

Through the study of this chapter you will acquire the ability to

- investigate basic economic problems and economic activities,
- explore information about various economic systems,
- analyse present economic systems in relation to development,
- analyse the influence of globalization on Sri Lanka.

## 4.1. Basic economic problems and economic activities

Man is subject to various needs and wants when living in a social system. When attempting to satisfy these wants they have to face various problems. The manner in which each society acts in attempting to resolve these problems is different.

The manner in which societies are organized in order to solve the basic economic problems faced by man is called an economic system.

You may already be aware of various needs and wants arising when living as a group in a society. Primary essentials for man's existence are called needs. Clothes, housing, food, etc., are examples of needs. They are explained as basic needs.

The above needs are fulfilled by various persons in different ways. Various forms of wants are called needs. Although housing is a basic need, in the fulfilment of this need houses are constructed in various forms of huts, wattle and daub houses, large houses, condominiums, etc. From the example above, it is clear that they are diverse according to the socioeconomic condition of the individual in need.

We know that the wants of individuals are different as much as they are unlimited. But we also know that resources for the satisfaction of these wants are unavailable. Although we need to build a large house, problems arise when we attempt to build it based on facts such as the land available, finances etc. Therefore, if this unlimited necessity is to be met, with the resources available, it becomes necessary to function in the context of a systematic and scientific methodology.

### Activity 4.1

Display on a table human needs and the wants relevant to them.

## Basic Economic Problems

We learned earlier that we have to face various problems in endeavouring to satisfy human needs and wants. These problems are common to any economic system. Boundless needs and wants of man and limited resources available are the reasons for this. We call this a shortage. Because of shortage, selection has to be done when fulfilling wants. Problems that any economic system has to face are called economic problems. They can be divided to three main parts.

### 1. Which what, how much of it is to be produced?

It becomes necessary to decide as to which good is to be produced utilizing the resources available. And also, the problem arises as to how many of the selected articles are to be produced. The primary reason for this problem is the availability of a number of alternative uses of the resources.

Since it is not possible to satisfy all the needs and wants of the individual, first of all, it has to be decided as to which necessities are to be fulfilled first. This picture shows several alternative decisions that can be taken in this regard. It is according to the manner in which the economy is organized that a decision, as to 'what' "how many items of each are to be produced," can be taken.



Fig 4.1

### 2. How is it produced?

After solving the problem as to how many of the good to be produced the next economic problem to be faced is regarding how they are to be produced. In this regard two sub – problems need to be faced. That is

- i What is the technique to be applied?
- ii By which section is the production to be made?

## i. What is the technique to be applied?

There are two main techniques employed in production.

- **Capital Intensive**

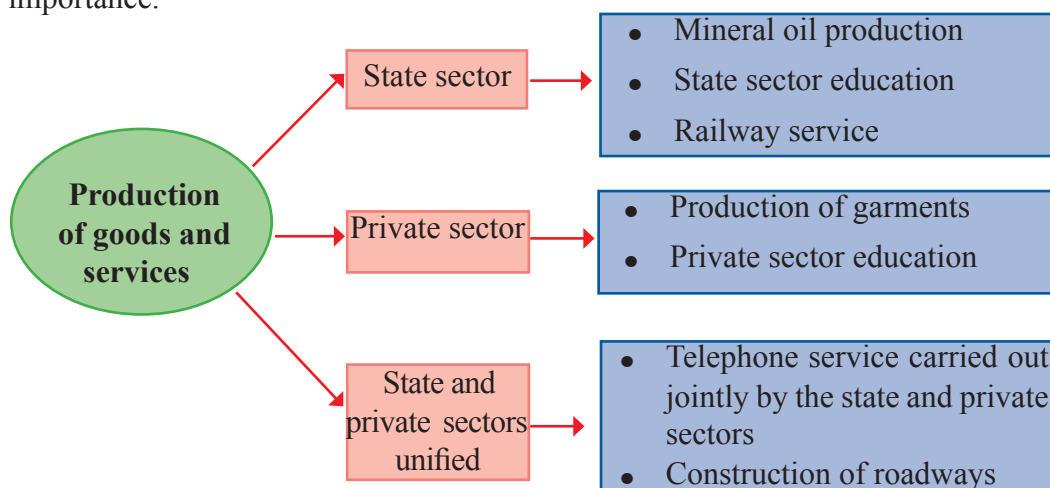
Capital Intensive is the utilization of machinery and other capital equipment extensively for the production of goods. Eg: If machinery is used for agriculture extensively it is a capital intensive agriculture.

- **Labour Intensive**

Labour intensive is the extensive employment of humans in the production of goods. Eg: If of a large labour force is used in agriculture it is a labour intensive agriculture

## ii. Which section does the production?

Deciding as to which sector does the production. There are three sectors where production takes place. As to how production is carried out is of secondary importance.



Various types of business entities such as sole traders, corporations, partnerships, cooperatives have been formed in order to facilitate the production in the modern world.

## iii. For whom is it produced?

Deciding about for whom goods and services are produced is meant by society is made up of various groups, in terms of capability to purchase. In this instance it is important as to which of these groups is targeted when producing.

That is, deciding on the consumers among whom the goods and services are to be distributed. Are luxury goods produced for people receiving high incomes? Or otherwise, are essential goods produced for those receiving low incomes? Decision taken in this regard can be noted as examples.

#### **Activity 4.1**

- Imagine you own a block of bare land bordering a trunk road. Should you intend to use this land for economic activities? Describe your decision in light of the economic question above.

### **Production factors and payments for them**

In the satisfaction of human needs, various goods and services are made use of. These goods are of two main types,

- Economic goods – Goods that bear a cost in production and involve payment of a price for use there of

Eg. The features above can be seen in food, clothes, medicine etc.

- Non-economic goods – Goods that are provided free to us by nature,

Eg. Sunlight; water, air.

There are instances where non – economic goods, goods provided free to us, at times become economic goods.

Eg:-

- Although we get water free of charge, we have to pay for bottled water.
- We have to pay for sunlight converted to electricity
- A price has to be paid for nitrogen stored and used in vehicles.



**Fig 4.2**

## 1. Land

The earth and all resources related to the earth belong to land. The payment made for this usage in the production process is known as rent.



**Fig 4.3**

## 2. Labour

The physical and mental energy spent by various individuals in the production of goods and services is called labour. Since labourers, farmers, drivers, etc., spend comparatively more physical energy, it is called physical labour. As doctors, engineers, teachers, etc., spend comparatively more mental energy, it is called mental labours. Payment that is done for the labour is called wages.



**Fig 4.4**

## 3. Capital

The various equipment and machinery on which man invests for the purpose of production are capital. Machinery, buildings etc., can be considered as capital. Payment made with respect to capital is called interest.



**Fig 4.5**

## 4. Entrepreneurship

Production factors are not located in one single place. They lie scattered in different places and among different individuals. The task of labouring to bring together the production factors distributed for the production process is called entrepreneurship.

### Activity 4.1

Name five goods utilized for human needs. Show, in the form of a table the production factors used for each commodity.

## Processes taking place in an economy

Various processes take place in an economy. These processes can be divided into three main parts

- Production
- Distribution
- Consumption

### 1. Production

Production is the alteration of resources so as to facilitate satisfaction of human needs in an economy. The production taking place in an economy can be basically divided into three sections, as below.

- **Agricultural products**

Tea, rubber, coconut, paddy and other types of grain, vegetables, fruits, meat, fish, eggs, etc.



Fig 4.6



Fig 4.7

- **Industrial Products**

Machinery, motor vehicles, garments, stationery, prepared food, etc.





**Fig 4.8**

- **Services**

Education, Health, Postal,  
Telecommunication,  
Electricity, Transport, etc.

Commodities produced can be divided into three sections according to the manner in which they are made use of

Consumer good	Intermediate goods	Capital goods
<p>Goods and services utilized for the wants and needs of individuals are called consumer goods</p> <p>Eg; Food stuff used daily, clothes, medicines etc.</p>	<p>Goods that are utilized for the production of a particular good are called intermediate goods.</p> <p>Special feature of goods is that they cannot be reused.</p> <p>Eg; Fertilizer used in paddy production, timber used in the manufacture of furniture.</p>	<p>Capital goods are goods utilized directly in the production process. They are also called export goods. Capital goods can be used again and again in the production process.</p> <p>Eg; Machinery, buildings vehicles etc.</p>

## 2.Distribution

Distribution is the process involving the delivery of the produced goods to the consumer. In the past, since one produced the goods required, there was no exchange of goods involved. Afterwards, a system of exchange of one type of goods for another type of goods came into being. For example, in the production of paddy one's excess was given to another and salt, dry fish, clothes etc., were received in exchange. With the dawn of the present, goods came to be exchanged, through the market with money as the medium. This process is called trade. Trade takes place not only in the interior of a country, but also internationally. Trade can be divided into two main sections.



**Fig 4.9**

- **Wholesale Trade**

Wholesale trade is the process by which the goods produced are supplied to intermediate traders in large stocks, instead of the final consumer.

Wholesale trade takes place between the producer and the wholesale trader and the wholesale trader and the retail trader.



**Fig 4.10**

- **Retail Trade**

Retail trade is the provision of goods obtained from the producer or the wholesale trader to the consumer. Retail trader is the last person met, when goods flow from the producer to the customer.

### 3. Consumption

Consumption is the satisfaction of human needs and wants using the goods and services produced by an economy. The individual satisfying his needs in this manner is called a consumer. The goods that directly contribute to the satisfaction of the needs and wants of the individual are called consumer goods. The utilization of food, drink, clothes, vehicles in the fulfilment of ones affairs, can be taken as examples.

#### Activity

Complete the table below making use of goods and services you know.

Consumer goods	Intermediate goods	Capital goods



## Exploring information on various economic systems

An economic system is how various organizations are organised for the solution of basic economic problems as to what man faces, to what extent, what manner and for whom it is produced. This is called an economic system.

These economic systems are divided into three main parts.

1. Capitalist systems
2. Socialist systems
3. Mixed systems

### The capitalist economic system

An economic organization where property, mostly owned by the private sector handled with the intention of profit making is called a capitalist economy system. Given below are a few basic qualities of such an economy;

- Existence of a competitive market
- Greater ownership of production factors owned by the private sector
- Production being profit oriented
- Unequal distribution of profits

In capitalist economic systems the effort put into attract customers to one's product and retain them through massive publicity campaigns, is quite evident. But the consumer has the liberty to purchase products of his choice out of the goods available in the market.

Examples of countries where capitalist economic systems prevail are countries like the United States of America, Great Britain, Japan and Australia can be cited. However, total capital economic systems cannot be seen in the world, where some properties are controlled by the state sector.

### Socialist Economic Systems

Economic organizational systems in which a central planning board is functioning to solve basic economic problems and the property is under common ownership are called a Socialist Economic System. Socialist Economic System is also called as planned economic system, state enterprise economic system.

Given below are a few basic qualities of such an economy.

- property being state – owned
- The economy being handled by a central planning board
- In the solution of basic economic problems, the focus being on the common good

North Korea and Cuba can be considered as examples of countries where socialist economic systems exist. It is evident that the existing socialist economic systems are undergoing changes.

## **Mixed Economic Systems**

Mixed economic systems carry the features of both capitalist and socialist economic systems. Mixed economic systems can be seen in most of the countries in the world. Sri Lanka is also considered to be a country with a mixed economic system. Following are some features of a mixed economic system.

- Ownership of production factors devolved on both state and private sectors.
- Both the state and private sectors taking action in the solution of basic economic problems.
- Although the price of commodities depends on the market, the state intervening in that regard.
- Existence of both private and state sector enterprise.
- Intervention of the state in the setting up of welfare activities for the common good.

### **Activity**

- Discuss the advantages and disadvantages of Capitalist Economic Systems.
- Discuss the characteristics of a mixed economy evident in the economy of Sri Lanka.
- Through this, explain the advantages and disadvantages that the public has got.

## **The concept of Market Economy**

Market Economy which is in operation at present is also called as Neo – Liberal Economic system. Under this, while the state does not implement what the private can implement, there is room for the market to function under minimum state intervention.

It is evident that countries like Russia, Poland, China, where a Socialist Economic system prevailed are gradually implementing the concept of Market Economy at present times.

Given below are several characteristics of the Neo – Liberal Market Economy implemented at present.

- Privatization of state enterprises
- Provision of facilities for prices to be decided on the market situation
- Encouragement of private investors
- Relaxation of subsidies and price control methods
- Toleration of private property ownership
- Restriction of state sector intervention in economic matters
- Relaxation of market rules and regulations
- Minimization of administrative rules, regulations and limitations
- Provisions on exchange rates to be decided freely and without control

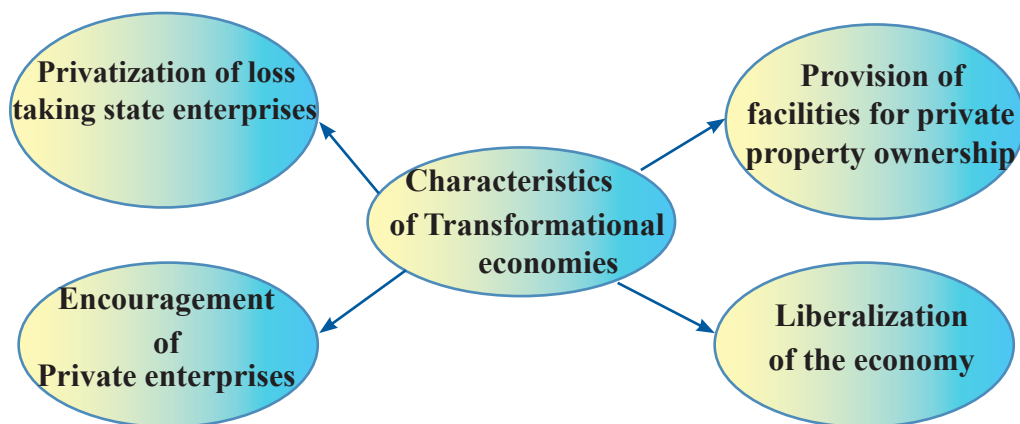
Adverse features also can be identified within the concept of the market economy. Among them is the tendency for the damage caused to other parties, in a market economy, to be ignored, is evident. This is called negative externalities. Eg: Environmental pollution in the location of factories, failure to recognize public nuisance etc., can be pointed out.

## **Different forms of the Market Economy**

When inquiring about countries where a Market Economy System is implemented, three main forms are evident.

- i. Greater evidence of characteristics of a capitalist market.  
Eg: United States of America, Australia, Singapore, South Korea
- ii. Greater evidence of characteristics of a socialist market.  
Eg : North Korea, Cuba
- iii. Economies that are in the process of moving towards a transformation economy or market economy Eg; Countries like Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Latvia, Lithuania, Russia, Ukrain, Uzbekistan that were belong to USSR (The Union of Soviet Socialist Republics).

Several basic characteristics of transformational economies can be identified as follows;



#### Activity

- Are the basic characteristics of a market economy evident in Sri Lanka? Give reasons.
- List the disadvantages of a market economy.

## Influence of Globalization on Sri Lanka

Sri Lanka is a country with a long history. When examining the economic systems that existed from the past to the present day it is clear that this economy existed in various forms. These economic policies changed from time to time based on the government that controlled the state. After winning freedom from British rule in 1948, the fact that economic systems with socialist, capitalist and mixed economy features, had been implemented, is evident.

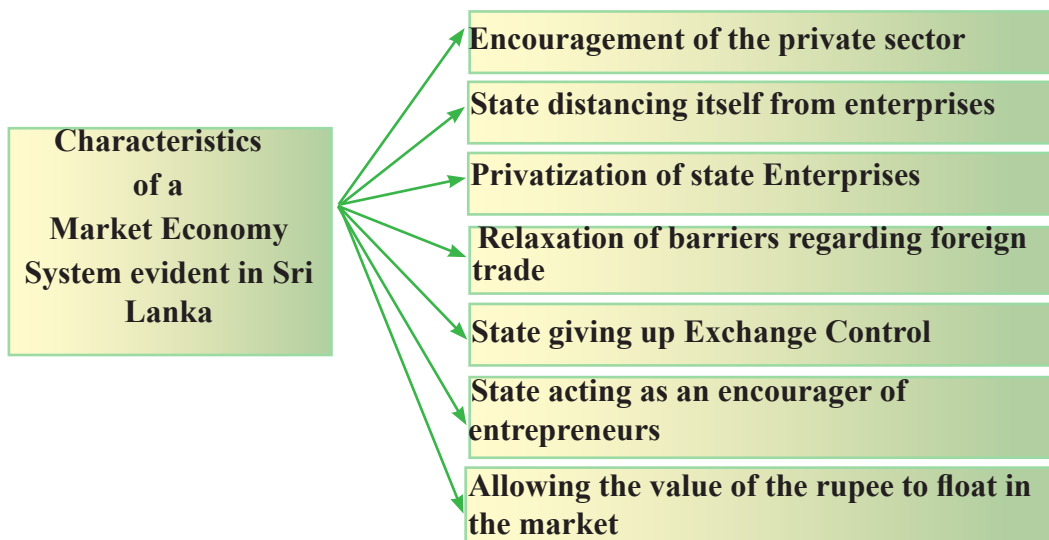
## Present day economic system of Sri Lanka and Development

The economic system implemented in Sri Lanka is based on the open economy policy which is a market friendly economy. Even though it possessed features of Socialism before 1977 at present it has been transformed to a market economy.

Under the policy of open economy after 1977, private enterprises are encouraged by various strategies introduced to the economy.

- Provision of various tax concessions to private investors
- Removal of trade barriers (customs duty)
- Minimization of state intervention in the market
- Encouragement of foreign investments
- Privatization of state - property
- Fluctuation of exchange rates
- Introduction of an import export economy
- Opening up of state institutions also to the competitive market
- Broadening infrastructural facilities
- Establishment of Free Trade Zones.

It was stated earlier that Sri Lanka too reflects qualities of a Market Economy. Given below are a few of such characteristics.





## Introduction to Development

In an economic system, development or growth of various forms can be seen. While some are beneficial to man some have an adverse effect. For example, growth of crime, increasing number of accidents, can be shown as adverse developments. Accordingly, development that is of a beneficial nature to society is described with the term development in Economics.

Economic growth and development are not the same. Economic growth is the percentage of growth in the gross national production annually. But development is wider and it implies the growth of economic, political, social humanistic sectors.

Interpretations presented on ‘ Development ’

**“Progress in economic, political, social and humanity sectors and the minimization of poverty along with permanent progress, is development.”**

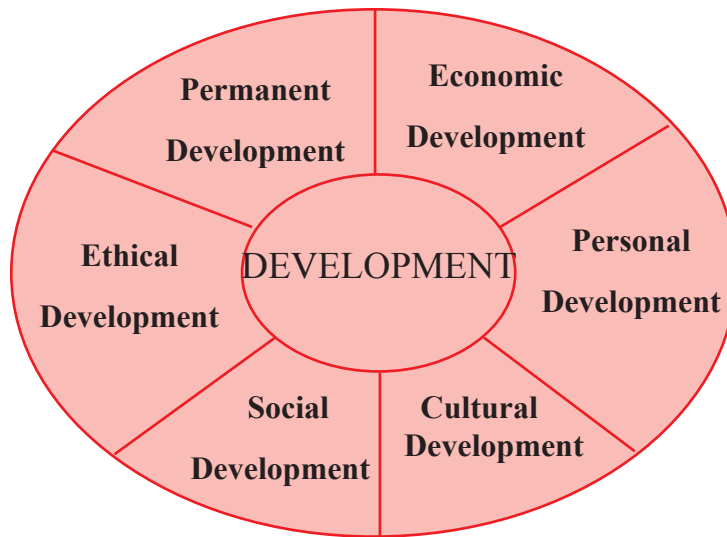
**- United Nations Development Report, 2000 -**

**“The economic and social transformation process taking place through the interaction between complex cultural and environmental factors, is development.”**

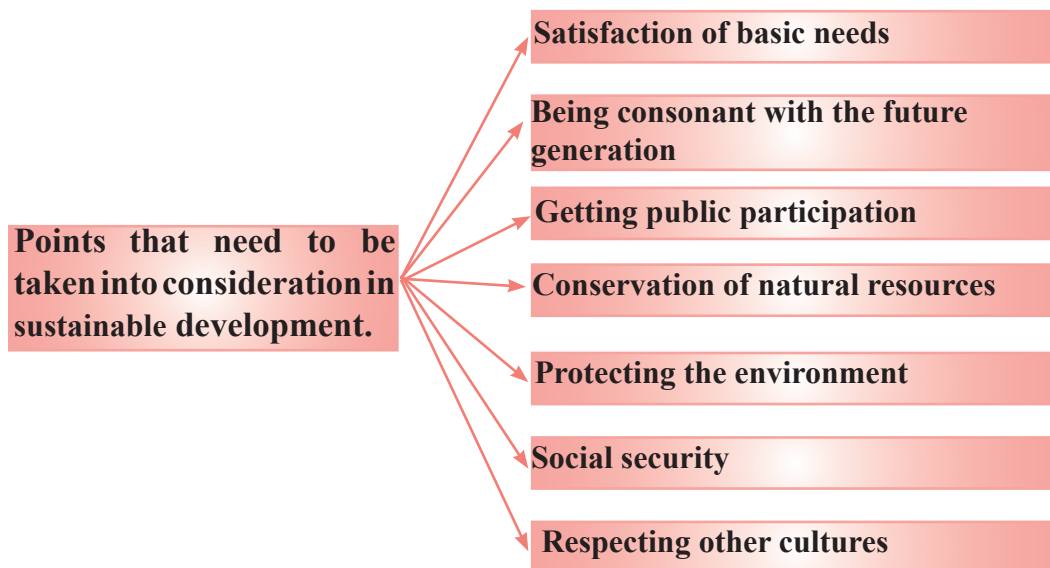
**- (www.business dictionary. Com. 2013.08.12) -**

It is about sustainable development that much of present – day discussion is focussed on. Sustainable development is ensuring the security of the resources of the economy for future generations while satisfying current needs in the passage towards development.

Giving a definite definition to development is difficult. This concept implies complete personal and social development. In this regard there are several aspects that should be taken into consideration.



In the development of an economy, it is clear, that not only the economic development but other sections should also be involved in the process. In this instance, what is most important is sustainable development. Sachs, (2004) has noted several basic principles that should be considered in sustainable development.



### Activity

- List the points that should be taken into consideration in permanent development.
- Describe the importance of permanent development.

At the millennium assembly of the United Nations Organization in 2000 on development, eight Millennium Development Targets were approved.

They are,

1. Eradication of poverty and hunger
2. Acquisition of a common primary education
3. Empowerment of women and gender equality
4. Proportional reduction of infant deaths
5. Development of mental health
6. Suppression of diseases like AIDS and Malaria
7. Assurance of environmental sustainability
8. Initiation of a global relationship for development

Sri Lanka too has accepted in principle the need to move towards development through the achievement of the targets above. It has been accepted as a policy at present to make Sri Lanka as the central point of knowledge in Asia

## New Development Trends in Present - day Sri Lanka

In the past the economy of Sri Lanka depended on a subsistence agriculture. But with Sri Lanka going under British rule its economy was gradually transformed into an import - export economy based on plantation crops. Before 1977 state contribution in the areas of agriculture, industry and services was visibly dominant. Attention was also paid to the setting up of export oriented industries utilizing local resources.

When inquiring into modern development trends in Sri Lanka, it is possible to divide the changes that took place after independence into several main stages. The table below shows the special features evident in each period;

Stage	Special features
1948-1960	<ul style="list-style-type: none"> <li>• Existence of an economic system based on import – export</li> <li>• Both the state and private sectors joining economic activities</li> <li>• Plantation industry getting priority</li> <li>• Encouragement of a locally dependent agricultural section</li> <li>• Nationalization of private enterprises (After 1956)</li> <li>• Provision of consumer subsidies</li> </ul>
1961-1970	<ul style="list-style-type: none"> <li>• Assumption of a semi – open appearance</li> <li>• Relaxation of exchange regulations</li> <li>• Provision of opportunities to private entrepreneurs</li> <li>• Reduction of food subsidies</li> </ul>
1970-1977	<ul style="list-style-type: none"> <li>• Becoming a closed economy</li> <li>• Commencement of import oriented industries</li> <li>• Introduction of restrictions on export</li> <li>• Imposition of new regulations regarding distribution of essential food</li> <li>• Implementation of a ration system</li> <li>• Limitation of private land ownership</li> <li>• Encouragement of a local supply agricultural sector</li> <li>• Making exchange control rules more severe</li> <li>• Development depending on local resources mostly</li> </ul>
1978-1993	<ul style="list-style-type: none"> <li>• Introduction of open economy policies</li> <li>• Relaxation of export – import limits</li> <li>• Provision of tax relief for foreign investment</li> <li>• Commencement of export – based industries</li> <li>• Restriction of food subsidies</li> <li>• Display of preferential treatment for the industrial sector than the agriculture sector</li> <li>• Setting up of free trade zones</li> <li>• Implementation of various welfare schemes for the poor</li> <li>• Provision of free uniforms, text books, midday meals for education</li> <li>• Privatization of loss – taking state institutions</li> </ul>
1994 - 2004	<ul style="list-style-type: none"> <li>• Implementation of open economy policies, further</li> <li>• Provision of tax relief for private entrepreneurs</li> <li>• Privatization of state enterprises</li> <li>• Involvement of the private sector in the provisions of infrastructural facilities</li> <li>• Restructuring of state institutions</li> <li>• Obtaining international advice in policy making</li> </ul>

After 2004 the implementation of an open economy policy is evident. Nevertheless focus of attention on the agricultural sector and investments was evident. Given below are several features to be seen during this stage.



**Fig 4.11**

- Stop privatization of state institutions.
- Repossession of privatized state institution by the states .  
Eg - Sri Lankan Air ways, Sevanagala Sugar Company, Paper Corporation, Shell Gas co. (present Litro)
- Taking action for the promotion of the local agro economy. Eg: Fertilizer subsidy, provision of a certified price for paddy, setting up of the Paddy Marketing Board, Api vavamu Rata Nagamu program.
- Development of infrastructural facilities. Eg: construction of Highways, Harbour, construction of the Airport, modernization of the Colombo Harbour, construction of power stations.
- Launching various projects for economic development. Eg: The Northern Spring – Uthuru Vasanthaya , Eastern Revivals, Divineguma gamakata eka wedak , Maga Neguma , Gama Neguma, Nagara Alankaranaya, Road Development
- Speed up urban development
- Raising living conditions of the poor. Eg: The Samurdi Program, encouragement of the self – employed, home – garden programmes.
- Popularization of Information Technology. Eg: The Nenasala Program, Vidatha Resource Centers.
- Implementation of new changes in the field of education. Eg: Provision of leadership training to university students, introduction of technical subjects to Advanced Level subject stream, Establishment of professional and technical universities, the thousand Sapiri school program, establishment of ‘Mahindodaya Laboratories’.



It might be said that some of the on going development activities in Sri Lanka have the following advantages.

Advantages
<ul style="list-style-type: none"> <li>• Rise in employment opportunities</li> <li>• Rise in foreign exchange earnings</li> <li>• Rise in the standard of living of the people</li> <li>• Speeding up of regional development</li> <li>• Maintenance of high economic development</li> <li>• Ability to face world crises</li> <li>• Development of infrastructural facilities</li> <li>• Broadening of new job market</li> <li>• Acquisition of an internationally outstanding position</li> <li>• Ability to maintain peace.</li> </ul>

### Activity

1. List the various activities implemented in Sri Lanka for development.
2. Explain the benefits that Sri Lanka gets through these projects.

### Gradual decrease in the number of families receiving Samurdhi in Sri Lanka

Year	2005	2006	2007	2008	2009	2010	2011	2012
Number of families	1960664	1916594	1844660	1631133	1600786	1572129	1541619	1515613

### Several indices on the development of Sri Lanka

Index	2009	2010	2011	2012
Infant mortality rate	10.0	8.5	8.5	9.4
Birth rate	18.4	17.6	17.6	17.4
Literacy	91.3	91.4	91.9	92.2
Percentage of admissions for Primary Education	102	91	97	92
Position of Sri Lanka according to Human Development Index	102	91	97	92

### Activity

- Using The Central Bank report, prepare rates important to Sri Lanka apart from the indices above.
- Based on these indices, write a short report about the development of Sri Lanka.

## The influence on technological development and globalization on world economy and Sri Lankan economy.

### Technological progress and globalization

Men who lived in isolation tended to make various discoveries by living as a group. With the new industrial revival of Europe new technology also developed gradually. Every sector in the world has been connected based on this scientific and technological progress. This is called a Global Village or Globalization.



**Fig 4.12 - Several modern technological equipment**

The picture above shows several products that have been created using modern technology. It can be seen that the technological equipment are spread across all sections of industry, communication, trade, education, health and transport.

Along with the progress of communication technology that takes place countries in the world, whole world have drawn closer to each other. Thus we can be informed of any incident that occurs anywhere in the world in a moment. The world drawing closer is commonly known as globalization.

The mutual relationship taking place within the economic, political and cultural processes is called globalization. The world economy becoming a single unit can also be expressed as Globalization. Thus economic changes of one country pose influences on other countries.

Given below are several characteristics evident in globalization.

- Broadening of the world of work
- Broadening of the global market
- Being possible to live in any country in the world
- The possibility of working in any country in the world according to ones' skills and abilities
- Migration of industries to countries where cheap labour is available

Just as much as economic reasons, political, social and cultural reasons influenced the spread of globalization. Developed countries use this concept to politically influence other countries. Eg: Market control, impose sanctions etc. Various forms of cultural intermixing take place because of globalization. Similarly, world powers have utilized globalization to impose one's domination in the world market. It is also possible that a form of neo – colonialism would spread because of globalization.

### Activity

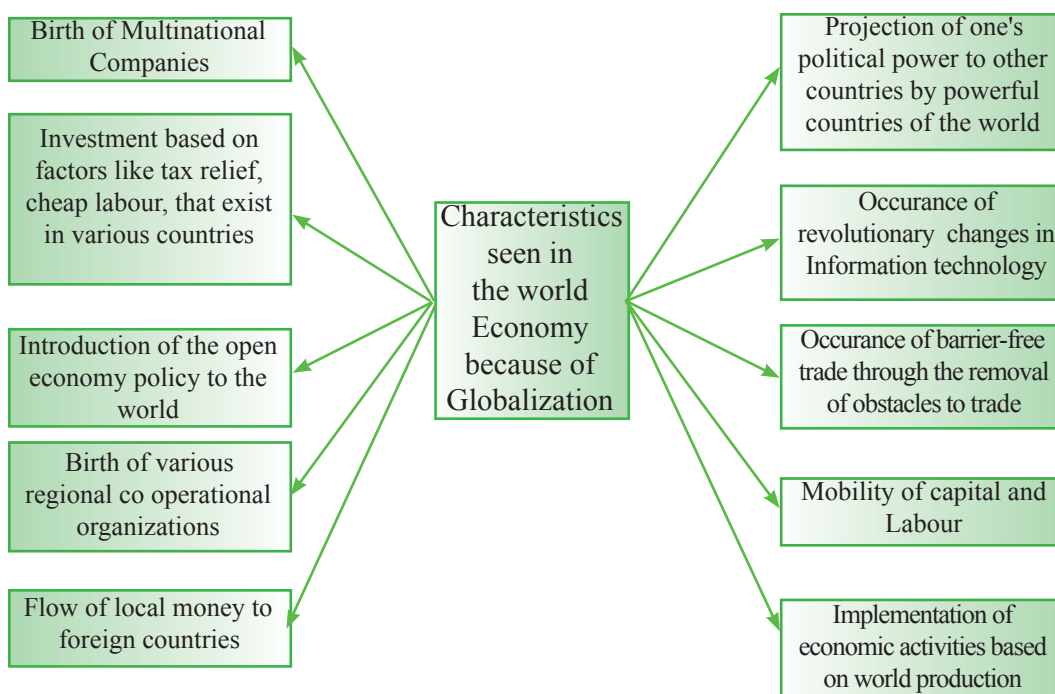
- Collect information on globalization.

## The influence of globalization on the world economy

International trade has been subject to various changes within globalization. The view of the European Union is that the entire world should be transformed into a single nation speaking the same language and using the same monetary unit. One example of this is the action taken by the European Union to introduce a common currency unit within its zone.

It was stated earlier that the endeavour of world powers was the transformation of the entire world to a single economic unit within globalization. Various organizations like the World Bank, internaional Monetary Fund, United Nations Organization, Asian Development Bank and World Trade Organization have been set up to support this effort. However the effort made through these institutions directly or indirectly to influence other countries, can be seen.

## Characteristics to be seen in the world Economy because of Globalization



Through such influence, world power not only expects to maximize profits but also to establish political stability.

At present the trend of various countries jointly setings up several such organization and their objectives are shown below. Various organizations to face globalization is evident :

Organization	Member countries	Objectives
European Union (EU)	Austria, France, Denmark, Belgium, Germany, Finland, Greece, Irland, Italy, Netherlands, Luxemburg, Portugal, Spain, Sweden Great Britain	<ul style="list-style-type: none"> <li>• Greater systematization of financial transaction.</li> <li>• Barrier trade Expansion</li> </ul>
North America Free Trade Agreement (NAFTA)	United States of America Canada, Mexico	<ul style="list-style-type: none"> <li>• Free trade</li> </ul>
South Asian Preferential Trade Agreement (SAPTA)	Sri Lanka, India, Pakistan, Bangladesh, Bhutan, Nepal, Maldives	<ul style="list-style-type: none"> <li>• Broadening of Regional trade</li> </ul>

Association for Economic co - operation set up by countries around the Bengal maritime region (BIRISH - EC)	Bangladesh, India, Myanmar, Thailand, Sri Lanka	<ul style="list-style-type: none"> <li>• Broadening of investment areas like textiles, garments, medicine and information technology.</li> <li>• Encouragement of Government and non government organizations.</li> <li>• Technological exchange.</li> <li>• Ensure regional co-operation.</li> </ul>
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Apart from this, the birth of world economic groups has also occurred because of globalization. Eg - Birth of organizations like G7, G77, G24, G15. The primary objective of setting up these international economic organizations was to take collective action for the resolution of world economic problems and collectively facing the pressures brought about by developed countries.

### Activity

- Collect information regarding similar world organizations and prepare a booklet.

## Influence brought about on Sri Lanka by Globalization

Sri Lanka too has been unable to save itself from Globalization. We have had to bear the influence of Globalization. As a result of the Open Economy policy implemented after 1977 the influence of globalization has become more and more pronounced. The reason for this is the exposure of production and trade to the world market.

Given below are several positive and negative influences Sri Lanka has had to face because of globalization.



# How Globalization influences Sri Lanka

## Positive Influences

1. Influx of foreign investments and modern technology
2. Drop in unemployment because of the creation of new job opportunities in the world of work
3. Greater demand for local product factors
4. Progress of technical and service sectors
5. Birth of local products based on the international market
6. Improvement in the state of the balance of payments
7. Diversification of the economy
8. Production of high quality products (Increase in the Efficiency of production and quality of goods)
9. Improvement of local human resources due to influx of foreign specialist knowledge to this country
10. Broadening of infrastructural facilities necessary for products
11. Possibility of getting maximum benefits of local resources
12. Regional development because of the location of large-scale industries out of the city
13. The possibility of joining up with various regional organizations
14. Exclusion of inefficient industries from the market
15. Allowing the local consumer to get high quality goods

## Negative Influences

1. Inability of local products to compete with multinational products
2. Rise in environment damage caused by industrial institutions
3. Efflux of foreign exchange dividends as interest and loan instalments to foreign countries
4. Speeding up of brain drain
5. Escallation of the influence brought on by developed countries

6. Local culture being subject to various influences
7. Proliferation of unsuitable economic and consumer patterns in the country
8. Need to depend on foreign loans and aid
9. Need to face world economic differences directly.
10. Problems regarding public welfare because the state sector distancing itself from economic matters
11. Need to agree to conditions when obtaining foreign loans
12. Oppression of the poverty stricken public due to the state distancing itself from protectionist strategies like price control
13. Local resources being subject to exploitation
14. Destruction of the local dependence economy
15. Destruction of local primary industries

Because of the rapid expansion of globalization it is clear that both its advantages as well as its disadvantages have to be faced. It will be possible to minimize the influence of its disadvantageous by educating the public.

### Activity

1. List the characteristics of globalization evident in Sri Lanka.
2. What are the methodologies adopted by Sri Lanka in order to minimise the negative influence of globalization?
3. Suggest other forms of action that can be taken for the purpose.
4. Prepare a letter for a wall newspaper on the topic "The influence of globalization on the wellbeing of a multicultural society."