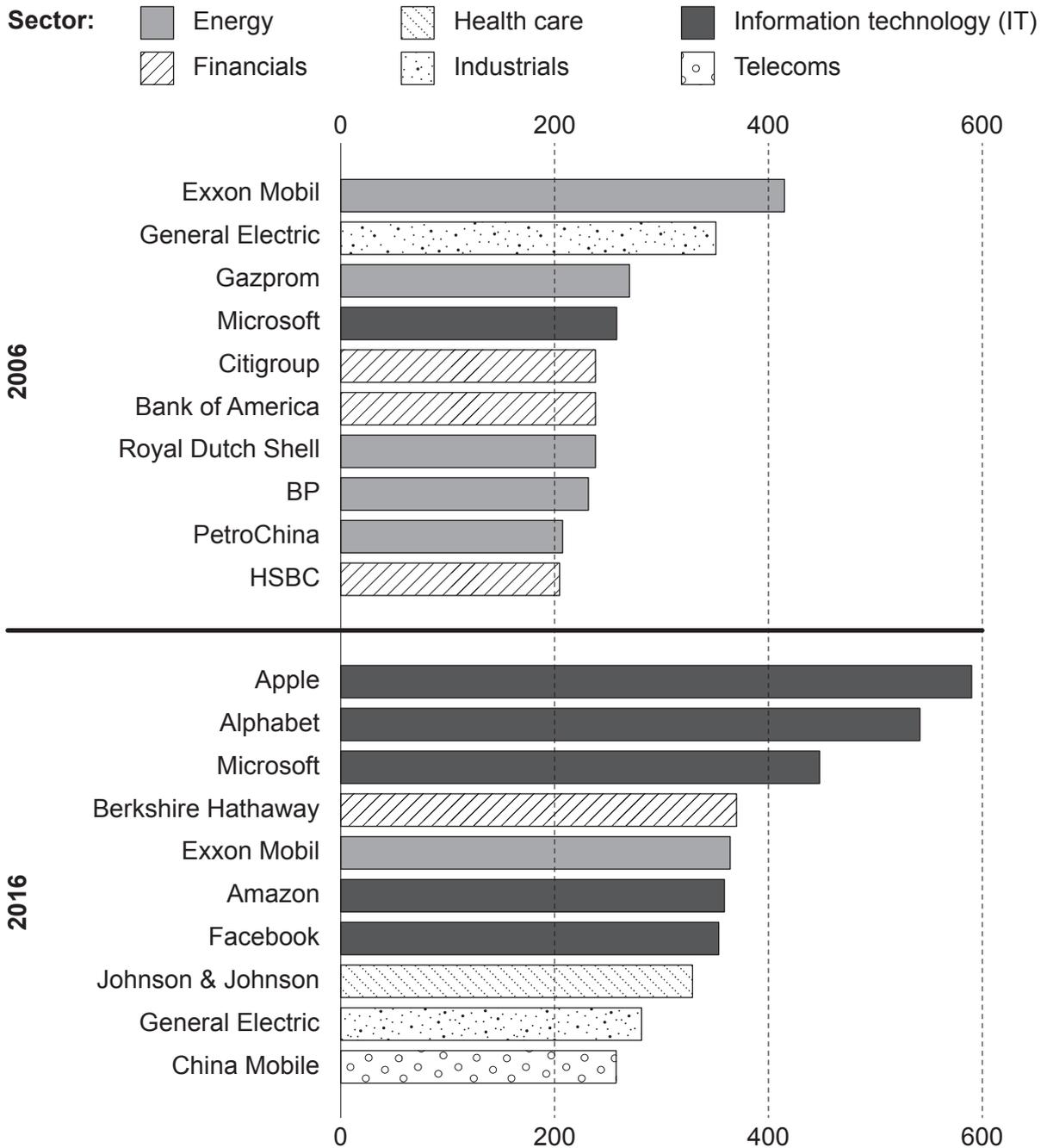
Unit 1 Power, sovereignty and international relations

Function and impact of international organizations and non-state actors in global politics

Read all the sources carefully and answer all the questions that follow.

Source A Adapted from: "The rise of the superstars", a special report on companies dominating the global economy, published in *The Economist*, 17 September 2016.

World's largest companies ranked by market value in 2006 and 2016, US\$ billion.



[Source: "A virtually new world" Bloomberg chart from *The Economist*, 2016. Special report: The rise of the superstars. *The Economist*. Available at: https://www.economist.com/sites/default/files/20160917_companies.pdf [Accessed 15 January 2021]. Source adapted. Used with permission of Bloomberg L.P. Copyright © 2023. All rights reserved.]

Source B

Adapted from: “The great uncoupling: one supply chain¹ for China, one for everywhere else” by Kathrin Hille, *The Financial Times*, 6 October 2020.

Many manufacturers are being forced to rethink their presence in China. “In the past, there would have been one massive plant in China for the whole world. But that globalization is gone,” says a Taiwanese investment banker and adviser on deals which have contributed to loosening global supply chains from China. “It will be more costly, and it will be less efficient. But it is the way that politics is pushing us.” Foxconn, the Taiwanese company (worth US\$178 billion) which makes the iPhone and which has a workforce of close to 1 million in China, says it expects manufacturing to fragment into a China supply chain and several others for the rest of the world. “The past model, where manufacturing is concentrated in just a few countries like a world factory, will no longer exist,” the chairman said at a conference in June. “What we think is more likely in the future are regional production networks.” Western companies have also come to fear that making equipment in China might put data security and privacy at risk. “If you supply Google or Facebook, you need to show that it’s a non-China product,” says the chief executive of the consultancy, Silk Road Associates.

However, trade experts caution that the shift of global supply chains away from their sole reliance on China will take a long time. Although China’s share of global exports markedly dropped in 2019 because of a trade war², the country’s share of global exports hit a new historic high this year.

¹ supply chain: a term used to describe the international connections of people and activities involved in the supply, production and distribution of a good

² trade war: a situation where multiple countries aim to decrease the number of foreign producers having access to their market

Source C

Adapted from: “Multinational enterprises in the global economy: Heavily debated but hardly measured”, a policy note produced by the *Organisation for Economic Co-operation and Development* (OECD), an international organization whose members are countries with advanced economies and whose aim is to encourage economic growth around the world, 2018.

Multinational enterprises (also known as multinational corporations or MNCs) are attracted to countries because of different reasons: access to large and growing markets of consumers, access to natural resources or specific technologies/knowledge or specific financial and tax legislation *etc.* Virtually all governments are keen to attract MNC investment as these promote growth and employment by creating new jobs, realising new investments and bringing in new technologies. MNCs account for half of global exports and about one-fourth of global employment.

The contribution of MNCs to world gross domestic product (GDP)³ is estimated to be 28%. Of this, parts of the company located abroad (foreign affiliates) account for one third of production and MNC headquarters and domestic plants in the home country account for the rest. Foreign affiliates are an important part of MNC activities. Almost all of the production of foreign affiliates worldwide is “controlled” by a small group of OECD economies and most significantly the United States of America, the United Kingdom, France, Germany, Japan, the Netherlands and Switzerland. Yet, despite MNCs’ acclaimed importance, empirical data is not widely available and only a few states have kept data on MNCs’ production in their home country.

³ gross domestic product (GDP): the total monetary or market value of all the finished goods and services produced in a country over a period of time

Source D

Adapted from: “Ethical Audits and the Supply Chains of Global Corporations (MNCs)”, a research report by The University of Sheffield, 2016.

In recent years, incidents such as the collapse of the Rana Plaza garment factory in Bangladesh in 2013 and the exposé of slavery and human trafficking in the Thai shrimp industry in 2014, have focused attention on the supply chains of global corporations (MNCs).

Multinational corporations have embraced corporate social responsibility⁴ goals and ethical audits (inspections) as an opportunity to preserve their business model and take responsibility for supply chain monitoring out of the hands of governments. However, corporations are still failing workers and the planet. Labour abuses, poor working conditions and environmental degradation within global supply chains remain widespread. Auditors can usually only inspect areas that suppliers choose to show them and are often only able to speak to workers they happen to see. Deception in the audit regime is widespread and known to corporations. Many corporations design audit programmes that only inspect suppliers where the final assembly of products takes place. Evidence from food, clothing and other industries indicates that the most exploited workers (*eg* forced and child labour) tend to be found in sites with complex subcontracting arrangements. The audit regime, with the involvement and support of non-governmental organizations (NGOs), is reducing the role of states in regulating corporate behaviour and re-orientating global corporate governance towards the interests of private business and away from social goods.

⁴ corporate social responsibility: an approach to business that takes into account social, economic and environmental impact, and considers human rights

1. Outline the main points illustrated in Source A. [3]
 2. With explicit reference to Source B **and one** example you have studied, explain why multinational corporations (MNCs) may make individuals vulnerable. [4]
 3. Compare and contrast what Source C **and** Source D reveal about how multinational corporations (MNCs) function. [8]
 4. Using all the sources and your own knowledge, examine the claim that multinational corporations (MNCs) are now of central importance to global politics. [10]
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References:

- Source A** “A virtually new world” Bloomberg chart from The Economist, 2016. Special report: The rise of the superstars. *The Economist*. Available at: https://www.economist.com/sites/default/files/20160917_companies.pdf [Accessed 15 January 2021]. Source adapted. Used with permission of Bloomberg L.P. Copyright © 2023. All rights reserved.
- Source B** Kathrin Hille, *Financial Times*, 6 October 2020. Available at: <https://www.ft.com/content/40ebd786-a576-4dc2-ad38-b97f796b72a0> [Accessed 22 December 2020]. Source adapted. Used under license from the Financial Times. All Rights Reserved. International Baccalaureate Organization is solely responsible for the adapted version of content and the Financial Times Limited does not accept any liability arising from the adaptation.
- Source C** This is an adaptation of a document originally published by the OECD under the title: OECD 2018, “Multinational enterprises in the global economy: Heavily debated but hardly measured”, <https://www.oecd.org/industry/ind/MNEs-in-the-global-economy-policy-note.pdf>. The additional opinions expressed and arguments employed herein do not necessarily reflect the official views of the Member countries of the OECD. Organisation for Economic Co-operation and Development, 2018. *Multinational enterprises in the global economy: Heavily debated but hardly measured*. [pdf] Organisation for Economic Co-operation and Development. Available at: <https://www.oecd.org/industry/ind/MNEs-in-the-global-economy-policy-note.pdf> [Accessed 15 January 2021]. Source adapted.
- Source D** LeBaron, G., and Lister, J., 2016. *Ethical Audits and the Supply Chains of Global Corporations*. [pdf] The University of Sheffield. Available at: <http://speri.dept.shef.ac.uk/wp-content/uploads/2018/11/Global-Brief-1-Ethical-Audits-and-the-Supply-Chains-of-Global-Corporations.pdf> [Accessed 15 January 2021]. Source adapted.