STANDARD TEN

ECONOMICS

Unit - 1

Gross Domestic Product and its Growth: an Introduction

Learning Objectives

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- To know about the meaning of Gross Domestic Product
- To Understand the basic various measures of National Income
- To understand the composition of GDP
- To know the contribution of different sectors in GDP
- To know the economic growth and development and its differences
- To know about Development path based on GDP And Employment
- To understand the growth of GDP and Economic Policies

Introduction

After a long time you got in touch through email with a good friend of yours who lives abroad. When she asks "how are you?" you may answer " my health is in good shape and I am progressing in my studies, so I am doing well, thank you". Or your reply may be " Not very well. You see, I had to receive treatment for some health problems and that adversely affected my performance in my studies".

Your friend than asks you : "how is India doing?" The answer to this query is a bit more challenging because she is asking about the condition of the entire nation ! Fortunately economists have provided different measures of answering your friend's question , the most widely used one being the Gross Domestic Product, or GDP. The GDP then is one way to know if " India is doing well" or " India is not doing as well as we would wish".

DEFINITION OF GDP

To understand how the GDP tells us how India is doing, you should understand what GDP is.

Imagine what happens in a hotel. You place an order for two Idlis and a cup of tea. Someone makes the idlis and tea and someone else serves you.

An economist will say that in the hotel two kinds of items are being produced . Obviously, Idlis and tea are produced . These are tangible, physical things you can touch and feel.

Economists call such tangible items "goods". These goods are not free but have to paid for.

Though you don't realise it in addition to these tangible things called goods, something else is being produced : the work done by the cooks and the people who serve the food. The activity of cooking and serving is not something you can feel and touch. Such activities are not tangible but are nevertheless crucial for you to enjoy the food. Economists call such activity "services". As in the case of goods, these and other services are not free but have to be paid for.

What happens everyday in a hotel happens nation wide: goods and services are produced and paid for and this what the GDP measures.

The GDP is defined follows:

The GDP is the market value of all the final goods and services produced in the country during a time period.

Every part of the definition is important.

Goods and services: as you know by now, goods are tangible items while services are activities which are intangible .

Market value: This is the price at which goods and services are sold in the market.

The GDP measures all the goods and services produced in the country. For this, we have to add all the goods and services produced. However a nation produces a wide range of goods like rice, shoes , trains, milk, clocks, books and bicycles. If only the quantities are taken into account, there is no meaningful way to add these up. For example, how do you add 1000 litres of milk with 500 clocks?! Likewise there is no meaningful way to add the quantities of services since a wide range of services are produced , such as the work done by doctors, police, fire brigade, teachers, bus drivers and district collectors.

When we cannot add the quantity of one type of good with another type of good or one type of service with another type of service, certainly there is no sensible way to add the quantities of goods produced with those of services produced ! How would we add the quantity of milk produced in the country with the service produced by teachers?!

The GDP solves this problem by measuring the goods and services in the currency of the country, which is the rupee in the case of India. The rupee values are derived from the prices at which the goods and services are sold in the market. Only those goods and services with a market value are included in the GDP.

This implies that unless a good or service is sold in the market, it is not included in the GDP. For example if you pay ₹50 to get a manuscript typed in a computer centre, the service is included in the GDP since it is sold in the market. If you type the manuscript yourself , the service typing a manuscript is not included in the GDP since you did not purchase it for a price in the market.

Final goods and services: Economists Tyler Cowen and Alex Tabarrok say that "final goods and services" are the goods and services which will be used or consumed and will not form a part of other goods and services. The goods and services which will be used for producing other goods and services and will form a part of the goods and services produced are called "intermediate goods".

Only the final goods are included in the GDP. Intermediate goods are not counted in calculating the GDP because their value is included in the final goods. So if the intermediate goods are included in the GDP it will result in what is called "double counting".

For example, a cup of tea bought in a hotel is a final good because it is consumed and does not form a part of producing something else. So the market value of the cup of tea, being a final good, is included in the GDP. Sugar which is mixed in the tea is an intermediate good because it is used in making tea and forms a part of the tea served. Suppose the tea is priced ₹10 a cup, of which the value of sugar used is ₹2. So the price of the cup of tea includes the ₹2 price of the spoon of sugar. If this value of sugar is included in the GDP , it will be counted twice: as a spoon of sugar and again as a part of the cup of tea. This is "double counting" and to avoid it the intermediate goods like sugar are excluded from GDP.

Should the market value of utensils used to brew the tea be included in the GDP? You may argue that since the utensils are bought not as final goods but to produce tea, they are intermediate goods and so they should not be included in the GDP. However the utensils, unlike sugar, do not form a part of the final good , the cup of tea. For this reason they should be included in the GDP.

1.1 National Income

'National Income is a measure of the total value of goods and services produced by an economy over a period of time, normally a year'. Commonly National Income is called as Gross National Product(GNP) or National Dividend.

1.1.1 Various terms associated with measuring of National Income

1. Gross National Product (GNP)

Gross National Product is the total value of (goods and services) produced and income received in a year by domestic residents of a country. It includes profits earned from capital invested abroad.

GNP = C + I + G + (X–M) + NFIA)

C = Consumption

I = Investment

G = Government Expenditure

X-M = Export – Import

NFIA = Net Factor Income from Abroad)

2. Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is the total value of output of goods and services produced by the factors of production within the geographical boundaries of the country.

3. Net National Product (NNP)

Net National Product(NNP) is arrived by making some adjustment with regard to depreciation that is we arrive the Net National Product (NNP) by deducting the value of depreciation from Gross National Product. (NNP = GNP – Depreciation)

4. Net Domestic Product (NDP)

Net Domestic Product (NDP) is a part of Gross Domestic Product, Net Domestic Product is obtained from the Gross Domestic Product by deducting the Quantum of tear and wear expenses (depreciation)

NDP = GDP – Depreciation

5. Per Capita Income (PCI)

Per capita Income or output per person is an indicator to show the living standard of people in a country. It is obtained by dividing the National Income by the population of a country.

Per capita Income = National Income / Population

DO YOU KNOW?

In 1867-68 for the first time Dadabhai Navroji had ascertained the Per Capital Income in his book "Poverty and Un-British Rule of India".

6. Personal Income (PI)

Personal income is the total money income received by individuals and households of a country from all possible sources before direct taxes, therefore, personal income can be expressed as follows (PI = NI corporate Income Taxes – Undistributed corporate profits – social security contribution + Transfer payment).

7. Disposable Income (DI)

Disposable income means actual income which can be spent on consumption by individuals and families, thus, it can be expressed as DPI = PI – Direct Taxes

(From consumption approach DI = Consumption Expenditures + Savings)

1.2 Gross Domestic Product (GDP)

Produced in the country: GDP of India includes only the market value of goods and services produced in India. For example the market value of apples produced in Kashmir are included in our GDP since Kashmir is in India. The market value of apples produced in California, even if they are sold in Indian markets, are not included in our GDP because California is in the U.S.

Produced during a time period: The GDP of a country measures the market value of goods and services produced only during the specified time period. The goods and services produced in earlier periods are not included. If an year is the specified time period, the GDP of 2018 will include the market value of goods and services produced only during 2018. So a bicycle produced in 2017 will not be included in the GDP measure for 2018.

In India the GDP is measured both annually and quarterly. The annual GDP is for a financial year which is from April1 of say 2017 to March 31, 2018. This is written as 2017-18. The quarterly GDP estimates are for each of the four quarters into which India's financial year is divided:

First quarter, denoted Q1: April, May and June

Second quarter, or Q2: July, August, September

Third Quarter or Q3: October, November, December

Fourth Quarter, or Q4: January, February, March.

The annual GDP for financial year 2017 - 18 will include only the goods and services produced during this financial year and will exclude the goods and services produced in the previous years. Likewise GDP for Q2 will include only the goods and services produced in Q2 and will not include the goods and services produced in Q1.

Gross Domestic Product (GDP) definition

Gross Domestic Product (GDP) represents the economic health of a country. It represents a sum of a country's production which consists of all purchases of goods and services used by individuals, firms, foreigners and the governing bodies. The monetary value of all the finished goods and services produced within a country's border in a specific time period.

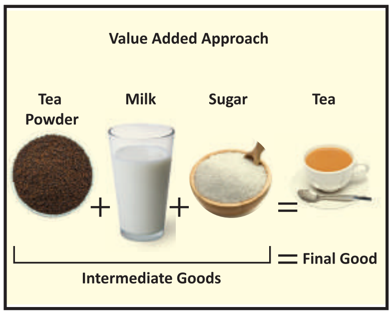
GDP = C + I + G + (X – M)
C = Consumption I = Investment
G = Government Expenditure
(X – M) = X = Exports – M = Imports

DO YOU KNOW?

The modern concept of GDP was first developed by Simon Kuznets for a US Congress report in 1934.

1.2.1 Methods of GDP Calculating

1. **Expenditure Approach:** In this method, the GDP is measured by adding the expenditure on all the final goods and services produced in the country during a specified period. The different types of expenditure are shown in this equation: Y = C + I + G + (X – M)
2. **The Income Approach:** This method looks at GDP from the perspective of the earnings of the men and women who are involved in producing the goods and services. The income approach to measuring GDP (Y) is Y = wages + rent + interest + profit
3. **Value-Added Approach:** A cup of tea served to you in a hotel is a "final good". The goods used to produce it , tea powder, milk, and sugar, are "intermediate goods" since they form a part of the final good, the cup of tea. One way to measure the market value of the cup of tea is to add the value produced by each intermediate good used to produce it. Each intermediate good, the tea powder , milk and sugar, adds value to the final output, the cup of tea. In the value-added approach the value added by each intermediate good is summed to estimate the value of the final good. The sum of the value added by all the intermediate goods used in production gives us the total value of the final goods produced in the economy.



1.2.2 Importance of GDP

1. Study of Economic Growth.
2. Unequal distribution of wealth.

3. Problems of inflation and deflation.
4. Comparison with developed countries of the world.
5. Estimate the purchasing power.
6. Public Sector.
7. Guide to economic planning.

1.2.3 Limitations of GDP

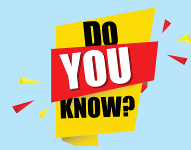
The GDP is the most widely used measure of the state of the economy. While appreciating its usefulness, we should be aware of some of its limitations.

1 **Several important goods and services are left out of the GDP:** The GDP includes only the goods and services sold in the market. The services provided by parents to their children is very important but it is not included in the GDP because it is not sold in the market. Likewise clean air, which is vital for a healthy life, has no market value and is left out of the GDP.

2 **GDP measures only quantity but not quality:** In the 1970s schools and banks did not permit the use of ballpoint pens. This is because the ones available in India were of very poor quality. Since then, not only has there been a substantial increase in the quantity of ballpoint pens produced in India but their quality has also improved a lot. The improvement in quality of goods is very important but it is not captured by the GDP.

3 **GDP does not tell us about the way income is distributed in the country:** The GDP of a country may be growing rapidly but income may be distributed so unequally that only a small percentage of people may be benefitting from it.

4 **The GDP does not tell us about the kind of life people are living:** A high level of per capita real GDP can go hand-in-hand with very low health condition of people, an undemocratic political system, high pollution and high suicide rate.



Estimation of GDP

The Central Statistical Organisation (CSO), under the Ministry of Statistical department keeps the records. It's processes involves conducting an annual survey of industries and compilation of various indexes like the Index of Industrial Production (IIP) Consumer Price Index (CPI) etc.

1.3 Composition of Gross Domestic Product (GDP)

Indian economy is broadly divided into three sectors which contribute to the GDP namely Agriculture and allied activity, Industry and Services.

1) Primary Sector: (Agricultural Sector)

Agricultural sector is known as primary sector, in which agricultural operations are undertake. Agriculture based allied activities, production of raw materials such as cattle farm, fishing, mining, forestry, corn, coal etc. are also undertaken.

Forestry

2) Secondary Sector: (Industrial Sector)

Industrial sector is secondary sectors in which the goods and commodities are produced by transforming the raw materials. Important industries are Iron

Industry

and Steel industry, cotton textile, Jute, Sugar, Cement, Paper, Petrochemical, automobile and other small scale industries.

3) Tertiary: (Service Sector)

Postal and Telegraph

Tertiary sector is known as service sector it includes Government, scientific research, transport communication, trade, postal and telegraph, Banking, Education, Entertainment, Healthcare and Information Technology etc.. In the 20th century,economists began to suggest that, traditional tertiary services could be further distinguished from "quaternary" and "quinary" service sectors.

1.4 Contribution of different sectors in GDP of India

Services sector is the largest sector of India. Gross Value Added (GVA) at current prices for Services sector is estimated at 92.26 lakh crore in 2018-19. Services sector accounts for 54.40% of total India's GVA of 169.61 lakh crore Indian rupees. With GVA of ₹ 50.43 lakh crore, Industry sector contributes 29.73%. While, Agriculture and allied sector shares 15.87%.

Sector-wise contribution in GDP of India

India is 2nd larger producer of agriculture product. India accounts for 7.39 percent of total global agricultural output. In Industrial sector, India world rank is 6 and in Service sector, India world rank is 8. Contribution of Agriculture sector in Indian economy is much higher than world's average (6.4%). Contribution of Industry and Services sector is lower than world's average 30% for Industry sector and 63% for Services sector.

Gross value added (GVA) is the measure of the value of goods and services produced in an area, industry or sector of an economy. In national accounts GVA is output minus intermediate consumption; it is a balancing item of the national accounts' production account.

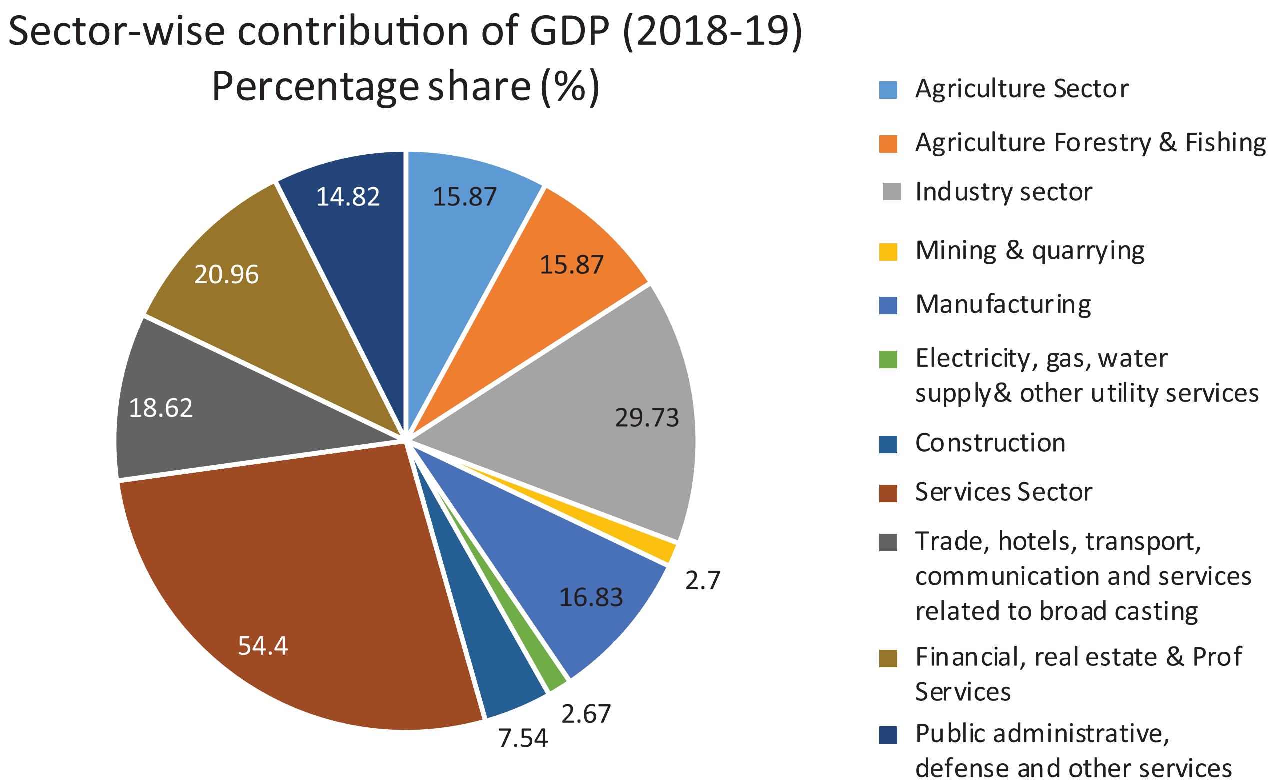
GVA is linked as a measurement to Gross Domestic Product (GDP), as both are measures of output. The relationship is defined as GVA + taxes on products - subsidies on products = GDP

GVA = GDP + subsidies - (direct, sales) taxes.

Sector-wise Contribution in GDP of India

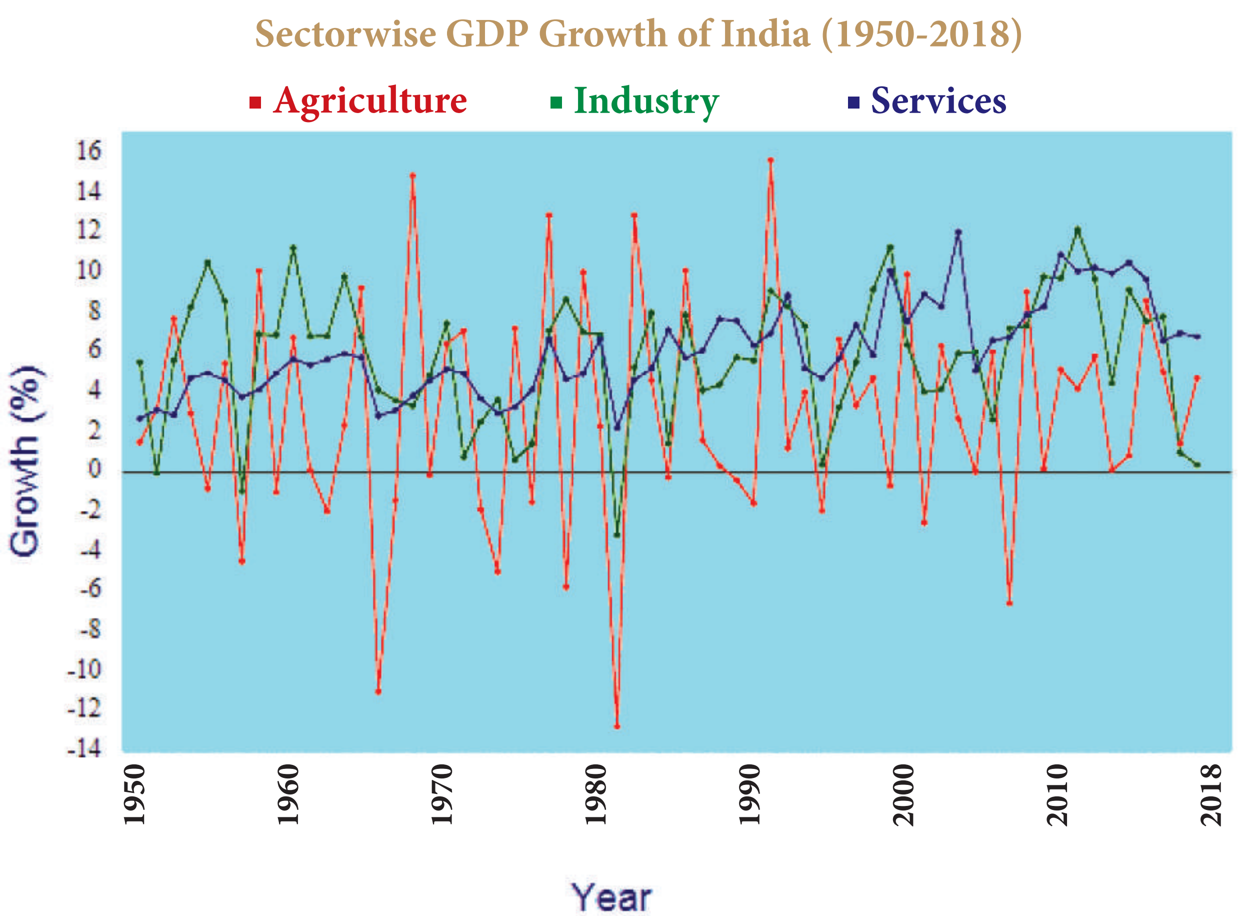
Year	Agriculture(%)	Industry(%)	Service(%)
1950-51	51.81	14.16	33.25
1960-61	42.56	19.30	38.25
1970-71	41.95	20.48	37.22
1980-81	35.39	24.29	39.92
1990-91	29.02	26.49	44.18
2000-01	23.02	26.00	50.98
2010-11	18.21	27.16	54.64
2011-12	17.86	27.22	54.91
2012-13	17.52	26.21	56.27
2013-14	18.20	24.77	57.03
2015-16	17.07	29.08	52.05
2016-17	17.09	29.03	52.08
2017-18	17.01	29.01	53.09

Source: Central Statistics Office



Source: Statistics times.com.

Note: The Table shows that Sector-wise contribution in GDP of India for the year 2018 - 2019.



Source: Statistics times.com.

Note: The chart shows that Sector-wise contribution in GDP of India for the year 1950-2018

1.5 Economic Growth and Development

As per the economist Amartya Sen, economic growth is one aspect of economic development. Also, united nation see it like this "Economic development focuses not only on man's materialistic need but it focuses on overall development or rise in its living standards.

Economic Growth

It is the quantitative measure which considers the rise in the output produced in an economy or nation in a particular period in its monetary value. The key parameters of economic growth in any economy are its Gross Domestic Product (GDP) and gross national product which helps in measuring the actual size of an economy.

For example, we say GDP of India is 2.8 trillion USD and ranked 6th in globe whereas GDP of the United States of America is 19.3 trillion USD and ranked one.It shows how much the production of goods and services has increased compared from last year in a quantitative manner. It has many parameters to measure and few of them are human Resources. They are Natural Resource, Advancement in technology, Capital formation, Political and social economic factors.

Economic Development

Economic development projects a broader picture of an economy which takes into account an increase in production level or output of an economy along with an improvement in the living standard of its citizens. It focuses more on socioeconomic factors rather than the just quantitative increase in production. Economic development is a qualitative measure which measures improvement in technology, labour reforms, rising living standards, broader institutional changes in an economy.

Human development Index (HDI) is apt tool to measure the real development in an economy.

Differences between Economic Growth and Economic Development

Comparison between Economic Growth and Economic Development	Economic Growth	Economic Development
Definition / Meaning	It is the positive quantitative change in the output of an economy in a particular time period	It considers the rise in the output in an economy along with the advancement of HDI index which considers a rise in living standards, advancement in technology and overall happiness index of a nation.
Concept	Economic growth is the "Narrower" concept	Economic development is the "Broader" concept
Nature of Approach	Quantitative in nature	Qualitative in nature
Scope	Rise in parameters like GDP, GNP, FDI,FII etc.	Rise in life expectancy rate, infant, improvement in literacy rate, infant mortality rate and poverty rate etc.
Term / Tenure	Short term in nature	Long-term in nature
Applicability	Developed nation	Developing economies

Measurement Techniques	Increase in national income	Increase in real national income i.e. per capita income
Frequency of Occurrence	In a certain period of time	Continuous process
Government Aid	It is an automatic process so may not require government support/aid or intervention	Highly dependent on government intervention as it includes widespread policies changes so without government intervention it is not possible
Wealth Distribution	Economic growth does not emphasize on the fair and equal distribution of wealth/income among all its people.	It focuses on a balanced and equitable distribution of wealth among all individual and tries to uplift the downgrade societies.

Human Development Index

In 1990 Mahbub ul Haq, a Pakistani Economist at the United Nations, introduced the Human Development Index (HDI). The HDI is a composite index of life expectancy at birth, adult literacy rate and standard of living measured as a logarithmic function of GDP, adjusted to purchasing power parity.

India climbed one spot to 130 out of 189 countries in the latest human development rankings released today by the United Nations Development Programme (UNDP). India's HDI value for 2017 is 0.640, which put the country in the medium human development category. Between 1990 and 2017, India's HDI value incased from 0.427 to 0.640, an increase of nearly 50 percent – and an indicator of the country's remarkable achievement in lifting millions of people out of poverty.

Between 1990 and 2017, India's life expectancy at birth too increased by nearly 11 years, with even more significant gains in expected years of schooling. Today's Indian school-age children can expect to stay in school for 4.7 years longer than in 1990. Whereas, India's GNI per capita increased by a staggering 266.6 % between 1990 and 2017.

1.6 Developmental Path based on GDP andEmployment

XRCWT1

In the development path of India, it first undertook the policy of closed trade. This was to give a thrust to domestic industries and reduce dependence on foreign products and companies.Trade and interaction with the outside world remained limited. This outlook continued till 1991 when India finally decided to open its borders to free trade and liberalized its economy by allowing foreign companies to enter the Indian economy.

A thrust was given to employment generation under the Five Year plans. This was to make up for a rising population and lacking jobs to absorb the increased workforce size. Rural development was also given importance in India, for the important constituent it was of the Indian landscape.

Poverty alleviation came as a corollary of rural development and a part of the development path of India. India inherited a poverty-stricken economy from the British rule, which had destroyed its resource base completely.

The public sector was given significant importance, Private companies and industries were subject to strict regulations and standards. It was believed that the government was the sole protector of the people and would work towards social welfare.

India has sustained rapid growth of GDP for most of the last two decades leading to rising per capita incomes and a reduction in absolute poverty. Per capita incomes have doubled in 12 years. In Per capita income, placing India just inside the Middle Income Country category.

Life expectancy at birth is 65 years and 44% of children under 5 are malnourished. The literacy rate for the population aged 15 years and above is only 63% compared to a 71% figure for lower middle income countries.

India has followed a different path of development from many other countries. India went more quickly from agriculture to services that tend to be less tightly regulated than heavy industry. There are some emerging manufacturing giants in the Indian economy.

Factors supporting Indian development

A fast-growing population of working age. There are 700 million Indians under the age of 35 and the demographics look good for Indian growth in the next twenty years at least. India is experiencing demographic transition that has increased the share of the working-age population from 58 percent to 64 percent over the last two decades.

India has a strong legal system and many English-language speakers. This has been a key to attracting inward investment from companies such as those specialising in Information Technology.

Wage costs are low in India and India has made strides in recent years in closing some of the productivity gap between her and other countries at later stages of development.

India's economy has successfully developed highly advanced and attractive clusters of

Gross National Happiness (GNH)

Gross National Happiness (GNH) is a philosophy that guides the government of Bhutan. It includes an index which is used to measure the collective happiness and well-being of a population. Gross National Happiness is instituted as the goal of the government of Bhutan in the Constitution of Bhutan, enacted on 18 July 2008.

The term Gross National Happiness was coined in 1972 during an interview by a British journalist for the Financial Times at Bombay airport when the then king of Bhutan, Jigme Singye Wangchuck, said "Gross National Happiness is more important than Gross National Product.

In 2011, The UN General Assembly passed Resolution "Happiness: towards a holistic approach to development" urging member nations to follow the example of Bhutan and measure happiness and well-being and calling happiness a "fundamental human goal."

GNH is distinguishable from Gross Domestic Product by valuing collective happiness as the goal of governance, by emphasizing harmony with nature and traditional values as expressed in the 9 domains of happiness and 4 pillars of GNH. The four pillars of GNH's are 1) sustainable and equitable socio-economic development; 2) environmental conservation; 3) preservation and promotion of culture; and 4) good governance.

The nine domains of GNH are psychological well-being, health, time use, education, cultural diversity and resilience, good governance, community vitality, ecological diversity and resilience, and living standards. Each domain is composed of subjective (survey-based) and objective indicators. The domains weigh equally but the indicators within each domain differ by weight.

businesses in the technology space. For example witness the rapid emergence of Bangalore as a hub for global software businesses. External economies of scale have deepened their competitive advantages in many related industries.

1.7 Growth of GDP and Economic Policies

Many Economic Policies have been framed by the Government of India since independence for increasing rate of economic growth and economic development. The important economic policies are

1. Agriculture policy

Agricultural policy is the set of government decisions and actions relating to domestic agriculture and imports of foreign agricultural products. Governments usually implement agricultural policies with the goal of achieving a specific outcome in the domestic agricultural product markets. Some over arching themes include risk management and adjustment, economic stability , natural resources and environmental sustainability research and development, and market access for domestic commodities.

Some Agricultural policies are Price policy, land reform policy, Green Revolution, Irrigation policy, Food policy, Agricultural Labour Policy and Co-operative policy.

2. Industrial Policy

Industrial development is a very important aspect of any economy. It creates employment, promotes research and development, leads to modernization and ultimately makes the economy self-sufficient. In fact, industrial development even boosts other sectors of the economy like the agricultural sector (new farming technology) and the service sector. It is also closely related to the development of trade.

Several industrial policies since 1948, Industrial policy on large scale industries Eg. Textile Industry policy, Sugar Industry policy, Price policy of industrial growth, Small scale industrial policy and Industrial Labour policy.

3. New Economic Policy

The economy of India had undergone significant policy shifts in the beginning of the 1990s. This new model of economic reforms is commonly known as the LPG or Liberalisation, Privatisation and Globalisation model. The primary objective of this model was to make the economy of India the fastest developing economy in the globe with capabilities that help it match up with the biggest economies of the world. These economic reforms had influenced the overall economic growth of the country in a significant manner.

Some other policies in India

- **Trade Policy**

  Import and Export policy (International Trade Policy), Domestic Trade Policy.

- **Employment policy**
- **Currency and Banking Policy**
- **Fiscal and Monetary Policy**
- **Wage Policy**
- **Population Policy**

1.7.1 GDP Growth of India

India's economic growth story since the 1990s has been steady, stable, diversified, resilent and reflect strong macro economics fundamentals. Despite fluctuations in recent quarters due to disruptions caused by two major structural reforms - demonetisation and the Goods and

Services Tax (GST). The world Bank projected a growth rate of 7.3% in the year 2018-19 and 7.5% 2019-2020. India's average economic growth between 1970 and 1980 has been 4.4% which rise by 1% point to 5.4% between the 1990 and 2000.

According to IMF World Economic Outlook (October-2018), GDP growth rate of India in 2018 is projected at 7.3% and India is 5th fastest growing nation of the world just behind Bangladesh.

RECAP

- GDP is the value of all goods and services produced within an economy in a financial year.
- Indian economy is classified in three sectors Agriculture and allied Industry and Service
- Depreciation: The Monetary value of an asset decreases over time due to use, wear and tear or obsolescence
- Income: The amount of monetary or other returns, either earned or unearned, accruing over a period of time.
- Gross Value Added (GVA): The measure of the value of goods and services produced in an area, industry or sector of an economy.
- GNP Deflator: The change in GNP with the change in price levels.
- Economic indicator - An economic indicator is a statistical data used to determine the health of the economy.

GLOSSARY

Depreciation	The process of lossing value	தேய்மானம்
Intermediate	Being between two other related things	இடைநிலை
Market Price	A price that is likely to be paid for something	சந்தை விலை
Final Goods	A consumer good or final good is any commodity that is produced or consumed by the consumer to satisfy current wants or needs	இறுதி பொருட்கள்
Composition	the nature of something's ingredients or constituents; the way in which a whole or mixture is made up	கலவை
Contribution	a gift or payment to a common fund or collection.	பங்களிப்பு
Socio-Economic	relating to or concerned with the interaction of social and economic factors.	சமூக-பொருளாதார
Self-Esteem	confidence in one's own worth or abilities; self-respect	சுயமரியாதை
Broader	covering a large number and wide scope of subjects	பரந்த
Staggering	continue in existence or operation uncertainly or precariously.	தடுமாற்றத்தினை

EVALUATION

I Choose the correct answer

J5WIZH

1. GNP equals
   a) NNP adjusted for inflation
   b) GDP adjusted for inflation
   c) GDP plus net property income from abroad
   d) NNP plus net property income or abroad
2. National Income is a measure of
   a) Total value of money
   b) Total value of producer goods
   c) Total value of consumption goods
   d) Total value of goods and services
3. Primary sector consist of
   a) Agriculture b) Automobiles
   c) Trade d) Banking
4. ______ approach is the value added by each intermediate good is summed to estimate the value of the final good.
   a) Expenditure approach
   b) Value added approach
   c) income approach
   d) National Income
5. Which one sector is highest employment in the GDP.
   a) Agricultural sector
   b) Industrial sector
   c) Service sector
   d) None of the above.
6. Gross value added at current prices for services sector is estimated at ______ lakh crore in 2018-19.
   a) 91.06 b) 92.26 c) 80.07 d) 98.29
7. India is ______ larger producer in agricultural product.
   a) 1 st b) 3 rd c) 4 th d) 2nd
8. India's life expectancy at birth is ______ years.
   a) 65 b) 60 c) 70 d) 55
9. Which one is a trade policy?.
   a) irrigation policy
   b) import and export policy
   c) land-reform policy
   d) wage policy
10. Indian economy is
    a) Developing Economy
    b) Emerging Economy
    c) Dual Economy
    d) All the above

II Fill in the blanks

1. ______ sector is largest sector in India.
2. GDP is the indicator of ______ economy.
3. Secondary sector otherwise called as ______.
4. ______ sector is the growth engine of Indian economy.
5. India is ______ largest economy of the world.
6. India is ______ fastest growing nation of the world.
7. ______ policy envisages rapid industrialization with modernization for attaining rapid economic growth of GDP.

III Choose the correct statement

1. The rate of saving is low in India for the following reason
   I. Low per capita income.
   II. Poor performance and less contribution of public sector.
   III. Poor contribution of household sector.
   IV. Savings potential of the rural sector not tapped fully.
   a) I, II, IV are correct
   b) I, II and III are correct
   c) I, II, III and IV are correct
   d) I, III and IV are correct

IV Match the following

1.	Electricity/ Gas and Water	– National Income / Population
2.	Price policy	– Gross National Product
3.	GST	– Industry Sector
4.	Per capita income	– Agriculture
5.	C + I + G + (X-M)	– Tax on goods and service

V Give short answer

1. Define National income.
2. What is meant by Gross domestic product?
3. Write the importance of Gross domestic product.
4. What is per capita income?.
5. Define the value added approach with example.
6. Name the sectors contribute to the GDP with examples.
7. Write the sectorwise Indian GDP composition in 2017.
8. what are the factors supporting to develop the indian economy
9. Write the name of ecnomic policies in India.
10. Write a short note 1) Gross National Happiness(GNH) 2) Human Development Index(HDI)

VI Write in detail answer

1. Briefly explain various terms associated with measuring of national income.
2. What are the methods of calculating Gross Domestic Product? and explain its.
3. Write about the composition of GDP in India.
4. Write the differences between the growth and development.
5. Explain the Developmental path based on GDP and employment.
6. Explain the following the economic policies
   1.Agricultural Policy
   2.Industrial policy
   3.New ecnomic policy

VII Activity and Project

1. Students are collect the Gross Domestic Product datas of Tamilnadu and compare the other state of Karnataka and Kerala's GDP.
2. Students are collect the details of Employment growth of Tamilnadu.

REFERENCE BOOKS

1. Sankaran Indian Economy(problems, policies,and development).
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3 Ministry of statistics and implementation planning commission. Government of india.

ICT CORNER

Steps

- Open the Browser and type the URL given below (or) Scan the QR Code.
- Click on 'Real GDP Growth' and select 'India' in Right side menu
- Drag the timeline button to see the GDP Growth of India

B376_10_SOCIAL_EM

Unit - 2

Globalization and Trade

Learning Objectives

- To know the meaning and history of globalization
- To know the trade and traders in South India historical perspective
- To know the evolution of growth of MNC
- To know the fair trade practices and WTO
- To understand the impact and challenges of globalization

CCTALJ

Introduction

Liberalization, Privatization and Globalization (LPG) have become a much talked of subjects among politicians, economists and businessmen in modern days. These three expressions are the supporting pillars of which the edifice of new economic policy of our Government has been erected and implemented since 1991.

2.1 Globalization

Globalization is the process of integrating various economies of the world without creating any barriers in the free flow of goods and services, technology, capital and even labour or human capital. Under globalization, the international markets for goods and services are integrated.

Globalization is the integration of a country with the world economy. Basically, globalization signifies a process of internationalization plus liberalization.

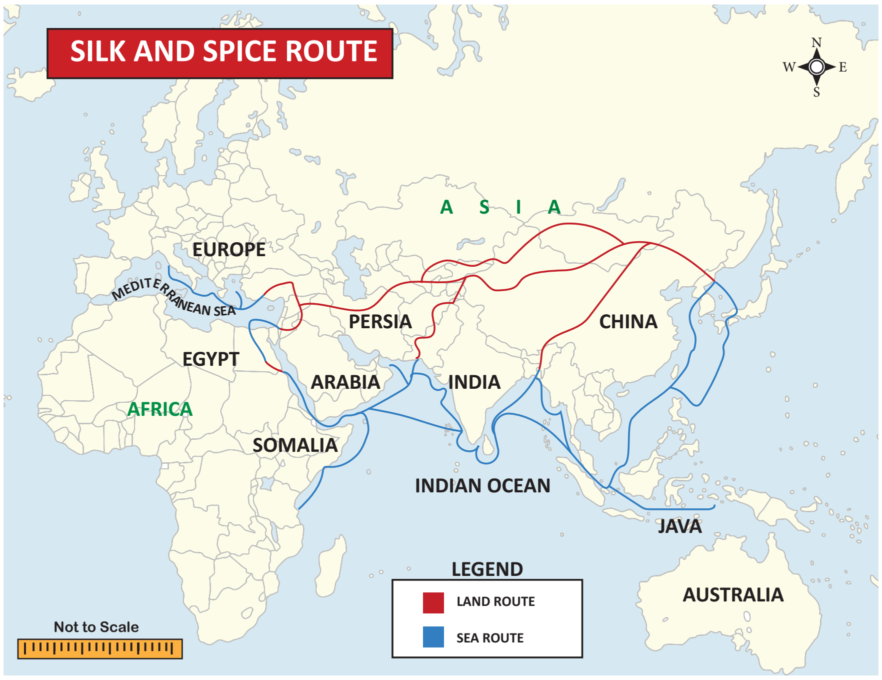
Globalization

2.2 History of Globalization

The term of 'Globalization' was introduced by Pro. Theodore Levitt. The historical backround of globalization can be discussed on three stages.

History of Globalization

- **Stage - 1** Archaic Globalization
- **Stage - 2** Proto Globalization
- **Stage - 3** Modern Globalization



Silk Route and Spice Route

2.2.1. Archaic Globalization

Andre Gunder Frank argued that a form of globalization has been in existence since the rise of trade links between Sumer and Indus valley civilization in the third millennium BC (BCE). An early form of globalized economics and culture, known as Archaic globalization existed during the Hellenistic Age. When commercialized urban centers were focused around the axis of Greek culture over a wide range that stretched from India to Spain with such cities as Alexandria, Athens, and Anthioch, as its center. An early form of globalization in the trade link between the Roman Empire, Parthian Empire and the Han Dynasty made the commercial links between these powers inspired the development of the Silk Road.

The Islamic Golden Age was also an important early stage of globalization. The advent of the Mongol Empire, though destabilizing to the commercial centers of the Middle East and China, greatly facilitated travel along the Silk Road. These Pre-modern phase of global exchange are sometimes known as archaic globalization.

2.2.2. Proto Globalization

The next phase is known as proto - globalization. It was charterized by the rise of maritime European empires, in the 16th and 17th centuries, first the Portugues and Spanish Empires, and Dutch and British empires. In the 17th century, globalization became private business phenomenon like British East India Company[founded in 1600] described as the first multinational company, and the first Dutch East India Company [found in 1602] were established. In 16th century, Portuguese started establishing trading posts [factories] from Africa to Asia and Brazil.

2.2.3. Modern Globalization

The 19th century witnessed the advent of globalization approaching its modern form. Between the globalization in the 19th and in he 20th century there are significant differences. There are two main points one is the global trade in his centuries as well as the capital, investment and the economy and another one is the global trade in the 20th century shows a higher share of trade in merchant production, a growth of the trade in services and the rise of production and trade by multinational firms.

Multinational trade contracts and agreements have been signed, like the General Agreement on Tariffs and Trade [GATT] and World Trade Organization [WTO]. From 1890 and up to World War 1 instability trade was a problem, but in the post war period there has mostly been economic expansion which leads to stability. Technological changes have caused lower transporting costs, it take just a few hours to transport goods between continents today.

2.3 Trade and Traders in South India historical perspective

Southern Indian trade guilds were formed by merchants in order to organize and expand their trading activities. Trade guilds become channels through which Indian culture was exported to other lands. South India trade was dominated by the Cholas, and it replaced the Pallavas.

2.3.1. Early Traders

In the year 1053 AD (CE) the Kalinga traders (Modern Orissa) brought red colored stone decorative objects for trade and also cotton textile to Southeast Asia at an early date. Several trade guilds operated in medieval Southern India such as the Gatrigas, Nakaras, Mummuridandas, Ayyavole -500 Settis, Birudas, Gavaras, etc.. Some trade guilds, such as the Nakaras and Gavares, met only in the temple premises.

2.3.2. European Traders in South India

This was due to the trading activities of the various European companies which came to India during this period. The discovery of a new all-sea route from Europe to India Via cape of Good Hope by Vasco do Gama had for reaching repercussions on the civilized world. India's coastal and maritime trade was monopolized by the Europeans.

Kalinga Trade route map

2.3.3. The Portuguese

Vasco Da Gama

The Portuguese under the leadership of Vasco da Gama landed at Calicut on the 17th May, 1498. Profits of goods brought by Vasco do Gama to Portugal were to 60 times cost of the entire expedition to India. The arrival of Pedro Alvarez cabral in India in 1500AD (CE) and the second trip of Vasco da Gama in 1502 led to the establishment of trading station at Calicut Cochin and Cannanore. Cochin was the early capital of the Portuguese in India.

2.3.4. The Dutch in South India

Dutch East India company

Dutch undertook several voyages from 1596 and formed the Dutch East India company (VOC) I 1602. In 1605, Admiral van der Hagen established Dutch Factory at Masulipatnam and Pettapoli (Nizamapatanam), Devanampatinam. In 1610, upon negotiating with the king of Chandragiri, found another facatory at Pulicut. Other commodities exported by the Dutch were indigo, saltpeter and Bengal raw silk. Pulicut was the headquarters of the Dutch in India. Nagapatnam on the Tanjore coast acquired from the Portuguese in 1659.

2.3.5. The British Company (UK)

Queen Elizabeth

On 31st December, 1600, Queen Elizabeth granted charter to The East India Company. On the south-eastern coast, the English established at Masulipatnam in 1611 and near Pulical in 1626. The Sultan of Golconda granted the English the "Golden Fireman" in 1632 by which they were allowed to trade freely in their "Kingdom Ports". In 1639, built a fortified factory in Madras which known as Fort St.George, which soon displaced Masulipatnam as headquarters of the English settlement on the coromandel coast.

2.3.6. The Danes

The Danes formed an East India company and arrive in India in 1616. The Danish settlements were established at Tranguebar (in Tamil nadu) in 1620 which was the headquarters of Danes in India. They failed to strengthen themselves, in India and in 1845 were forced to sell all their India settlements to the British.

2.3.7. The French

The first French factory in India was established in 1668 by obtaining permission from the Sultan of Golconda. In 1693, the Dutch captured Pondicherry but was handed back to the French. In 1701, Pondicherry was the headquarters of the French. Settlements in the East after 1742 Political motives began to overshadow the desire for commercial gain.

Recently, the Government of India has set up Special Economic Zones in Southern States especially in Tamilnadu, Andhra, Karnataka and Kerala with a view to boost exports Nanguneri Sez, Ennore Sez, Coimbatore Sez are some in Tamilnadu.

2.4 Globalization in India

In India the period after 1980-81 was marked by severe balance of payment difficulties mainly due to hike in oil price and Gulf war in 1990-91 and hostilities in West Asia.

When the new government took over in June 1991. India had unprecedented balance of payment crisis. The finances of the central, and state Government had reached a situation of near bankruptcy.

With the downgrading of India's credit rating by some international agencies, there was heavy flight of capital out of India.

Since India lost its credit worthiness in the international market, the government mortgaged 40 tons of gold to the Bank of England. Under these circumstances, the government for 1991-92 presented its budget in July 1991 with a series of policy changes which underlined globalization, liberalization and privatization. This has come to be called as India's new economic policy. This policies were strengthened when India signed the Dunkel Draft in 1994.

Reforms made to adopt Globalization:-

(New Economic policy in India)

1. Abolition of Industrial licensing, except for a few industries.
2. Reduction in the number of industries reserved for public sector.
3. Fixation of a realistic exchange rate of rupee to exchange exports of Indian goods.
4. Foreign private sector by making rupee convertible on trade, on current account and by reducing import duties.
5. Foreign exchanges regulations were suitably amended
6. The Statutory Liquidity Ratio (SLR) was reduced to increase lending by RBI.

2.5 Multi National Corporation (MNC)

QY9NF3

Multi National Corporation is a Corporate organization which owns or controls production of goods or services in at least one country other than its home country. Otherwise called Multinational Corporations (MNCs) or Transnational Corporation (TNC) or Multinational Enterprise (MNE).

2.5.1.Evolution of MNC

Like, the East India Company, which came to India as a trading company and then its net throughout the country to become politically dominant, these multinationals first start their activities in extractive industries or control raw materials in the host countries during 1920s and then slowly entered. The manufacturing and service sectors after 1950s. Most of the MNC's at present belong to the four major exporting countries viz., USA, UK, France, Germany. However, the largest is American.

11 of the 15 largest multinationals are American, In 1971, the American Corporations held 52 percent of the total world stock of foreign direct Investment. Great Britain held 14.5 percent followed by France 5 percent and Federal Republic of Germany 4.4 percent and Japan 2.7 percent. In 1969 the American Multinationals alone produced approximately 140 billion dollars worth of goods.

The American multinationals realize quite substantial returns to the extent of 34 percent in Asiatic countries and 22 percent in African countries. They then acquire enormous powers in hose countries, which smoothens the free flow of fund across international boundaries. They purchase the best brains in these countries and resort to unfair practices. With their huge resources, the MNCs are able to invest in research and development and exploit technological developments to manufacture new products, and discover new process.

2.5.2.Growth of MNCs in India

A common form of MNC Participation in Indian industry is through entering into cooperation with Indian industrialist. Trends of liberalization in the 1980s gave a substantial spurt to foreign collaborations. This would be clear from the fact that of the total 12,760 foreign collaboration agreements in 40 years between 1948-1988. As a result of liberalized foreign investment policy (FIP) announced in July-Aug 1991 there has a further spurt of foreign collaborations and increase flow of foreign direct investment.

MNC Company

2.5.3. Reasons for the growth MNC

1. Expansion of Market territory.

As the operations of large sized firm expand, it seeks more and more extension of its activates beyond the physical boundaries of the country in which it is in corporate.

2. Marketing superiorities:

A multinational firm enjoys a number of marketing superiorities over the national firms. It enjoys market reputation and faces less difficulty in selling its products it adopt more effective advertising and sales promotion techniques.

3. Financial Superiorities

It has financial resources and a h high level of funds utilization. It has easier access of external capital markets. Because of its international reputation it is able to raise more international resources.

4. Technological superiorities:

The main reason why MNCs have been encouraged by the underdeveloped countries to participate in their industrial development is on account of the technological superiorities which these firms posses as compared to national companies.

5. Product innovations:

MNCs have research and development engaged in the task of developing new products and superior designs of existing products.

2.5.4.Advantages of MNC

1. Producing the same quality of goods at lower cost and without transaction cost
2. MNC reduce prices and increase the Purchasing power of consumers world wide
3. A MNCs is able to take advantage of tax variation.
4. Spurring job growth in the local economies

2.5.5. Disadvantages of MNC

1. They are a way for the corporations to develop a monopoly (for certain products)
2. They are also a detrimental effect on the environment.
3. The introduction of MNC in to a host country's economy may also lead to the downfall of smaller, local business.
4. MNC breach ethical standards, accusing them of evading ethical laws and leveraging their business agenda with capital.

DO YOU KNOW?

Top 10 Largest Multinational Companies in India 2018

1. Sony Corporation
2. Hew left Packard (HP)
3. Tata Group
4. Microsoft Corporation
5. IBM
6. Nettle
7. Procter & Gamble
8. City Group
9. Pepsi Company
10. The Coca-Cola Company

Indian Multi National Companies			
Company	**Headquarter**	**Type of Industry**	**Countries of operating**
Hero Motocorp	New Delhi	Automobile	Columbia, Bangladesh, Africa
Bajaj	Pune	Automobile	United Arab Emirates(UAE), Bangladesh
TVS	Chennai	Automobile	Brazil,Chile,Colombia, Mexico,Peru
State Bank of India	Mumbai	Banking	Australia,Bangaladesh, Belgium
Bharti Airtel	New Delhi	Communication	South Asia, Africa
Micromax Informatics	Gurgaon	Electronics	Nepal, Srilanka, Bangladesh
Amul	Anand (Gujarat)	Food product	US, Thailand, Malaysia, Hong Kong, Japan,
ONGC	Delhi	Fuel	Brazil, Colombia, Iran
Dr. Reddy's Laboratories	Hyderabad	Medical Laboratory	Brazil, Mexico, Jamalica
Infosys	Bengaluru	Software	America, Europa, Africa

FERA (Foreign Exchange Regulation Act 1974)
This Act referred directly to the operations of MNCs in India

FEMA (Foreign Exchange Management Act 1999)
Under FEMA the emphasis is on 'Management' rather than 'regulation'

Foreign Contribution (regulation) Act, 2010
FCRA, 2010 has been enacted by the Parliament to consolidate the law to regulate the acceptance and utilization of foreign contribution or foreign hospitality by certain individuals or associations or companies and to prohibit acceptance and utilization of foreign contribution or foreign hospitality for any activities detrimental to national interest and for matters connected therewith or incidental thereto.

The flow of foreign contribution to India is regulated under

- Foreign Contribution (Regulation) Act, 2010
- Foreign Contribution (Regulation) Rules, 2011

2.6 Fair Trade Practices and World Trade Organization

Fair Trade is a way of doing business that ultimately aims to keep small farmers an active part of the world Market place, and aims to empower consumer to make purchases that support their values. Fair Trade is a set of business practices voluntarily adopted by the producers and buyers of agricultural commodities and hand-made crafts that are designed to advance many economic, social and environmental goals, including,

- Raising and stabilizing the incomes of small-Scale farmers, farm workers and artisans.
- More equitably distributing the economic gains, opportunities and risks associated with the production and sale of these goods.
- Increasing the organizational and commercial capacities of producer groups.
- Promoting labor rights and the right workers to organize.
- Promoting safe and sustainable farming Methods and working conditions.

Fair trade is about better prices, decent working conditions and fair terms of trade for farmers and workers. It's about supporting the development of thriving farming and worker communities that have more central over their futures and protecting the environment in which they live and work.

2.6.1 Beneficiaries of Fair trade practices:

1. Consumer:

Consumer support enables Fair Trade Organisation to be advocates and comparing for wider reform of International trading rules. They can choose from an even growing range of great products. By buying Fair trade labeled products consumers support producers who are struggling to improve their lives.

2. Trader/companies:

Since, it launch in 2002 the Fair trade mark has become the most widely, recognized social and development label in the world. Fair trade offers companies a credible way to ensure that their trade has a positive impact.

3. Producers:

Stable prices that cover the costs of sustainable production. Market access that enable buyers to trade with producers who would otherwise be excluded from market. Partnership (Producers are involved in decisions their future). The Empowerment of farmers and workers.

2.6.2 Principles of Fair trade Organization

- Creating Opportunities for Economically Disadvantaged producers.
- Transparency and Accountability .
- Fair Trading Practices and Payment of a Fair Price.
- Ensuring no child Labour and Forced Labour.
- Commitment to Non Discrimination, Gender Equity and freedom of association.
- Providing Capacity Building and Promoting Fair Building.
- Respect for the Environment.

Fair trade food product such as coffee, tea, cocoa, honey and bananas. Non-food commodities include crafts, textile and flowers.

2.6.3. GATT: (General Agreement of Trade and Tariffs)

GATT was signed by 23 countries in 1947. India was one of the founder members of GATT. In the seventh Round 99 countries participated. In the Eighth Round of 1986, (Uruguay Round), 117 countries participated. The Director General of GATT Arthur Dunkel came up with a Drafft Final Act, known as Dunked Draft and on April 15, 1994 the Final Act was ultimately approved and signed. GATT's primary purpose was to increase International Trade by reducing various tariffs, quotas and subsidies while maintaining meaningful regulations.

GATT Uruguay Round

DO YOU KNOW?

Rounds of GATT

- First in Geneva (Switzerland) (1947)
- Second in Annecy (France) in 1949
- Third in Torquay (UK) in 1950 – 51
- Fourth, fifth, and Sixth in Geneva (Switzerland) in 1956, 1960-61, 1964 -67.
- Seventh in Tokyo (Japan) in 1973 – 79
- Eighth and final round at Punta del Este (Uruguay) in 1986 – 1994, known as 'Uruguay Round'.

2.6.4. World Trade Organization (WTO)

World Trade Organization(WTO)

The signing of the Final Act of the Uruguay Round by member nations of GATT in April 1994 paved the way for setting up of the WTO. An agreement to this effect was signed by 104 members. The WTO Agreement came into force from January 1, 1995 (the present membership of WTO is 164 countries)

World Trade Organization(WTO):

Head Quarter: Geneva, Switzerland

Purpose: Regulation, International trade

Members of WTO: Director General, Four Deputy Director General, and other 600 Official Staff from around 80 member countries.

The WTO mentions five types of subsidies:

- Cash subsidies, such as the grants mentioned above.
- Tax concessions, such as exemptions, credits, or deferrals.
- Assumption of risk, such as loan guarantees.
- Government procurement policies that pay more than the free-market price.
- Stock purchases that keep a company's stock price higher than market levels.

These are all considered subsidies because they reduce the cost of doing business.

G7 Countries: (Group of Seven)

2.6.5. Objectives of W.T.O

- To set and enforce rules for international trade.
- To provide a forum for negotiating and monitoring further trade liberalization.
- To resolve trade disputes.
- Introduction the sustainable development and environment can go together.
- To ensure that developing countries, secure a better share of growth in world Trade.
- To resolve trade disputes.
- To increase the transparency of decision making processes.
- Introduction sustainable development the development and environment can go together.
- To ensure full employment and broad increase in effective demand.

2.6.6. Trade Related aspects of Intellectual Property Rights (TRIPs)

Intellectual Property Right may be defined as "Information with a commercial Value" Under TRIPs Patent shall be available for any invention whether product or process in all fields of industrial technologies. Trips agreement covers seven areas of intellectual's property rights i.e.

Copy rights, Trade Market, Trade Secrets, Industrial Design, Geographical appellations Integrated circuits and Patents.

2.6.7. Trade Related Investment Measures (TRIMs)

The Uruguay Round Agreement on TRIMs refers to certain conditions (or) restrictions imposed by a government in respect of foreign investment in the country in order to give adequate provisions for the home industries to develop.

2.7 Impact and Challenges of Globalization

2.7.1. Positive Impact

- A better economy introduces rapid development of the capital market.
- Standard of living has increased.
- Globalization rapidly increase better trade so that more people are employed.
- Introduced new technologies and new scientific research patterns.
- Globalization increasing the GDP of a country.
- It helps to increase in free flow of goods and also to increase Foreign Direct Investment.

2.7.2. Negative Impact

- Too much flow of capital amongst countries, Introduces unfair and immoral distributors of Income.
- Another fear is losing national integrity. Because of too much exchange of trade, independent domestic policies are lost.
- Rapid growth of the economy has required a major infrastructure and resource extraction. This increase negative ecological and Social costs.
- Rapid increases in exploitation of natural resources to earn foreign exchange.
- Environmental standards and regulations have been relaxed.

2.7.3. Challenges of Globalization

- The benefits of globalization extend to all countries that will not happen automatically.
- The fear that globalization leads to instability in the developing world.
- The industrial world that increased global competition will lead in race to the bottom in wages, labour right, and employment practice.
- It leads to global inbalance.
- Globalization has resulted with the embarrassment.
- Globalization has led to an increase in activities such as child labor and slavery.
- People started consuming more junk food. This caused, the degradation of health and spread of diseases.
- Globalization has led to environmental degradation.

RECAP

- Globalization is the integration of country with the world economy.
- The three stages of Globalization : • Archiac Globalization • Proto Globalization • Modern Globalization.
- LPG – Liberalization, Privatization, and Globalization
- Multi National Company is a corporate organization which owns or control production of goods and services in at least one country to other than its home country.
- MNC otherwise called Transnational Company(TNC) and Multinational Enterprises(MNE).
- GATT was signed by 23 countries in 1947. India was one of the founder members of GATT.

GLOSSARY

globalization	the process by which businesses or other organizations develop international influence or start operating on an international scale.	உலகமயமாக்கல்
prospective	expected or expecting to be the specified thing in the future.	வருங்கால
archaic	of an early period of art or culture, especially the 7th–6th centuries BC in Greece.	தொன்மையான
evolution	the gradual development of something	பரிணாம வளர்ச்சி
mortgaged	expose to future risk or constraint for the sake of immediate advantage.	அடமானம் வைக்கப்பட்ட
abolition	the action of abolishing a system, practice, or institution.	ஒழித்தல்
spurt	cause to gush out suddenly.	திடீர்
detrimental	tending to cause harm	சீரழிவான
thriving	prosperous and growing; flourishing.	வெற்றிகரமான
discrimination	recognition and understanding of the difference between one thing and another.	பாகுபாடு

EVALUATION

I. Choose the correct answer

URXTKE

1. Who is the head of the World Trade Organisation (WTO)
   a) Ministerial conference
   b) Director General
   c) Deputy Director General
   d) None of these
2. How many countries were membership in WTO at present?
   a) 159 b) 164 c) 148 d)128
3. Colonial advent in India
   a) Portuguese, Dutch, English, Danish, French
   b) Dutch, English, Danish , French
   c) Portuguese , Danish, Dutch, French, English
   d) Danish, Portuguese, French, English, Dutch
4. Who first came to India for trading purpose?
   a) Roman Empire b) Portuguese
   c) Dutch d) Danish
5. When did Portuguese colonize India?
   a) 1600 BC b) 1602 BC
   c) 1498 BC d) 1616 BC
6. GATT's first round held in
   a) Tokyo b) Uruguay
   c) Torquay d) Geneva
7. India signed the Dunket proposal in
   a) 1984 b) 1976
   c) 1950 d) 1994
8. who granted the English "golden Fireman" in 1632
   a) Jahangir b) Sultan of Golconda
   c) Akbar d) Aurangzeb
9. Foreign Investment policy (FIP) announced in
   a) June 1991 b) July 1991
   c) July- Aug-1991 d) Aug 1991
10. Indian government was introduced ____________ in 1991
   a) Globalization
   b) World Trade Organisation

c) New Economic Policy
d) none

II. Fill in the Blanks

1. The Dutch captured Pondicherry in ___________.
2. A better economy introduce rapid development of the ___________.
3. The East India Company built fortified factory in Madras which known as ___________.
4. WTO agreement came into force from ___________.
5. The term globalization invented by ___________.
6. French East India company established second factory at _________.

III. Choose the correct statement

1. I) The East Indian Company specially to participate in the East Indian Spice Trade and later added cotton, silk, Indigo.
   II) Merchants of the Dutch East India Company first established at Calicut
   III) Nanadesis were a guild of traders at the time of Hoysala Empire
   a) I is correct
   b) II and III are correct
   c) I and III are correct
   d) I, II and III are correct

IV. Match the following:-

1.	Multination corporation in India	-	1947
2.	MNC	-	enforce international trade
3.	GATT	-	Minimize cost of production
4.	8th Uruguay Round	-	Infosis
5.	WTO	-	1986

V. Give Short Answers

1. What is globalization?
2. Write the types of globalization.
3. Write short note on Multinational corporation.
4. Short note: The Dutch in South India.
5. What are the reforms made to adopt globalization?
6. What is Fair trade ?
7. Write any five principles of Fair Trade Practices.
8. What is the main objective of WTO?
9. Write short note on TRIPs and TRIMs.
10. Write the positive impact of Globalization.

VI. Brief Answer

1. Write briefly the history of globalization.
2. Briefly explain the evolution of MNC and its advantages and disadvantages.
3. Explain the trade and traders in south india.
4. Write about the World Trade Organisation.
5. Write the challenges of Globalization.

VII. Activity and Projects

1. Teacher and students are discuss about the globalization.
2. Students are collect the images regarded to the globalization and make the album. (south Indian trade and traders images, and silk route map, spice route map, and kalinga trade map, etc)
3. Students are collect the picture of various Multinational corporation companies in india and its products pictures.

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