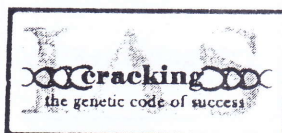


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125

IS IT CORRECT TO LABEL NEO-LIBERAL  
ERA AS A NEO-COLONIAL ERA?

'Indira Gandhi travels to the United States and  
Russia to seek investment and loans'

— Headlines in the 1970s

Fast forward to 2011. The newspapers scream  
thus:

'Obama arrives with a delegation of 100 CEOs  
in Delhi' (Nov. 2010)

'10 bn. \$ worth trade agreements signed ; to  
create 100 million jobs in the US'  
(Nov. 2010)

'India is a developing country and a rising  
power. It holds enormous commercial and  
business opportunities for the world'  
(Sep. 2011)

— Nirmama Rao, Indian Ambassador to US, at a  
recent meeting of US India Business Council (USIBC)

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The above was a bold statement from the ambassador of a developing, third world country at a conference of business leaders from the richest country on the planet. Not so long ago, the Prime Minister of the same country undertook frequent trips to various developed nations for their support. 30 years later, the "most powerful man in the world" comes to the same country to seek capital and create employment back home. Surely something must have changed. But what is it? What could have possibly effected such a sea change? The answer in not so simple terms is what has now popularly come to be known as LPG.

LIBERALIZATION — LIBERATION FROM THE PAST,

HOPE FOR THE FUTURE

An LPG Cylinder can fuel a household;

Another LPG can fuel an entire

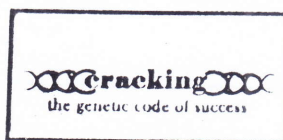
nation's hope and aspirations'

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Q. Liberalization, Privatization and Globalization popularly known as LPG, in recent decades, has been the engine of growth for nations and corporations around the globe. It has not only led to rapid economic growth in countries that embraced the concept of LPG but has also had a remarkable influence on the people.

Most of the nations around the world, when they became independent were very poor thanks to their imperial masters who ensured that all their wealth was sucked out before granting independence. These nations and their people, with hope in their heart, set out in the arduous journey of rebuilding their battered economies. In the process, some have faltered while others have met with success leading to a reversal of fortunes.

India is a case in point. In 1947, when we first snuffed the fresh air of freedom, we knew what



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had to be done. But we did not have a complete picture of how it had to be done. The five year plans were an ambitious step in the direction of growth. The first five year plan and the second based respectively on the Harrod Domar and the Mahalanobis models met with limited success. But then things started falling apart.

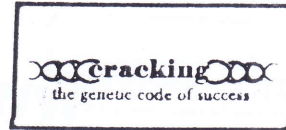
A socialistic approach and excessive protectionism led to the government controlling industries in most sectors. The focus was on building heavy industries which the government of the day, thought would solve all our problems. Couple this with rampant corruption and the licensing raj system. The result was disastrous. Following a fixed exchange rate, maintaining the value of the rupee at a certain level did not help matters. All this culminated in the worst balance of payments crisis the country had ever witnessed.

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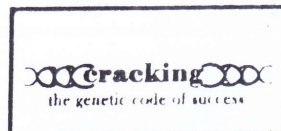


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In 1991, standing on the brink of a collapse that would <sup>have</sup> not only destroyed our economy but also sent shock waves across global markets, the government ushered in a new wave of reforms now popularly known as the RAO-MANMOHAN reforms. The rest as they say, is history.

Liberalization has far reaching effects for any nation that correctly adopts and implements the concept. Inflow of capital into the nation has a ripple effect on the economy. The most obvious benefit is the creation of new industries directly resulting in increased employment opportunities for the native citizens. This results in more income and a much more equitable distribution of wealth than would have been possible otherwise. In most countries, before ushering in an era of globalization, wealth was concentrated in the hands of a few. In most nations, 80 % of the wealth was held by 20%

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of the people (Pareto principle). This situation has definitely changed for the better. with advent of LPG.

New technologies have ensured an increased standard of living for the citizens. The effects of liberalization have been all pervasive in the<sup>is</sup> sense.

Technological development, more importantly, is the only way to ensure robust health for the masses. Healthcare would have been medieval in most of the developing and under developed nations but for liberalization and globalization.

Most nations have made significant strides in the path of energy security thanks to foreign corporations which have invested in these countries to tap reserves and produce energy. Recently, India has uncovered huge reserves of Shale Gas in the Godavari Basin. The technology to extract energy from shale Gas exists only in the US at this point.



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The government has entered into contract with US firms to tap this huge reservoir and ensure energy security for our nation. This would not have been possible but for LPG.

Food security is another cause for concern in most of the developing & third world nations. Green Revolution, which is heralded as a major turning point in India's quest for feeding its masses, would not have been possible without the help of foreign scientists and corporations. GM foods, which are touted to be the answer to the question of feeding the world's ever growing population, is the result of collaboration between firms and scientists from all over the globe.

All this has had an enormous on the people. It has not only enhanced their standard of living but also favourably influenced their self-image. Poverty has reduced. Wealth distribution has become

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slightly more equitable than before. In India, the poverty rate has reduced to below 30% from the high levels before independence. There are more opportunities for people now that at any other point in time in recorded human history.

Our South East Asian neighbours, Singapore and Malaysia are classic examples of the amount/magnitude of transformation that Liberalization, Privatization & Globalization can bring about & the kind of effect it can have on the people and the economy. Newly independent in the 1950s, these countries were poorer than India. But thanks to the developmental and liberal policies followed by their founding fathers, these countries are now among the richest nations in the world.

But all said and done, is liberalization all about development? Or is there something lurking behind the bushes?

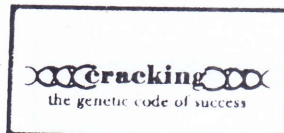


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LIBERALIZATION - IS IT JUST IMPERIALISM

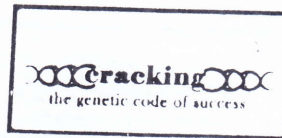
HIDDEN UNDER A CLOAK?

Liberalization, unfortunately, has its own set of problems. Liberalization, Privatization and Globalization have given rise to what are known as MNCs (Multi National Corporations). These MNCs have come under severe criticism the world over.

The biggest contention against MNCs is that they drain wealth out of the host country. Most of these MNCs appropriate the profits earned in the host country back to their home country thus depriving the host nation of precious capital, which could have otherwise been pumped back into the economy.

Most of these MNCs outsource jobs from their relatively expensive home country to cheaper host countries. On this front some of the allegations

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against the MNCs include longer working hours, lesser salaries and a not-so-conducive working environment. This would have not been possible in the firm's home country. This indicates a blatant disregard for their employees in some of the relatively poor host countries. In popular press, this is now being dubbed as 'Economic Imperialism'.

These MNCs are also responsible for blatant violation of environmental norms in some of the host countries. The recent BP Oil spill off the coast of Mexico has cost British Petroleum dearly. Posco and Vedanta which wanted to set up shop in India have been shown the door thanks to a sensible environmental policy adopted by the government. Not so long ago, Coca Cola was blamed for the rapid depletion of ground water in and around one of its bottling plants in the Indian state of Kerala. The plant was shut down

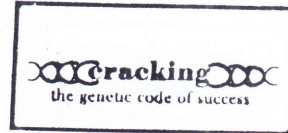
Loss of  
Economic  
Sovereignty  
Influence on Policy making

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following pressure from environmental activists and other agencies. The night of December 4, 1984 cannot be erased from Indian history. The extent of damage caused by the leakage of gas from the Union Carbide factory in Bhopal is yet to be fully understood and documented. The firm and its CEO is yet to be brought to book thanks to the legal quagmire around Indian courts punishing a US citizen.

Another intriguing and serious issue is the human side to the exploitation saga of the MNCs. People in most of the poorest countries in the globe are being used as 'lab rats' to test new drugs. There is a conspiracy theory around awarding the Nobel prize to Wangari Mathai, an activist from Kenya, a few years ago. It is alleged that she uncovered the truth behind origin of AIDS is some parts of Africa. Those who support this theory claim



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that the HIV was introduced in men/women by a few foreign pharmaceutical companies in their quest to find a cure for the killer disease and reap billions in the process. These are very serious human rights allegations that have invited the attention of the UN and other international agencies.

Some of these MNCs when they enter new countries, completely destroy the indigenous industries of the region and thereby the livelihoods of the people associated. There has been a stiff resistance to allowing in FDI in multi brand retail in India for this very reason. It is possible that the local stores, popularly called 'Kirana' stores, would be wiped out if the likes of Walmart and Sears enter India.

Opening up of an economy automatically opens up the financial markets as well. The effects of recession in the US & Europe are felt in India.

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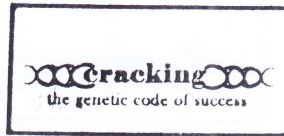
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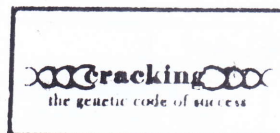
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Had it not been for the 'coupling' of the economies, India would have been insulated better from the global economic and financial crises of recent times. Volatility in the stock markets and the consequent rapid erosion in wealth are by products of liberalization and globalization.

Locking of horns between the developed and developing nations at WTO and climate change negotiations is another form of imperialistic expression. Every loan extended by the World Bank or IMF comes with its own terms & conditions.

Liberalization is essentially a two-sided coin. Balancing the interests of the nation and that of the external country/organization is like walking on razor sharp sword. The governments have to play their cards safely so that the strategic interests and aspirations of the nation

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and its citizens are fully safeguarded whilst reaping  
the fruits of the neo-liberal era.

