Changing Economic World 1: LICs - A case study of an NEE: India

Paper 2 Question 2 (updated August 2020)

- 2nd largest population in the world - 1.3 billion & still growing
- Medium level of development - HDI 0.61 with large inequalities, few very wealthy but most are poor: 20% live in poverty. Education is improving but adult literacy is approx. 70% (much less for women)

Why India is important
- Huge population - accounts for 17% of the world’s population and is growing & will have the largest population in the world in less than 10 years. This provides a huge workforce
- Attract lots of TNCs growing its economy
- India’s industries are growing & imports lots of primary products from other countries. India also exports goods and services to countries all over the world. This means other countries are reliant on India for either goods or for an income.
- As India develops & the people get wealthier it creates a huge market. This means there is greater opportunity for other countries to export & sell their goods

Changing Industrial Structure
Primary: 47% employed/15.4% of GDP – getting smaller
Secondary: 22% & growing – stimulating economic development. Provides more reliable jobs & selling manufactured goods brings more income than selling raw materials
Tertiary/Quaternary: 31% employed/61.5% of GDP - getting larger - growth in IT firms & supplying services to foreign companies eg BT

TNCs in India – Unilever
- UK-Dutch company with HQ in Rotterdam & London
- World’s largest producer of household goods with over 400 brands inc Brooke Bond, Lynx, Dove, Flora, Ben & Jerry’s, Hellmann’s, Knorr, Lipton, Lux, Magnum, Sunsilk
- Products are available in 190 countries & employs 169,000 people worldwide.
- Turnover £50 billion (£44 billion) in 2016 with 13 brands with sales of over £1b
- Research & development facilities in UK, the Netherlands, China, India & USA.
- Hindustan Unilever Limited is based in Mumbai

Advantages of Unilever in India
- Provides India a greater income from tax directly from Unilever & from employees. It has annual sales of over £4 billion a year. Helping India develop.
- Unilever set up Project Shakti which has helped 45,000 poor women in rural areas. Setting them up to sell products in places in areas otherwise difficult to supply.
- Employs 16,000 people in India directly & creates another 65,000 jobs indirectly. Improving standard of living of the people it employs.
- Works with charities to help run hygiene education programmes & provide sanitation to 115 million people in India improving health (and sales!)
- In order to operate it has helped improve the infrastructure of India investing in new roads & internet cabling & benefits India (other businesses & people).
- Provides education & training to its employees making them more employable.

Disadvantages of Unilever in India
- Lots of the profits goes to the UK & Netherlands & not India
- TNCs take advantage of relaxed environmental laws in. Eg Mercury, harmful to health & the environment, from a Unilever factory in Kodaikanal was not disposed of correctly & ended up in a waste dump.
- Workers in NEEs are not protected like those in HICs & conditions can be very harsh eg longer hours & low pay. The best jobs often go to foreign workers from UK/Netherlands.
- Factories in Dharwad & Mumbai have closed when the tax breaks offered by the local government ended causing unemployment. There is always a risk of Unilever leaving India completely.
- Can use up essential resources eg water reducing the supply for locals. Eg A bottling plant in Kerala was shut down as it used up lots of local water supply (Coca Cola not Unilever).

India’s relationship with the wider world
As it develops India is playing a larger role in regional & global politics. It has improved its relations with its immediate neighbours & global trading partners.
- India’s trade is growing as it is reducing trade barriers & encourages foreign investment (eg TNCs) & increasing trade with foreign businesses eg BT/UniLever
- India is working with its neighbours to build the TAPI pipeline to carry natural gas from Turkmenistan through Afghanistan, Pakistan to India

India Receives Aid:
Short Term Aid: Intended to help cope with emergencies from foreign governments or charities – UK sent £10 million, a rescue team & 1200 tents to India after an earthquake in 2001. NGO’s like Oxfam provided supplies & temporary buildings
Long Term Aid: intended to help countries become more developed. Up until 2015 the UK gave India £200m every year to tackle poverty.
Top Down Aid: When an NGO or government receives the aid & decides where/how it should be spent. Eg large infrastructure projects like dams for HEP or irrigation schemes.
- Can help countries develop but not the quality of life of the poorest
Bottom Up Aid: Money given directly to local people eg for appropriate technology. eg Water Aid train local people to maintain village handpumps in rural India. Can have a large impact as it is generally supported by local people & can improve health, skills & income

Impacts of Economic Development
- More jobs & India’s daily wages have increased by about 42 Rupees since 2010 so people have more money to improve their lives eg can afford access to safe water, higher quality medical care improving the standard of living & quality of life.
- Some jobs in industry eg coal mining can be dangerous or include poor conditions which can reduce workers quality of life.
- India’s energy consumption has increased. Fossil fuels are the most readily available & affordable fuels but release lots of pollution & greenhouse gases. The capital Delhi is the most polluted city in the world
- Demand for more resources can lead to habitat destruction eg mining in Karnataka.
- Economic development means India can afford to protect the environment. Eg since 1990 India’s forest cover has stopped decreasing & started to grow.
**Key Terms**

Sectors of a country's economy are made up by the following sectors. Usually more money is made at each level starting with primary.

**Primary Sector/Industry:** making money from raw materials eg food, wood, minerals.

**Secondary Sector/Industry:** making money from making goods and products often from raw materials eg building cars in a factory.

**Tertiary Sector/Industry:** involves making money from selling goods or providing a service eg teaching, tourism etc.

**Quaternary Sector/Industry:** consists of high tech & high intellectual industries that provide information services, such as computing and ICT, consultancy (offering advice to businesses) and R&D (research, particularly in scientific fields).

**Quinary Sector/Industry:** is part of a country's economy where high-level decisions are made by top-level executives in the government, industry, business, education, media and non-profit organizations.

Use the rest of this page to make notes, additions etc that may help with your revision.