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## The Price of a MacBook

### Intricate Global Supply Chains and Human Rights Violations in the Global South

Every time a new iPhone or the latest MacBook gets released there is media attention on how fast the new processors are, how sleek the design is, how long the batteries last, and how much detail the camera captures. Rarely the attention focusses on the intricate supply chains of these products and the human rights violations which are hidden behind a corporate veil. In this modern age the world has become one global village, where everything is interlinked. In turn, big cooperations have spread their influence beyond state borders and operate in multiple different countries, taking advantage of resources and labour that are cheaper and more easily accessible in contrast to their home states. Many countries of production are located in the global south, since there is less oversight on working conditions and fair wages (Pickles and Zhu 2). For instance, the United States are the largest economy in the world (in nominal GDP) and are consequently the home of many multinational enterprises (MNEs) and a large consumer market. The state of California, which is a hub for innovation, is home to many tech giants such as Apple Inc, Alphabet Inc or Meta. All of these multi billion dollar companies have their headquarters located in California. Since these MNEs operate in multiple countries and have access to resources and workers around the world, their supply chains are very complex and extend all over the world. To illustrate, Apple's bestselling MacBooks are designed in California but assembled in China. California has however in 2010 passed the *California Transparency in Supply Chains Act* (CTSCA), which requires companies doing business in California, that make over 100 million dollars annually in gross revenue to explicitly disclose their efforts to eradicate human trafficking and slavery from their supply chains. The act was passed with the intent to help end human

trafficking and modern slavery, which affects about 40 million people around the globe (Global Estimates of Modern Slavery 9). Supply chains and foreign direct investment (FDIs) have long been critically investigated regarding human rights and their connections to one another. Hence the questions arises as to whether or not acts such as the CTSCA can positively impact FDIs and their connection to human rights? I argue that the *California Transparency in Supply Chains Act* contributes toward corporate social responsibility but fails to implement legally binding rules and is therefore inconsequential towards tech leviathans such as Apple or Dell.

First one has to define what human trafficking and modern slavery are, since they are often used as an umbrella term and not specifically defined by laws. The United Nations (UN) defines modern slavery as any situation “of exploitation that a person cannot refuse or leave because of threats, violence, coercion, deception, and/or abuse of power.” The majority of people within modern slavery are vulnerable groups within society, such as persons regarded of low caste, tribal minorities, and indigenous people. Forced labour can, beyond the traditional form of forced labour (bonded labour or debt bondage), be seen in migrant workers, who are trafficked for economic exploitation. This form of forced labour is observed across various sectors such as the construction industry, the food and garment industry, or the agricultural sector (“International Day for the Abolition of Slavery”). Moreover, according to the International Labour Organisation (ILO) labour rights or worker’s rights are more than a set of legal rights but are actually human rights as they relate to the human right of freedom of association. Thus, a violation of labour rights can be considered as a violation of human rights (“International Labour Review” 128).

Globalisation in the early 2000s caused a globalised production of goods, which resulted in weaker regulations and deteriorating working condition (Gereffi and Mayer 18). Those weaker regulations led to a global governance deficit regarding production. However, the lack of governance in global supply chains stimulated the emergence of various private and public governance initiatives (Pickles and Zhu 2). Subsequently, the CTSCA was passed and requires companies to disclose their efforts of selling modern slavery-free products by firstly verifying their supply chains and evaluating the risk of human slavery. In addition, companies must state whether or not the verification was done by a third party. Secondly, companies have to audit suppliers to establish if suppliers comply with internal company

standards. Again the disclosure needs to specify whether or not the audit was independent and unannounced. Thirdly, companies must certify that the materials they use comply with local slavery and human trafficking laws. Additionally, companies must maintain internal accountability towards employees who fail to meet company standards on trafficking and slavery. Lastly, employees and management needs to be educated and trained about mitigating risks of human trafficking and slavery within supply chains (Harris 11-20). All of the aforementioned procedures ensure that consumers can make an educated decision about the products they are buying. Therefore, the CTSCA imposes corporate social responsibility upon MNEs. MNEs have to refrain from making purely rational decisions to maximise profits, as they are beholden to a certain ethical standard and societal expectations (Hofferberth et al 223). Society establishes certain norms as appropriate or inappropriate behaviour and MNEs have to act within this framework of acceptable behaviour in order to maintain their reputation. Respecting human rights has been established as a norm of appropriate behaviour within democracies (Hofferberth et al 212) and thus is consequential for consumer decisions about buying from companies based on their human rights track record. Consequently, disregarding human rights can have a negative impact for companies as consumers might chose to take their business elsewhere. Overall, the CTSCA's regulations are supposed to motivate companies to cautiously vet their suppliers and sources regarding human rights violations and take their due diligence seriously. However, the CTSCA has a big caveat since it shifts responsibility away from companies. Consumers have to independently research companies's disclosure agreements and evaluate if audits conducted by third parties are more likely to eradicate human rights violations from supply chains. The amount of information can be overwhelming for the everyday consumer, especially considering how complex today's global supply chain structures are. Moreover the risk of human rights violations vary, based on company size, the industry, and how many suppliers are in the overall supply chain (Chilton and Sarfaty 29).

Traditional scholarship asserts that there is a negative correlation between Foreign direct investment (FDI) and human rights. In short, countries that violate human rights seem to be attractive towards investors and receive large sums of inward FDIs despite public knowledge of violations (Blanton and Blanton 144-145). The appeal for such countries are distinct class stratifications, which enable companies to pay low wages (London and Ross

25). For instance, China has recently been scrutinised for detaining Uyghur muslims in the Xinjiang region. Nonetheless, China remains one of the largest recipient of inward FDIs in 2021 with a sum over 300 billion dollars, according to the Organisation for Economic CO-operation and Development (OECD). The world is aware of Chinese human rights violations but companies like Apple and Dell still remain large investors in the country (“China: Foreign Investment”), despite having to be transparent about their supply chains.

Apple Inc., is a Californian company, headquartered in Cupertino, which manufactures computers, smartphone, tablets, and computer software and was founded in 1976 by Stephen Wozniak and Steve Jobs (Levy). Since Apple’s humble beginnings in Steve Jobs’ garage, the company has grown into a tech giant and became the first company to reach a value over a trillion dollars in 2018 and in January 2022 Apple reached a market value of three trillion dollars again being the first company to reach that milestone (Sharma). Since Apple is a technology manufacturing company located in California they must abide with the CTSCA and disclose their efforts to eradicate human trafficking and slavery from their supply chain on their website. Nonetheless, one of their Chinese suppliers Lens Technology Company Limited has been accused of using forced muslim labour in its factories (Albergotti). According to documents uncovered by the human rights group *Tech Transparency Project*, Uyghur muslims detained in the Xinjiang region were sent to Lens’ factories and forced to work there. Apple asserts it does the utmost to ensure a supply chain free of human right violations and Lens Technology are one of the audited supplier, yet they employ forced labour. Moreover, Esquel Group, the company that provides Apple with its company t-shirts has been linked to coerced labour in Xinjiang, China. The retail company uses cotton from the region and has been sanctioned by the US commerce department (“Apple’s Employee Uniforms Tied to Forced Labor in Xinjiang”). In fact, Apple has been facing scrutiny on its supply chain in China and the mounting accusations of forced labour in connection with Beijing’s detainment of Uyghur muslims. Another one of Apple’s business partners, wind turbine maker Xinjiang Goldwind Science & Technology Co., Ltd, has suspected ties with forced labour, along with seven other different Apple suppliers. According to an investigation by the *Tech Transparency Project*, the wind turbine manufacturer received labour exports from the infamous Xinjiang region (“Apple’s Uyghur Dilemma Grows”). These ‘labour exports’ are a method of forced labour according to the NGO. Revelations and allegations of

forced labour within Apple's supply chain questions its business entanglement with the country and the credibility of their disclosures under the CTSCA. Apple states that it has a zero policy regarding human trafficking, modern slavery and forced labour and asserts that their supply chain are held up to the highest standards (Apple 2020). The company publicly states that it is "committed to treating everyone with dignity and respect and to protecting the planet we all share. As people around the world continue to face many challenges related to the COVID-19 pandemic, our work to respect human rights and provide opportunities for people across our supply chain has never been more important (Apple 2020)." Yet there is mounting evidence of their suppliers being involved in forced labour in China despite Apple's continuously denies any wrongdoings within their supply chain. Furthermore, Apple has signed a 275 billion dollar deal in 2016 with China in order to appease threats made against their products such as Apple Pay, iCloud, and the App Store. In addition, the agreement included a pledge from Apple to aid Chinese manufacturers in developing highly advanced manufacturing technologies, train Chinese talents and use more components from Chinese suppliers, sign deals with Chinese software firms, collaborate with research in Chinese universities, and directly invest in Chinese tech companies, as well as assistance with around a dozen Chinese government causes (Ma). Additionally, the company lobbied against a bill in late 2020, which would hold US companies accountable for using forced Uyghur labour. The bill holds companies accountable for using forced labour in the Xinjiang region and companies could be prosecuted if found guilty (Albergotti). Apple continues to present themselves as a company that champions for human rights and was rewarded the Thomson Reuters Foundation's Stop Slavery Award in 2018 as recognition to eliminate forced labour within their supply chains. Yet, the company continues to rely on supply chains, which are deeply entangled in China, a country with a known history of human rights violations and forced labour. Concurrently, they claim to have done their due diligence and use their mandated supply chain disclosures as a means to create corporate social responsibility to white-wash their image.

Dell Inc., a global technology company, which similarly to Apple develops and manufactures computers along with software and an array of computer related products. The company, which was founded in 1984 is one of the worlds biggest suppliers of computers and was founded by Michael Dell in Texas and still has its headquarters there. Only five years

after the founding of the company, Dell released its first notebook computer and was the first company in 1994 to include long-lasting lithium-ion batteries in their computers. In 2003 the company started to offer an array of computer related items and subsequently changed their name to Dell Inc. from the previous PC'S limited to emphasise their expansion of products ("Dell Inc"). Since Dell is a global household name when it comes to computers, they have an annual multibillion dollar revenue. Consequently, Dell must abide by the CTSCA and disclose their efforts to attaining a supply chain free from human rights violations, if they want to have access to the Californian consumer market. Like many other MNEs Dell's supply chain is globalised and complex. In fact, 85 percent of the American company's supply chain is located in China and is thus deeply entangled within the Chinese industrial sector. Dell's substantial supply chain in China is heavily indicated in the use of forced Uyghur muslim labour in the Xinjiang region (the company even maintains a regional office in Urumqi). Alongwith Dell's large footprint in Xinjiang, the company has direct ties with the Chinese government's surveillance program and is implicated in surveillance operations in Xinjiang (Picarsic and de La Bruyère). In 2015 Dell Inc committed to a 125 billion dollar investment in China over five years. The investment was responsible for creating over one million jobs in China and CEO Michael Dell said at the time that "Dell will embrace the principle of 'In China, for China' and closely integrate Dell China strategies with national policies ("Dell Says to Invest \$125 Billion in China over Five Years"). In addition to the company's troubling ties and reliance on China, Dell (along with Apple, Google, Microsoft, and Tesla) has been named in a pending lawsuit filed by the human rights firm *International Rights Advocates* on behalf of 14 parents and children from the Democratic Republic of the Congo (DRC). Said children were working in cobalt mines of the aforementioned companies when they died. The plaintiffs are seeking damages for coerced child labour. The mines implicated in the lawsuit are owned by British mining company Glencore, which sold the cobalt to Umicore, a Belgian metal and mining trader, who then sells the cobalt to Dell and companies alike (Dimri). Just like Apple, Dell complies with the CTSCA and dutifully highlights their efforts of eliminating modern slavery from their supply chain, yet their supply chains are full of controversy and there are no legal ramifications for their involvement in the Chinese region Xinjiang.

Recent scholarship suggests that countries with a good track record on human rights are more attractive to foreign investors since respect for human rights signal political stability and therefore less risk toward the investor and reduced boycotts of a more conscious consumer public (Blanton and Blanton 153). However, OECD data reveals that China's FDI inflow increased from 2019 to 2020 ("Foreign Direct Investment Statistics"). Regardless of the country's bad human rights track record companies like Dell and Apple have continuously invested in the country and relied on its low production costs. Forced labour seems to be a price that companies are willing to pay in return to access to the largest consumer market in the world.

Despite the CTSCA requiring transparency from MNEs that wish to enter the Californian consumer market, incidents of forced labour or child labour still occur within supply chains. The previously mentioned lawsuit is a prime example of how complex supply chains are in its current forms. Moreover, the lawsuit questions companies' transparency as one plaintiff claims that the defendants knew about the cobalt being mined by children and still engaged the mines in their supply chains and profited from illegal mining of cobalt by children (United States District Court of Columbia). Despite a multitude of allegations of forced labour in China, or forced child labour in cobalt mines companies keep insisting of having the highest standards of human rights and no tolerance toward any human rights violations. If human rights violations are found, companies claim to sever all connections with suppliers in question and hide behind a facade of corporate transparency. There is a lack of global governance concerning MNEs human rights records. The guiding principle of the UN, which states that "the responsibility of business enterprises to respect human rights refers to internationally recognised human rights" is a moral principle rather than a legally binding one (Principles on Business and Human Rights). Hence, domestic laws have to hold MNEs and their suppliers accountable. This puts regional acts such as the CTSCA at a disadvantage since it is nearly impossible to track fragmented supply chains that are spread over countries all across the world. To add, the act only requires disclosures and doesn't require companies to take new measures to ensure a supply chain free of forced labour. The language used in the disclosures of Apple and Dell for example are vague which makes it more difficult for consumers to determine whether companies respect their norms. Due to the

vagueness of disclosures it is easy for companies to feign corporate social responsibility and appear trustworthy without compromising their profitable supply chains.

In sum, human trafficking and forms of modern slavery are present within a globalised world order and due to a lack of global governance the CTSCA was passed as state level legislative initiative aimed at countering the use of slave labour and human trafficking in the global supply chain. The act is aimed at creating more transparency and thus more corporate social responsibility, so consumers can make educated decisions. Nonetheless, companies such as Apple and Dell still have mounting allegations of forced labour within their supply chains, despite disclosing their efforts to eradicate human rights violations and continue to invest in countries with questionable human rights records. Since the CTSCA does not require companies to adopt new measures within their supply chain, consumers are the ones holding companies accountable instead of state enforcement. Hence, it is desirable for companies to be socially aligned with the norms of their consumers. However, it is manageable for already established multibillion dollar companies to preserve their leading statuses despite allegations of human rights violations. Since accountability is shifted to the consumer and UN principles are morally binding instead of legally it might be wise to adopt a global supply chain law to see real change and force MNEs to respect human rights.



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