



UNSC

ATIDMUN 2021

*Preserving the Role of Nation-States in
International Politics in the Era of Multinational
Corporations*

Chair Letters

Cabinet A

Dear delegates,

Welcome to **the United Nations Security Council CABINET A!** My name is Asaf Dar, and I will be one of your chairs for this conference. I am an Atid Lod senior currently living it up at the age of 18 in good ol' Sitria (yes, that's a real place). My first Model UN conference was TIMEMUN 2017, and since I've taken part in 9 conferences across the globe (mainly in Israel though). I am super psyched to chair this year's Security Council committee in AtidMUN 2019.

I have already said, I currently live in Sitria (a little Moshav next to Rehovot). I spent 3 years in Canada perfecting the arts and skills of grades 3-5 and returned to Israel to share my vast knowledge of snow and maple syrup with my friends. I major in biology, biotechnology, and geology (which is awesome, no matter what you may have heard in the past). I love rock music, hiking in Israel and in the rest of the world, and watching movies (particularly Star Wars). I am also a huge fan of TV shows, wasting way too much time consuming way too much content. I am a counselor in Hashomer Hatzair, ironically outside of Israel, and I am a part of the Sayarut (Hiking) Youth Organization of the SPNI. I believe MUN to be an amazing game and simulation. The friends you make, the knowledge you acquire and the experiences you gain are unmatched by most extra-curricular activities. I hope you have the most amazing time at our conference and especially at our committee (seeing how it is the best one of them all), and perhaps learn a thing here and there about diplomatic relations, compromises, and global events.

Hope to see you soon!

Sincerely yours,

Asaf Dar

Email: asafdar008@gmail.com



Dear delegates,

It is with deepest pride and greatest pleasure that I welcome you to the **United Nations Security Council CABINET A!**

I'm 17 years old and a senior in Atid Lod High School for Sciences. I'm majoring in Physics and Computer Science, and I have recently finished the 3- year Bar Ilan Program for the youth gifted in mathematics. I'm also a 9th-grade counselor in the scouts, and my favorite m&m is the green m&m.

I embarked on this terrific activity called MUN in the 9th grade and Atidmun is going to be my 7th MUN conference. During my 3 years in MUN, I took part in a variety of committees and conferences, both in Israel and the world, and last year, I chaired the UNODC in this very conference! Even though none of those experiences were necessarily perfect, I learned something from each one of them and became a better delegate and a chair thanks to them.

I know from experience how stressful a conference and the preparation for it can be, so I want you to know that you can reach out to me any time you like, and I'd be more than happy to help you with any assistance.

Hope to see you soon!

Sincerely,

Shira

Email: shirametz2003@gmail.com



Cabinet B

Dear Delegates,

My name is Hagar Asaf and I welcome you to the **Security Council Cabinet B!** I'm thrilled to be one of your chairs, and I hope every single one of you will have an incredible experience during our day together.

I am currently in the twelfth grade, studying at Ohel Shem High School in Ramat Gan. This is my fourth year being part of the MUN club in my school, and I can say with certainty that this experience has resulted in me learning and growing beyond what I thought was possible. Chairing the Crisis Committees at TIMEMUN 2020 and ATIDMUN 2019 have become the highlights of my MUN career. Also, this year, I got into the shoes of Mitch McConnell, controlling the American Senate (the Republican Head)-the was it! At TIMEMUN 2021.

Besides participating in MUN activities, I am a debater on Israel's national debate team and at Tel Aviv University. I'm excited to meet all of you at the training sessions and the conference, and until then, I am more than open to questions and concerns via email.

Sincerely,

Hagar Asaf - hagar.asaf10@gmail.com



Dear Delegates,

My name is Noya and I welcome you to the **Security Council Cabinet B!**

I am a senior in Wizo Hadassim. I was born in the US, living in New York, New Jersey and Texas before moving to Israel at the age of 9. Whilst MUN does take up an extraordinary amount of my time, whether it's training my school club, preparing for conferences as a delegate or chairing and organizing conferences, I genuinely appreciate this window of the opportunity to develop and to advance open for me. I also enjoy reading, writing, hanging out with friends, working out, binging some sort of Netflix shows and baking chocolate chip cookies at 3:00 am blindfolded and without a recipe.

One of the main reasons that I feel passionate about MUN is that it has a certain everlasting significance in my life that I would not be able to find in any other after school activity or club. The unique mixture of meeting interesting people who impact your life in more ways than you could ever know, learning debate skills and tactics that will follow you into your professional and personal life and while encountering imperfections in the way our world, one can learn to appreciate the small wonders.

I wish you all good luck and can't wait to see you debate!

Best regards and Good luck,

Noya Karcz (cinakarczn@gmail.com)



Table of contents

Chair Letters	2
Table of contents	6
Introduction to the Committee	7
Cabinet B: “Plan 2030”	8
Background of the Topic	9
The Role of Sovereign States in International Politics	9
Multinational Corporations	9
The Influence of MNCs on Nation-States	10
Current situation	15
Questions to Consider	17
Bibliography	17

Introduction to the Committee

Cabinet A: The United Nations Security Council (UNSC)

The UNSC is the primary peacekeeping body of the United Nations, which works to diffuse acts of aggression and threats to the maintenance of peace both nationally and internationally. According to the UN Charter, the UNSC serves to “investigate any dispute or any situation which might lead to international friction or give rise to a dispute, in order to determine whether the continuance of the dispute or situation is likely to endanger the maintenance of international peace and security”. Its powers include establishing peacekeeping operations, imposing international sanctions, and authorizing military action; and it is the only UN body with the authority to issue binding resolutions to member states; i.e., member states must agree to carry out the resolutions passed by the UNSC. If a country fails to comply with a resolution, punitive measures follow, which include the investigation of the issue, the recommendation of procedures for peaceful resolutions, calling upon member states to enforce economic sanctions, calling upon member states to sever diplomatic relations, and as a last resort, the use of military force.

Like the UN as a whole, the Security Council was created following World War II to address the failings of a previous international organization, the League of Nations, in maintaining world peace. The Security Council consists of fifteen members. The great powers that were the victors of World War II - the Soviet Union (now represented by the Russian Federation), the United Kingdom, France, the Republic of China, and the United States serve as the body's five permanent members can veto any substantive Security Council resolution. The other 10 members are non-permanent, and they get elected on a regional basis to serve two-year terms.

Cabinet B: "Plan 2030"

On the 31st of March, 2021, ten of the largest and most influential multinational corporations (MNCs) have agreed to convene in order to discuss and draft their plan for the decade to come. They labeled this convention as 'Plan 2030'.

These companies hold a significant share of the world revenue. They also own many important resources - from oil to food or even information, and are thus crucial to the basic functions of the global world. These corporations are everywhere - their presence is felt in nearly every country.

Citizens use your products on a daily basis for their own betterment. It is almost natural that you would use your global position to create a better world for them once again. It is well known that governments are limited and cannot take real action. But you can. You are not bound by petty politics and regulations, or by a responsibility for certain people. You can be equally responsible for all the people on earth.

It is in this spirit that you have decided to draft a plan of action for the betterment of the world in the upcoming decade. You have also decided that a simple majority (over 50%) is enough to make it binding to all MNCs in the room - hopefully, it will create a ripple effect and all of the other MNCs in the world will follow suit.



Background of the Topic

Preserving the Role of Nation-States in International Politics in the Era of Multinational Corporations

The majority of modern economic developments wouldn't have occurred without Multinational Corporations (MNCs). Some experts argue that globalization is not caused by countries interacting with each other, but rather by corporations. They drive the trade and investment flows that fuel economic growth. The rise of China as a global superpower (which some would argue is the most significant economic shift in recent history) would not have happened without Western-based MNCs. MNCs were the ones that invested in China and infiltrated it into the world economy.

The Role of Sovereign States in International Politics

Since the industrial revolution in the late 18th and early 19th centuries, the effects of globalization have spread throughout the world to nearly every country on the planet. Globalization is defined as a blurring of cultural, social, and economical borders between separate states. The effects of globalization have created a world that is constantly connected and aware of events conspiring within the borders of each individual state. In the spark of globalization rose the advancement of international politics and relations. In 1945, in the wake of the second world war, the United Nations was established. The role of the United Nations was to create a forum for all nations to discuss international relations and settle disputes through organized committees composed of members from many different countries. This created the basis for present-day international politics.

The world as we know it is divided into nation-states, and they are the actors in the international political sphere. Every single event and any incident occurring on the planet can be summed up into an explanation through descriptions of countries' behaviors. However, in the last couple of years, there has been a change in the way international politics is handled. New "players" have entered the arena of international politics, players who have not been elected by the people they represent, players who have resources with very limited supervision, players who do not play by the rules set for international politics. These players are Multinational Corporations.

Multinational Corporations

Multinational Corporations (MNCs) are corporations which own products/services and/or conduct business outside of their base country. MNCs' most common characteristics are importing and exporting goods and services, contract manufacturing (permitting a local manufacturer to produce

products on foreign land), and making significant investments in foreign countries. Each MNC must legally have a domicile, meaning a country that serves as the base of their operations. The legal domicile has full jurisdiction over the company and can enforce its laws onto it. Note that the MNC can *choose* its legal domicile and therefore can opt for a legal domicile which is not necessarily the country from which the MNC originated.

The Influence of MNCs on Nation-States

The influence of MNCs differs from nation-state to nation-state and from issue to issue. Scholars have identified the following ways in which MNCs are involved in international politics.

The first way is by directly engaging in political activities such as campaign contributions and lobbying in order to sway policy-making or pressuring political leaders into addressing their demands. With these methods, they can also work with industry associations and political action committees to further their interest and advances. In order to bargain, MNCs can offer “inducements” (such as promises of new investments) or “deprivations” (such as threats to withdraw investments). As well as direct lobbying, MNCs can tie informal ties with political leaders that can offer them persuasive and informational opportunities.

The second way MNCs hold a role in international politics is by being instruments of the nation-states, which use MNCs in order to advance their political agenda by strengthening the effects of sanctions through MNC production networks. Another way in which nation-states can use MNCs for their benefit is by facilitating capital transfers through firms to strengthen monetary policy or assisting in MNC’s foreign affiliates to gather intelligence.

The final way in which MNCs can influence governments is by doing so unintentionally. MNCs can hold immense power starting as their mere presence in nation-states. MNCs’ powerful positions in the eyes of governments assist political leaders in defining problems, devising policies, and prioritizing objectives. For example, 20% of all American employees are employed by MNCs.

Studies show that large global firms are significantly more likely to support trade liberalization and to lobby for it in a variety of countries, including the US, Japan, and Costa Rica. Sources point out that

the gains from trade are highly concentrated in a few firms in the US and that these firms have MNCs that are specific to certain countries or regions.

Numerous studies have shown how MNCs can influence local policy decisions in their host countries by providing policy expertise and information on the way other countries operate, lobbying officials, and helping leaders overcome difficult interests by offering more revenue and employment. This way MNCs promise benefits to the host countries (more employment and access to technology) or threaten to withdraw or cut employment.

MNCs are also the most dominant players in an abundance of international organizations such as the world trade organization (WTO). While they are not members of this organization, they hold massive power over the governments they're under. The MNCs can easily help or harm the economy of nation-states. This allows MNCs to wield power against governments by threatening to move to more desirable and "liberal" countries and harm the economy of the nation-state when the MNC feels like the host government is asserting its authority too rigorously (or in other cases, use its power to influence the host government to their advantage). This emphasizes the importance of control and containment of MNCs at an international level.

We have reached a point in time where MNCs, due to their international nature, have risen above the enforcing hand of domestic law enforcement and supervision as a domicile company. MNCs today have the resources and economic influence that can rival nation-states. Along with the lack of nation-state supervision (and the lack of definition of who can supervise a Multinational Corporation), MNCs can now act with no defined supervision or regulation. The sudden freedom granted to MNCs poses many problems to all nation-states, therefore a problem for the world as a whole.

One of the largest problems caused by the lack of defined supervision is the economic law-bending done by MNCs. Since MNCs can choose their legal domicile regardless of the country from which they originated, most corporations will opt to choose a nation with less scrutinizing regulations and supervision. This stunt gives them leeway to perform acts outside of the jurisdiction of some nation-states but being under the jurisdiction of another. A popular example of this act is called tax avoidance. Tax avoidance is a legal procedure in which an MNC will select a legal domicile different from its original home in order to avoid paying large amounts one money in tax payments. MNCs tend to

choose legal domiciles where the tax requirements are significantly less harsh than the ones found in their home states. Countries such as the Netherlands find themselves the legal domiciles of many MNCs due to their relatively few requirements for legitimate business practices. Thus, multinational corporations can pay less money in tax while still filling the requirements needed to pay the tax in the legal domicile and avoid perilous indictments of tax evasions. As of 1992, most nations acting as legal domiciles can tax a corporation on both its domestic profits and its worldwide profits. While not being completely above the law (still having to pay taxes on all profits made by the company) MNCs can dodge paying large sums of money through tax avoidance. In practice, countries find it nearly impossible to tax MNCs on all of their international revenue. Most MNCs are enterprises of dozens if not hundreds of companies under the same parent company name. This fact gives MNCs advantages in worldwide revenue taxes by using transfer pricing (reducing taxes for international companies under common control) through the parent company. Moreover, tax avoidance causes large problems for countries that are the homes of big MNC headquarters yet don't receive a dime from the taxation of these multibillion-dollar empires. For example, when a multibillion-dollar company such as Facebook signs Ireland, modern tax haven, as a legal domicile, it avoids paying billions of dollars in tax money on all profit made not on US soil. This not only allows Facebook to keep their money but also causes the United States to lose billions of dollars as it is unable to tax an MNC which operates within its borders.

The main problem the nations of the world must consider is the likely scenario in which a multinational corporation decides to take action on a nation-state scale. Today MNCs have the power to perform hugely influential actions with worldwide scale ripple effects. While a scenario as such has yet to be seen, the pieces are in place for one to occur.

MNCs have a direct influence on most nation-states across the globe. Around 20% of employed workers in the United States work for multinational corporations, and most MNCs tend to have offices or warehouses in dozens of countries, holding thousands of workers under their wing. A theoretical scenario of a multinational corporation taking action on a nation-state scale is the establishment of a new currency only accepted by the MNC. Just like any nation-state, an MNC can establish its own currency and start conducting business internationally using that currency. Once a new currency is established, most nation-states are left to catch up to the multinational corporation in terms of matching the currencies. As stated before, many workers in most countries work under

MNCs. Those workers will be paid with the newly established currency, which will coincidentally not be received in their home nation. Once workers find themselves ill-equipped to pay for day-to-day expenses in their home country using the country's currency, they will turn to depend on companies under the large umbrella of the same MNC. With this simple act, MNCs have the power to pull immense sums of money to their court and make nation-states lose billions.

But there's more. If an MNC introduces new currency, they take away the nation-state's ability to regulate the monetary flow. This means that the nation-state cannot control inflation levels because it is not the sole printer of cash. This has drastic effects - nation-states are supposed to regulate the value of the local coin **for the betterment of the citizens**. MNCs do not have that responsibility, and can use it for their own gain.

Another unfortunately imaginable scenario in which a multinational corporation acts outside its defined lane is a military action initiated by an enterprise. Nation-states have legitimacy on holding a military force, which is to protect their sovereignty and interests within their borders and abroad. As of today, the only bodies found legitimate of holding organized armed militias or armies are nation-states. Any other forms of armed militias are categorized as either terrorist organizations or illegally armed militias. In theory, a multinational corporation can employ an armed militia to defend their interests overseas and on their legal domicile. While the presence of these forces might be illegal, some would say it holds the same legitimacy as having foreign troops of one nation-state inside another. To put it bluntly, MNCs have the resources to fund an army whose sole purpose is to defend the interests of corporations. For example, an MNC can send an armed force into a disputed territory to defend valuable resources. In this hypothetical (though very possible) scenario, the world will be filled with reports of "separatist Sudanese forces engaging with Google mercenaries". MNCs do not have seats near the table of international politics, and thus cannot be reasoned with through the current means of international politics. Once an MNC decides to incorporate a military force in their interests nation-states find themselves facing forces far superior to an unorganized terrorist group.

The biggest difference between nation-states and multinational corporations is that the head of nation-states have been elected by the people they represent, serve and supervise. The most acceptable form of rule in the 21st century in the form of democracy. Most nation-states are run through a system of democracy, putting the people as the general shot-callers through representatives. Multinational corporations are not run as a country, they are run as a company. This means that the head of the

MNC is not an elected official, and was not chosen by the workers of the company, aka the people they represent. Ranking members of MNCs are not elected by the workers of the company, rather they rise through the ranks with time and experience in the field. A promotion is different from an elected office. This causes a major issue of distrust between the leaders of the enterprises and the low-ranking workers. The workers of the corporation cannot be sure that the head of the empire has their best interest in mind, nor do they have the power within the corporation to replace leaders who do not share their interests and goals. The main distinction between a country and a company is that a country's main goal is to protect its people (even if it is not a democracy), while a company's main goal is to protect its profits. Today companies are not required to prioritize the interests of their workers over perseverance of revenue.

Current Situation

As of now, many nation-states have taken vastly different approaches to confront multinational corporations. A controversial approach to MNCs is the Chinese model. China uses the MNCs growing from within its borders as extended branches of the nation-state itself. China acts as if the country is an overwatching parent company, supervising MNCs overseas. The Chinese government can shape the acts of the company and can sometimes appoint the higher-ranked officials (including the CEO). These companies are usually governmentally owned - meaning that the government holds over 50% of the shares of the company. The influence Chinese multinational corporations have on other nation-states is the direct act of China. Alternatively, China uses MNCs to sway countries in international policy-making. For example, the Chinese Belt and Road Initiative (BRI) is an initiative in which Chinese companies invest in foreign countries and provide large economic support to nation-states in difficult financial spots. Thus the Chinese MNCs, and by extension, China itself holds these states afloat financially in a nearly single-handed manner. Should the nation-states act outside of the general interest of China, the multinational corporations would pull out of the said country and cut all support, leaving the state in financial ruins.

On the other side of the spectrum, many governments have been aggressively dealing with MNCs. An obvious example of this can be found in the case of the banks, which have been subject to tougher regulation, higher capital requirements, and special taxes such as Britain's bank levy. There has also been further pressure to ensure that multinational corporations do not try to minimize their tax bills. Technological MNCs have been widely criticized in this matter and have come under pressure to pay their fair share of tax.

The Australian government has chosen to combat the MNCs tax evasion by enforcing the multinational anti-avoidance law which ensures that Companies dealing with Australian customers will be expected to pay an appropriate amount of Australian tax.

It is up to you to write the next chapter in international politics into history. How can you, some of the most powerful MNCs in the world, increase your global influence? Should you fight for an equal seat at the international table? How far are you willing to go for these goals?

And you, the United Nations Security Council - what is your course of action? How can you limit the ever-growing influence of these MNCs? Should you do it, or is it a welcome development? Should nation-states take on the Chinese model and take over multinational corporations as branches of the state? Should nation-states impose harsher regulations on MNCs and force them into a more restrained course of operations?

The stage is set: the choice is yours. The fate of humanity rests upon your shoulders. Can you create a better world for everybody, or will you leave it in ashes?

May luck forever be in your favor.

Questions to Consider

- How can both sides cooperate/collaborate and benefit the global economy?
- What is your objective as an MNC? Is it just profit, or is it something else?
- What resource do you control as an MNC? How much of it do you control?
- Is there a large presence of multinational corporations in your country? Explain their role/status.
- Does your country support the Chinese model?
- Does your country serve as a Multinational Corporation haven? Why?
- What are the benefits of hosting an MNC?
- What part of your country's workforce works for MNCs?
- Should MNCs face stricter regulations?
- What is the realistic perspective on state and corporate power in the international system?

Bibliography

- Author, Guest. "21 Sep Who Runs the World?" *Equatex*, 21 Sept. 1970, www.equatex.com/en/article/who-runs-the-world/.
- Babatunde, Oyeboade Akindale. <https://escholarship.org/Content/qt3nz79708/qt3nz79708.Pdf?t=nrwo7z>. 1977.
- "Overview of Compliance Issues for Multinational Companies." *Shield GEO*, 14 Dec. 2016, shieldgeo.com/overview-of-compliance-issues-for-multinational-companies/.
- "Sanctions Security Council." *United Nations*, United Nations, www.un.org/securitycouncil/sanctions/information.
- The International Spectator. Italian Journal of International Affairs. Volume 52, 2017-Issue 4. 2021 Informa UK Limited. "States versus Corporations: Rethinking the Power of Business in International Politics". <https://www.tandfonline.com/doi/full/10.1080/03932729.2017.1389151>

Appendix from <https://www.tandfonline.com/doi/full/10.1080/03932729.2017.1389151>

Figure 1. State-centric perspective on state and corporate power in the international system.

Sx represent states, Cx corporations. The relation between states can be conflicting (as between S2 and S3), cooperative (as between S1 and S2) or neutral (as between S1 and S3). Corporations can play different roles, such as being shared by S1 and S2 (C2), used by S3 against S2 (C3) or used as an asset (“national champion”) of S1 (C1).

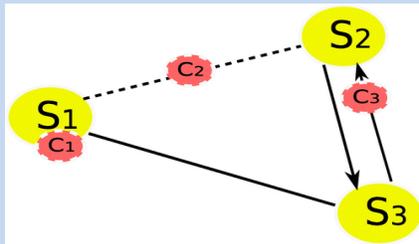
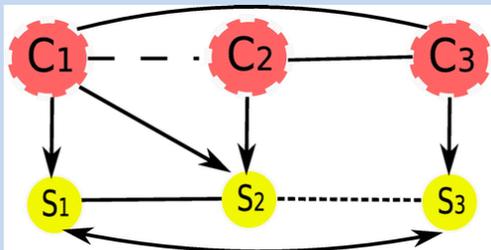


Figure 2. Sx represent states, Cx corporations. Corporate power is mostly detached from the realm of international politics and is exercised upon states. Relations between states (e.g. conflicting between S1 and S3) and corporations (e.g. neutral between C2 and C2, cooperative between C1 and C2) exist separately.



Towards a realistic perspective on state and corporate power in the international system. Cx and Sx are corporate, respectively state actors that meet each other as juxtaposed in the global system. The resulting relations can be conflicting (e.g. C1 and C3), cooperative (e.g. C2, S3 and S2) or neutral.

