



**GCSE
ECONOMICS**

Paper 2 How the economy works

8136/2

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ITEM A: Globalisation in India

ITEM B: Has the UK won or lost from globalisation?

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ITEM A: Globalisation in India

The Indian economy was significantly reformed in the early 1990s. Since then it has experienced much higher economic growth. Reforms of the Indian economy involved removing restrictions on Foreign Direct Investment (FDI). They also involved removal of restrictions on labour markets and the ending of subsidies for some inefficient producers. The level of Gross Domestic Product (GDP) in India was over ten times larger in 2017 than it was in 1990. This growth has meant that millions of people in India have seen their incomes rise significantly. India now has millions of households who have incomes similar to households in more-developed countries.

However, some people think the opening of India to more FDI and greater competition has not been good for the economy. India now attracts many multinational corporations (MNCs) from outside India which Indian companies have struggled to compete with. This has meant business failure for many smaller enterprises in India. Some MNCs have also been accused of unfairly exploiting India's natural resources: Depletion of local water supplies by MNCs based in India has negatively affected local agricultural producers.

DATA ON INDIA

GDP for 2017 measured in US Dollars	\$2300 billion
Economic growth rate 2018	6.7%
Population for 2018	1.2 billion

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ITEM B: Has the UK won or lost from globalisation?

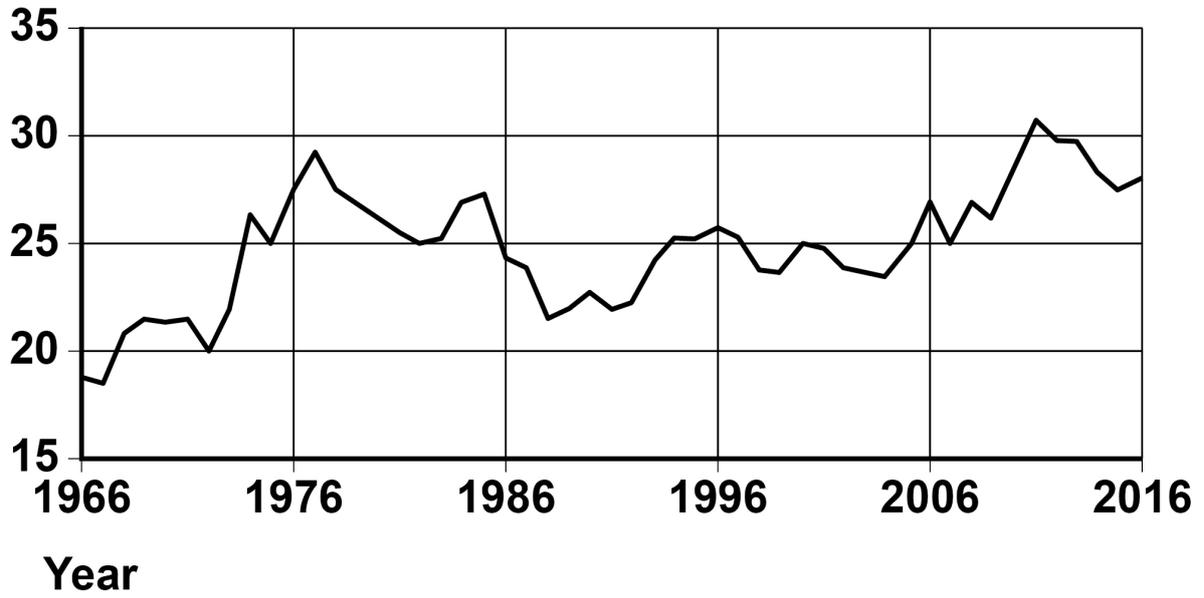
Quicker and cheaper transport methods allow countries to specialise in what natural advantages they possess. For more developed countries, like the UK, there has certainly been a decline in the number of manufacturing jobs. However, total unemployment in these countries has not always risen despite the decline in manufacturing employment.

People are concerned we will begin to see service sector jobs in the UK being lost to less-developed countries due to the lower wages paid there. The increasing use of robots in production and use of online services allows service-based jobs in the UK to actually be provided by workers based in other countries. Faster internet speeds mean robots could be used for jobs that currently need workers, such as office cleaners and security guards. In both cases, those monitoring and controlling the robots would be in a less-developed country, where they can be employed on a much lower wage than that paid to UK workers doing the same job.

Globalisation is important for the UK. The contribution made from export sales to the UK's GDP has risen over the last fifty years. In 2016, exports contributed 27% to total UK GDP. This contrasts with other countries where exports are less important to the size of their GDP. For example, exports only contributed 12% to the USA's GDP in 2016.

UK exports of goods and services (as % of UK GDP)

**Percentage
of GDP**



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