

EVALUATION INDICATORS

1. Alignment Competence
2. Context Competence
3. Content Competence
4. Language Competence
5. Introduction Competence
6. Structure - Presentation Competence
7. Conclusion Competence

Overall Macro Comments / feedback / suggestions on Answer Booklet:

1.

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All the Best

SECTION A

3. GLOBALISATION AS WE KNOW IT IS OVER

Ever since humans first appeared in Africa some 2 million years ago, only one thing has been common throughout the ages - migration. As humans migrated out of Africa and settled in different regions, new cultures developed. Yet people-to-people contact between different cultures continued. Over time, as modes of transportation improved, movement and migration, trade and commerce increased further, making the world a smaller place. Thus, globalization - the movement of capital, goods and labour across regions and countries - is as old as human civilization.

Take the case of India. The Indus Valley Civilization ~~was~~ had brisk trade and movement of people between India and Mesopotamia. Even during the Ancient phase, different kingdoms like the

Mauvryas, Guptas, Cholas, Pandyas, etc established trade relations with West Asia, Arabia and ~~the~~ East Asia. Ashoka even propagated Buddhism in Sri Lanka and East Asia. Fa Hien and Hiuen Tsang came from China to study Indian culture. During the middle ages, Indian merchants travelled to Arabia and ~~is~~ also engaged in trade with merchants from Venice and Genoa.

With the advent of the Europeans, India and the world entered into a new phase of globalization. This period was marked rapid rise in trade and commerce between Europe and its colonies. The discovery of the New World (Americas and Australia) opened up the triangular slave trade between Africa, Europe and Americas, leading to massive movement of men, materials and capital. The Industrial Revolution in ~~the~~ the UK ~~along~~ further gave an impetus to this movement with heavier machines and better means of transportation.

This is the first phase of globalization in the modern ~~ph~~ sense of the term, ~~this~~ i.e., movement of men (labour), capital and goods & services across nations (or colonies). This first phase reached its zenith in ~~the~~ the 1850s at the height of the British Empire.

With increasing European rivalry finally culminating into the First World War, Europe retreated into protectionism, and with it, the colonies it controlled.

This period saw the erection of tariff and non-tariff barriers by the European powers. Very little trade flowed across the nations. In fact, Holland ~~de~~ closed itself to trade for the first time in 300 years. • The only trade that happened was between the colonies and their parent colonisers. This retreat into protectionism continued till the end of 2nd World War.

After 1945, with the emergence of two super-powers - USA and USSR - the situation changed.

The Bretton Woods Institutions and the UN under US leadership brought in an era of multilateralism. Europe started coming together, especially Western Europe, under the European Project. USA emerged as the hub of industrial ~~an~~ activity and Technological R & D. ~~Decol~~ Decolonization led to a number of developing countries engaging in brisk trade with Europe, Asia and ~~US~~ North America. China adopted ~~an~~ a new policy of liberalization under Deng Xiao Ping. The East Asian ~~to~~ Tigers (Japan, Korea, Malaysia, Singapore, Taiwan) emerged as export hubs — exporting cars and technology to the rest of the world. As developing countries opened up to MNCs, new services and the financial sector developed rapidly, with cities like New York, Frankfurt and London emerging as Financial Centres of the world. This period again saw massive movements of people, capital and goods/services.

From the 1980s, a new era of hyper-globalization started. Many developing countries, notably India, opened up their economies to world capital and trade.

This was the phase of liberalization.

Restrictions and licenses on setting up industries were relaxed, capital could move freely between countries and developed countries eased visa restrictions to attract skilled talent from the developing countries. ↑

MNCs responded by shifting their manufacturing industries to third world countries like Vietnam, Bangladesh, China and India to take

advantage of cheap labour, while ~~the~~ retaining their R&D operations in

the developed countries. ~~With~~ ↑ With

the ~~develop~~ establishment of the WTO

in 1995 and the ~~the~~ European Union,

countries found it even harder to resort to protectionist measures. The

invention of the internet further aided this integration

This period, therefore, saw large-scale movement of ~~let~~ goods-services, labour and capital across nations. India, for example, saw the period of liberalization, ~~glob~~ privatization and globalization (LPG) from the 1990s. A large number of skilled workers went to North America during this period, while semi-skilled workers (mostly from Kerala) went to the Gulf nations. A large number of MNCs set up office here, while our service sector (especially IT) became the main driver of economy. The financial institutions and ~~if~~ transactions increased manifold.

This period of hyper-globalization ushered in prosperity for many — developed and developing countries alike. The developing countries benefitted from the MNC factories set up which could employ large amount of labour. They also benefitted from the remittances

sent in by the ex-pat workers abroad. The developed countries benefitted from the skilled talent it was able to recruit to power its technological R&D and its top universities. The financial sector in US and Europe benefitted considerably from the flow of capital across nations. As capital moved freely searching for the ~~highest~~ highest returns, the financial firms like JP Morgan, Meryll Lynch, Lehmann Brothers ~~and~~ made massive profits. The developed countries also benefitted from the cheap semi-skilled labour it imported from the third world to do jobs like plumbing, etc, in view of the shortage of such labour in the 1st world.

Although globalization appeared to be a win-win situation, it was not without its problems. First, as MNCs shifted production to the developing countries, it led to large scale job losses, especially in manufacturing, in the

developed world. These people, being semi-skilled, could never find employment in the ~~hi-te~~ hi-tech industry.

The free flow of capital led to large scale volatility in the global markets.

Many developing countries based their economic growth and infra projects on global ~~ca~~ volatile capital (also called 'hot ~~cap~~ money'). ~~The~~ When the capital took flight, most of these countries could not finance their projects anymore. The East Asian Crisis of 1997 was the result of such a capital flight.

The ability of MNCs to set up production centres anywhere made it possible to exploit the natural resources of a country and then leave that place when the resources have been exhausted beyond regeneration. This ~~tendency~~ tendency of MNCs has been termed as neo-colonialism by neo-imperialism, because of its essentially imperialist character. This generated

large scale resentment in the local communities against MNCs.

The excessively intrusive WTO agreements made it almost impossible for countries to control their borders, even the country is faced with a large trade deficit.

The Intellectual Property Rights negotiated under TRIPS, as part of the WTO, makes it almost impossible for countries like India to manufacture generic medicines to treat the poor. It also interferes with the rights of farmers to cross-breed and experiment with plant varieties and places them at the mercy of large MNCs like Monsanto.

With the growing clout of the financial sector in politics, many of the developed countries eased restrictions and regulations on the sector. This enabled them to make quick money, by selling securities or loans that were not ~~was~~ very stable.

This led to the sub-prime crisis of 2008

which plunged US and the world into crisis. ~~Unemployment~~ As businesses shut down, millions were left unemployed. Resentments rose.

Even the European Project faced friction, as Greece defaulted and failed to repay the loan handed out by IMF and Germany. The large scale ~~flow~~ migration of Eastern Europeans into the UK created resentment among the natives that these East Europeans were undercutting them and ~~for~~ taking away their jobs. The refugee crisis from 2016 further aggravated the European crisis, as many countries like Hungary refused to take in the ~~crisis~~ refugees while countries like Germany insisting a fair share of the burden. The recent spate of terrorism in Europe perpetrated mostly by refugees from West Asia has further created divisions in the country.

It is in the light of all these problems of globalization that many nationalist and right wing leaders have emerged who want to retreat into protectionism. The election of Donald Trump and the Brexit point to this phenomenon.

Right wing politicians like Le Pen and Wilders from Europe also echo a similar viewpoint. Many ordinary citizens also blame globalization for their misery. In this changed scenario, many experts are arguing that globalization as we know it has ended. They argue that the world is retreating into protectionism, by pointing to facts like the annulment of the TPP by ~~it~~ and Paris Climate Accord by President Trump and Theresa May's insistence that Brexit will happen irrespective of whether we have a deal with EU or not. The recent curbs on H1 B visa in the US has led to large-scale layoffs

in the Indian IT sector. ~~But~~ The curbs on British immigration has led to fall in Indian students studying in the UK. Donald Trump plans to build a wall with Mexico, while President Erdogan of Turkey wishes to revive old Islamic Turkish glory by cutting ties with EU.

But is globalization really over? It is very difficult to say it is over. After all, we are more connected with each other within the country and with others abroad more than ever before. Social media platforms like Twitter and Facebook make it possible to know what is happening in every part of the world. ~~Social~~ Facebook has 1 billion users and it is expanding. President Trump and PM Modi conduct diplomacy through Twitter making them the highest followed celebrities in the world.

~~They need~~ Trade negotiations, whether it be at the WTO or G20 or RCEP, are still going on. New trade deals are still being signed. As US recedes into isolation, China has taken the lead in ensuring a connected and open world. As per WTO data, ~~the~~ world trade continues to grow at a healthy rate.

Different ~~new~~ trading blocs, customs unions and regional groupings are emerging. The most notable being the BRICS. These countries have set up the New Development Bank to fund each others projects. The Asian Infrastructure and Investment Bank (AIIB) is emerging as the new Multilateral Bank.

~~Globalization~~ The African countries are coming together to set up their customs and economic unions. Already ECOWAS is a customs union of the West African states.

France elected ~~to~~ Emmanuel Macron as its President. Macron is a staunch believer of EU. It has kept alive everyone's hopes of a united Europe.

Our IT sector may be facing difficulties, but new technology and start-ups are making the mark. Artificial Intelligence (AI) can revolutionize how we communicate with others. It might make us possible to 'go' to other countries while staying at home.

To conclude, globalization is always in a state of evolution. The modes and means by which it works have been changing since the beginning of human history. But the movement and integration of humans, capital and goods-services is here to stay.

In fact, this new wave of globalisation is likely to be led by the developing

world — notably India and China.

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SECTION B

1.

On November 8, 2016, Prime Minister Narendra Modi announced on television that ₹ 500 and ₹ 1000 notes would cease to be legal tender from midnight. This created a mad rush as people hurried to banks to deposit their banks creating serpentine queues that broke news headlines. The academia and politicians alike got into the debate whether demonetization is good or bad. The rest as we know it is history.

India is primarily a cash driven economy, with its cash-to-GDP ratio of 12% one of the highest in the world, and much higher than countries at comparable levels of development. On the other hand, developed countries like Sweden have cash-to-GDP ratio below 5%.

In any economy, cash has primarily three main uses. First, it is a medium of exchange, which helps an economy

avoid the barter system. Second, it is a unit of account. In other words, the ~~cash can~~ denominations in cash also act as the value of the rupee or any other currency. Third, it is used as a store of value by people, as it is an asset (that does not earn interest). In developing countries, cash is usually more popular for transactions than other digital means. For example, 98% of transactions in India are carried through ~~by~~ cash. There are a number of reasons for its popularity as under -

- It is extremely easy to use and hence, convenient for most transactions, especially smaller ones, such as ₹ 10, ₹ 50, etc.
- Digital transactions require digital infrastructure such as Point-of Service (Pos) devices, mobile phones, internet, etc. Lack of such infrastructure in rural India hampers its spread.

- Financial inclusion is also very low in most developing countries. ~~As~~ Things like having a bank account ~~is~~ are minimal requirements for moving towards a cashless economy.
- Illiteracy and lack of education mean that most individuals are not able to carry out and read the details and information related to digital transactions, involving smartphones and debit cards.
- Finally, there is lack of awareness about the benefits of a cashless economy.
- Also, digital transactions involve extra charges, such as the merchant discount rate (MDR), that discourage most merchants from using such digital means.

With 70% of the ~~the~~ transactions occurring in the informal sector in India, a concerted effort is needed to ~~bring~~ move towards a cashless economy.

Although it appears as if cash transactions have a number of advantages, there are quite a few drawbacks that most people fail to see. ~~The~~ Some of them are enumerated below —

- Cash is not an ideal store of value, as it does not earn any interest. In fact, it can ~~be a~~ earn a negative interest, in the form of an inflation tax.
- As cash remains outside the banking system, banks lose out on the necessary funds they could have used to lend to industries. As a result, lending activity falls and hampers investment.
- Since cash transactions leave no trace, it is the ideal means to generate black money. Black money ~~is~~ can be money generated either ~~as~~ from illegal activities like drug smuggling or it can be untaxed ~~but~~ money from legal activities, like real estate.
- Cash is also easier to counterfeit. In

fact, the Pakistani ISI has been running a counterfeit currency racket, pumping such fake notes through the porous Nepal and Bangladesh borders. Counterfeit currency can severely affect the trust of the people in the nation's currency. It is estimated that prior to demonetization, ₹ 400 crore worth of counterfeit cash was circulating in the economy.

- The Black money and black income so generated ~~by~~ through cash transactions can be used to launder money (to turn them into white money) and can also be used to finance terror.

It is argued that the 1993 Mumbai serial blasts were financed ~~there~~ by Hawala money routed through Pakistan.

- There are also shoe leather costs, as people have to continuously go to the bank to withdraw ~~more~~ cash. They lose out on productive time.

~~It is~~ The above drawbacks of cash are primarily the corresponding plus-points of a digital cash less economy.

Digital transactions ensure that unused income is kept in the savings account of banks, which ~~can~~ banks can lend to investment activities. Second, since digital transactions leave a trace, they can always be tracked. As a result, it is difficult to evade taxes, generate black money and launder such ill-gotten wealth or finance terrorism.

Keeping these reasons in mind, the government announced demonetization on November 8th. As 86% of the total currency value was wiped out overnight, there was an immediate cash crunch. The new ₹ 2000 and ₹ 500 notes (which became legal tender from 9th November) were not available in full supply. Banks were also not ready to exchange currency notes of ~~some~~ so many people at such a short notice. This led to serpentine queues in front of most banks. ~~The~~ The resultant cash crunch

led to businesses shutting down, people losing jobs and farmers unable to procure seeds for ~~seed~~ sowing. The hardships were immense.

Thus, although the intentions were good, the exercise was ill-planned. The idea was to force people to save their excess cash in banks, to move them towards digital cashless transactions, and to identify and punish the black money holders as their ~~money~~ value got wiped out overnight. If the black money holders wanted to exchange their notes at the bank, they would be liable for prosecution and questioning. The people carried on through this hardship hoping that blackmoney will be ~~eradicated~~ and the economy would be better.

However, 8 months after demonetization, it is still questionable as to how far the objectives of ~~demon~~ the exercise have been fulfilled. First, in the first month after demonetization, digital transactions

shot up. Even local vegetable vendors began to use mobile wallets, like PayTM. However, as cash supply reached pre-Nov 8 levels, ~~the~~ digital transactions fell and cash transactions rose.

Second, since nearly 99% of the ~~cash~~ ₹ 500 and ₹ 1000 notes have returned to the banking system, there is reason to believe that black money holders have found a way to legitimize their ill-gotten wealth. It is alleged that ~~black~~ many bank managers made a lot of money by converting such ill-gotten wealth by charging a commission. Also, many Jan Dhan accounts of farmers got filled with cash, which suggested that ~~village~~ rich village landlords were depositing their untaxed money in their tenants' accounts.

Third, there is no guarantee that counterfeiting won't happen with the new ₹ 2000 and ₹ 500 note. Moreover, terror financing seems to be still continuing as

within a month after demonetization, ₹ 2000 notes were found in the body of a slain LeT terrorist in Kashmir.

Given the above points, it clearly shows that moving towards a cashless economy remains a formidable challenge.

The government had constituted a committee under the chairmanship of Ratan Watal to suggest a roadmap for moving towards a cashless economy.

The committee submitted its report recently. Some of the suggestions given in the committee report, together with the suggestions ~~are~~ of some other experts in the field, are discussed below -

- There is a need to bring in an explicit cost of holding cash, instead of the inflation tax that most people fail to perceive. Thus, a tax can be charged on cash withdrawal above a limit ~~is~~ from banks.

Keeping this recommendation in mind, the State Bank of India introduced a tax on withdrawing cash more than a specified number of times above a particular threshold.

- The Merchant Discount Rate (MDR) and other charges on digital transactions need to be reduced and rationalized.
- ~~The~~ Digital infrastructure needs to be built, especially in rural India. For this, one needs to ensure sufficient electricity supply and ~~po~~ internet connections. The Deen Dayal Upadhyaya Grameen Vidyutikaran Yojana (DDUGVY) and Bharat Net will play an important role in this regard.
- Increase smartphone penetration in India. Although one can do simple transactions using USSD codes from a feature phone, a smartphone increases the possibilities of digital transactions.

- Improve inter-operability across banks. The Unified Payment Interface ~~and~~ (UPI) and the BHIM app can play a significant role in this regard.
- Improve inter-operability ~~across~~ across transactions. The Bharat QR code, which acts as a universal QR code, ~~is~~ is an important step in this field.
- One can use AADHAR authentication to make it easier for even illiterate people ~~to~~ to verify and authenticate their banking transactions.
- ~~Make~~ Provide more licenses to Mobile wallets like PayTM. Mobile wallets make it easier for people to pay the merchant without going into the hassle of ~~monetary~~ typing credit / debit card pins for every transactions. In fact, the mobile banking transaction system, M-PESA, introduced by Vodafone, has revolutionized banking transactions.

in Kenya, where millions of poor people use M-PESA to send money back to their villages.

- Improve cyber-security. The biggest drawback of digital transactions is its potential to be hacked. Millions of rupees can be wiped out in an instant. This is one of the primary reasons that discourage people from going digital.
- ¶ In September 2016, a large number of debit cards were hacked ~~by a~~ in India, compromising account and security details of many Indians. ~~It~~ Such incidents can severely affect people's attitude towards digital transactions.

The Finance Ministry is mooted a proposal to develop a CERT-Fin, in the lines of computer Emergency Response Team (CERT-In), to deal ~~to~~ exclusively with cyber security in the

the financial sector.

It is hoped that all ~~such~~ such measures, together with the Digital India ~~&~~ initiative, will ~~for~~ motivate people towards a cash-less economy. At the

same time, there is a pressing need for generating ~~&~~ awareness about the virtues of a cashless economy. The JAM Trinity can play a special role here.

To conclude, there is a long way to go before India becomes a 'less-cash' economy (rather than cashless), but ~~the~~ various initiatives and the mindset of the public shows that we are on the right ~~&~~ track.

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