Introduction

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Chapter 4: Globalisation and the Indian Economy

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Introduction

Production across Countries

Over the years, there has been rapid transformation in terms of explosion of brands for many goods in the Indian market. India used to export raw materials and food products, and import some finished goods. Trade was the main connecting link with different nations.

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Multinational Corporations

In multinational corporations (MNCs), the production is owned and controlled in more than one nation. MNCs establish their factories and premises for production in different regions where they acquire cheap labour and resources. This leads to low cost of production and higher profit for goods produced globally.

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Interlinking Production:

- Investment made by MNCs for buying assets such as land, building and other materials is called foreign investment.
- They produce goods jointly with local companies and their benefit of joint production is twofold- additional investment for new machines and advanced technology to increase the efficiency of production.

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Interlinking Production:

- Their wealth is more than the entire budgets of a developing country.
- They have tremendous power to determine the price, quality, quantity and delivery of goods produced by small producers in distant places.

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Interlinking Production:

MNCs are spreading their production and interacting with local producers in numerous nations throughout the world in a variety of methods, as listed below:

• Joint Production: MNCs partner with an existing local company in joint production or partnership. The investment enables local producers to obtain new and improved assets as well as cutting-edge technologies.

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Interlinking Production:

- Acquisition of Local Companies: MNCs purchase large established local enterprises with vast networks in order to grow their production.
- Controlled Production: MNCs source materials and make orders with local companies who create goods, resulting in controlled production. The MNC's brand name is used to market the products.

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Foreign Trade and Integration of Markets:

Foreign trade creates an opportunity for producers not only to sell goods in the local market but also to compete in the global market. Buyers can import goods of their own choice from the global market. Thus, it connects markets of different nations.

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Foreign Trade and Integration of Markets:

Foreign trade provides opportunities for both producers and buyers to reach beyond the markets of their own countries. Goods travel from one country to another. Competition among producers of various countries as well as buyers prevails. Thus foreign trade leads to integration of markets across countries. For example, during Diwali season, buyers in India have the option of choosing between Indian and Chinese decorative lights and bulbs. So this provides an opportunity to expand business.

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Globalisation:

Globalisation is a process of integration among the people of different countries, and it is driven by trade and investment and aided by technology.

Globalisation is defined as the integration between countries through foreign trade and foreign investments by multinational corporations (MNCs). Increase in foreign trade, migration of people, spread of technology, capital flow, private and public investments from foreign countries all together contribute to globalisation.

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Globalisation:

Globalisation has been facilitated by several factors like rapid improvements in technology, liberalisation of trade and investment policies and, pressures from international organisations such as the WTO.

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Factors that have Enabled Globalisation:

Technology

Advancement in transport, information and communication technology has enabled the globalisation process. A container for the transport of goods has increased the volume of goods transported by airlines. Telecommunication facilitates communication with one another around the world. The amazing world of the Internet allows obtaining and sharing information, sending mail and speaking to others across the world at a lower cost.

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Liberalisation of Foreign Trade:

The Indian Government protected domestic producers by putting barriers on foreign trade and investment. A trade barrier is a set of restrictions imposed on foreign trade, such as tax on imports. Liberalisation with its new policies came into existence in India in 1991. It removed barriers set by the Government to import and export goods. The Government felt that the competition would improve the quality of products and it was supported by powerful international organisations. Thus, Indian producers competed with producers in the global market.

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World Trade Organization:

World Trade Organization (WTO) is an organisation of 160 members (2014) which aims to liberalise international trade. At the international level, WTO has pressured developing countries to liberalise trade and investment.

• World Trade Organisation (WTO) is an international rganisation whose aim is to liberalise international trade.

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World Trade Organization:

- Started at the initiative of the developed countries, WTO establishes rules regarding international trade, and sees that these rules are obeyed.
- Nearly 160 countries of the world are currently members of the WTO (as on June 2014).
- Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers.
- On the other hand, WTO rules have forced the developing countries to remove trade barriers.

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Impact of Globalisation in India:

Positive impact:

- Globalization has resulted in more choices for the consumers who now get better quality and at lower prices several products.
- This has improved the standard of living of people, particularly living in urban areas.
- MNCs have increased their investments in developing countries like India in industries such as cell-phones, automobiles, electronics, soft drinks, etc. As a result of it new jobs have been created in developing countries.

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Impact of Globalisation in India:

- Some local companies that supply raw materials to MNCs have also benefited.
- Some local companies in countries like India have been able to invest in newer technology and production methods. They are successful in raising their production standards.
- Globalisation has enabled some large companies such as Tata Motors, Infosys to emerge as multi-national companies.

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Impact of Globalisation in India:

- Companies providing services particularly in the field of information and communication technologies have also benefited by globalisation. Similar is the case in services like data entry, accounting, administrative tasks and engineering.

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Impact of Globalisation in India:

Negative impact:

The impact of globalisation has been harmful too as mentioned below :

• Creation of special economic zones has disrupted the lives of people who are displaced such as tribals. Sometimes to produce more electricity dams are constructed and their land is submerged and the people are left without any job.

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Impact of Globalisation in India:

- Flexibility in labour laws: Flexibility in labour laws is allowed by the government to attract foreign investment. This has resulted in worsening the condition of workers because they are appointed on a temporary basis to avoid payment of provident fund and other facilities. No overtime is paid for extra hours of work. The workers are paid low wages.

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Impact of Globalisation in India:

- Effect on small producers: Globalisation has hit the small producers because they are unable to compete with MNCs or the big producers or manufacturers. Several units have been shut down rendering many workers jobless. In India, small industries which employ about 20 million workers have been hit adversely.
- From above description, it is clear that the impact of globalisation has not been uniform. It has positive as well as a negative impact.

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Struggle for Fair Globalisation:

The Government needs to focus on policies which will protect the interest of all the people in the country. Fair globalisation would create better opportunities for all, and the benefits of globalisation are equally shared by everyone.

- It has the potential to help small producers boost their output.
- It can ensure that labour rules are followed and that workers' rights are protected.

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Struggle for Fair Globalisation:

- The government can deploy trade and investment obstacles if required.
- It can negotiate for "fairer rules" in the WTO.
- It can also band together with other developing countries with similar interests to combat the WTO's hegemony of developed countries.

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