AO3 Evaluate and make a judgement

Assessment Objective 3 assesses the candidates' ability to apply their knowledge and understanding to an unfamiliar context. They may be asked to ascribe meaning to stimulus material, analyse information, evaluate an issue or make a judgement and justify it. In some AO3 questions, candidates will be combining two or more of these skills.

The following example, which assesses AO3, is taken from Component 2 of the Geography A SAMs. However, the ability to evaluate the advantages and disadvantages of MNC investment is one which could equally have been assessed in the Geography B SAMs.

Study the fact box below.

| The population of Mexico is 121 million. |
| Mexico is an NIC. Wages are rising and more people than ever can afford to spend money on consumer items. |
| It is estimated that 60% of all workers in Mexico work in the informal sector. |
| In 2012 L’Oréal opened a new factory in Mexico that employs 1,200 workers. This investment cost L’Oréal US $100 million. |
| 66% of L’Oréal employees are women. |

Do you think this investment is good for Mexico?

Evaluate the advantages and disadvantages for Mexico of this type of investment by a multi-national company. [8]
Response 1
Overall I think the factory will have a good impact on Mexico. Here are my reasons.
It will bring jobs. This is important to NICs as one job leads to the multiplier effect with several other jobs following. This happened in Vietnam where Nokia opened a factory. It made the workers wealthy and they could pass on some of their money to the government who could spend it on improving the quality of life of people.
Lots of the people employed will be women, which is good because women in less developed countries don’t always get a fair share of the opportunities, like the coffee growers of Nicaragua. The workers will also be able to buy the cosmetics as they will have something called disposable income which is a bonus for other workers in Mexico like restaurants.

Response 2
Overall I think the factory will have a good impact on Mexico. Here are my reasons.
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Lots of the people employed will be women, which is good because women in less developed countries don’t always get a fair share of the opportunities, like the coffee growers of Nicaragua. The workers will also be able to buy the cosmetics as they will have something called disposable income which is a bonus for other workers in Mexico like restaurants.
There are some bad points. I know that Nokia gave most of the important jobs to the Europeans. I suspect the same will happen in Mexico because the headquarters of MNCs will be in Europe or America. It is also of no help to the shoe shine boys and the men who clean your windscreen as their jobs are not formal, so they can’t benefit.
Response 3

Overall I think the investment of L’Oreal in Mexico will be a good thing with the advantages far outweighing the disadvantages. Investment like this will help the country climb the ladder of development as it moves from being an NIC to an HIC.

An important starting point is the 1200 formal jobs created. These workers will pay taxes to enable the government to spend more on education which gives the future potential of Mexico a boost as the children will be literate with valuable skills. The taxes could also be spent on health and welfare. A healthy, happy workforce is more productive, again a future benefit for the country.

The disposable income that comes with a higher, reliable wage for the new factory workers will allow families to go to restaurants and buy luxuries like cars. Other MNCs may see the opportunity of opening, for example, a car factory as there is a new market. The advantages multiply in this way.

Many of the jobs created by Samsung when they moved to Vietnam were for women. I can see that L’Oreal have done the same with 66% of the workforce. This will improve the self-esteem of women, a much need feature of countries climbing the development ladder. Future job prospects will be improved and they will be good role models to their daughters.

If the advantages far outweigh the disadvantages, it is worth saying that Figure 2.4 doesn’t mention how many of the jobs will be top management or high skilled jobs. The government of Mexico will need to work hard requiring some of these more highly paid jobs to go to Mexicans to spur the rate of growth even faster. One other disadvantage is that one factory like this is a drop in the ocean for a significant increase in GDP and HDI figures. More need to follow to ensure that opportunities are given to those living on the black economy in informal work (no taxes are paid).
Response 4

I can see advantages and disadvantages but, overall, I think the investment might be bad for Mexico.

An economic advantage of the investment would be the creation of a lot more jobs in the formal sector of the economy – both directly and indirectly. The fact file states that the new L'Oréal factory would employ 1,200 workers directly, so, based on other MNCs I have studied like Tata, we might expect that about 3 times as many jobs would be created indirectly in supply chains. That's another 3,000 formal jobs. Formal jobs mean benefits for workers e.g. holiday pay and sickness benefit. Formal jobs also create more income for the government (through taxation) which can be spent on things like health care and education.

60% of all workers in Mexico are informal workers and this figure is much too high. It means over half the workforce is not paying taxes or being protected properly at work.

However, there are disadvantages too. 66% of L'Oréal's new jobs will be for women but these are likely to be low skilled and badly paid jobs in manufacturing or admin. Also, when world trade suffers or demand slumps, MNCS often pull out of countries where they have made investments. If L'Oréal decides to reduce production they will keep the well paid jobs in Europe like research and development but close the factory in Mexico creating unemployment. So, overall, I think this disadvantage outweighs any short term advantages.
Response 5

In my studies on MNC investment in NICs I came to the overall conclusion that it is not good for Mexico. If you listen to big companies like L’Oreal they will list all of the positives. The fact box suggests that the factory will employ 1200 workers but in proportion to the population of 121 million, this is a tiny amount. It will take many more MNCs to make a difference. The box also points out that the company needs to spend 100 million US$.

When I studied Nike in Vietnam I found out that huge amounts of the profits earned in NICs need to pay back the company rather than being reinvested in places like Mexico. The bonuses for Mexico will be less than expected as L’Oreal are not a charity, they need to pay their shareholders first.

My view is that the Tata model in India is a better bet. Tata is an Indian company and is more likely to invest at home for the future. Based on profits from steel and car making, it has invested huge amounts in Indian universities and in training across India. Also it has sponsored lots of social projects like water supply to rural areas. NICs like Mexico and India need huge numbers of better skilled, healthy workers to ensure rapid development. They are more likely to see the multiplier effect with higher home grown investment.
This question targets AO3.

Use the descriptors below, working upwards from the lowest band.

<table>
<thead>
<tr>
<th>Band</th>
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| 4    | 7-8  | Exceptional application of knowledge and understanding:  
|      |      | • Comprehensive chains of reasoning provide sophisticated analysis  
|      |      | • Balanced and coherent appraisal draws together wider geographical understanding to justify decision(s). |
| 3    | 5-6  | Thorough application of knowledge and understanding:  
|      |      | • Chains of reasoning provide elaborated analysis  
|      |      | • Balanced appraisal draws together wider geographical understanding to support decision(s). |
| 2    | 3-4  | Valid application of knowledge and understanding:  
|      |      | • Some connections provide valid but limited analysis  
|      |      | • Limited appraisal uses wider geographical understanding to support decision(s). |
| 1    | 1-2  | Some basic application of knowledge and understanding:  
|      |      | • Basic levels of meaning ascribed to the information/issue  
|      |      | • Limited and weak appraisal uses some wider geographical understanding to support decision(s). |
| 0    |      | Award zero marks if the answer is incorrect or wholly irrelevant. |

This question requires candidates to synthesise links between different areas of knowledge and understanding and apply this understanding to analyse novel information about Mexico that requires a decision. All elements of AO3 are targeted.

Responses should apply knowledge and understanding of the impacts of multi-national investments and evaluate the advantages and disadvantages of such investments for Mexico, which is a novel context.

**Advantages**: Creation of jobs both directly and indirectly will create positive multipliers, economic and social benefits may trickle down into wider community / ease regional deprivation.

**Disadvantages**:  
Best paid jobs (in management and R&D) remain in parent company’s country, changes in global market leave investments insecure if TNC has to contract.

**Use of evidence**

Multinational companies will create formal jobs (tax paying) that will replace informal jobs (Fact box 2.4).

Mexican women will benefit from the investment (Fact box 2.4).