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GLOBALISATION AND IT'S IMPACT ON INDIAN ECONOMY

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ABSTRACT

Globalisation means 'integrating' the economy of a country with the world economy. In the Indian content, this implies opening up the economy to foreign direct investment by providing facilities to foreign companies to invest in different fields of economic activity in India; removing constraints and obstacles to the entry of MNCs in India allowing Indian companies to enter into foreign collaborations in India and also encouraging them to set up joint ventures abroad; carrying out massive import liberalization programmers by switching over from quantitative restrictions to tariffs in the first place and then bringing down the level of import duties considerably; and instead of a plethora of export incentives opting for exchange rate adjustments for promoting exports. 'Industrial Policy', 'Trade Policy of the Government of India', 'foreign Capital and Aid' 'Multinational Corporations, FERA and FEMA' clearly shows, seeds of this globalisation process were sown in the early 1980s itself as many concessions were granted to foreign capital, MNCs were allowed to enter a number of crucial sectors to which their entry was previously restricted or banned, provisions of FERA were not strictly enforced, import liberalization process was accelerated considerably, and downward adjustment in the exchange rate of the rupee was resorted to. However, the real thrust to the globalisation process was provided by the new economic policy introduced by the Government of India in July 1991 at the behest of the IMF and the World Bank.

***Keyword*:** Globalisation, World Trade Organisation, Indian Economy

Meaning of Globalisation

In simple terms Globalisation means integrating the economy of a country with the world economy. According to the Chambers 20th Century Dictionary, globalisation means "to make global, that is worldwide, or effecting or taking into consideration the whole world or all people." Globalisation implies having the entire world as one market. It is a process of increasing economic integration and growing economic interdependence between countries in the world economy. It involves not simply cross-border movement of goods, services, capital, technology, information and people, but also an organisation of economic activities which crosses national boundaries.

Globalisation means adopting a global outlook in manufacturing, marketing, lancing, human resource management and all other areas of business. A timely global corporation views the entire world as a single market.

Reasons for Globalisation

- The main factors that lead to globalisation are as follows:
- Growing similarities of countries in terms of available infrastructure, distribution channels and marketing approaches.
- There will be increase in employment opportunities over a period of time. Efficiency of banking and financial sectors will improve with the opening of these areas to foreign banks and capital.
- Products becoming available to more global consumers due to reduced costs and global distribution systems.
- Globalisation will help the developing countries to improve the allocative efficiency of resources, reduce the capital-output ratio and increase the productivity of labour. It can increase the influence of foreign capital and technology and stimulate exports.
- Widening of competition from domestic markets to global markets.
- Globalisation will help to restructure the production and trade pattern in favour of labour intensive goods and technologies. With reduction in capital output ratio, the growth rate will increase.
- National capital markets are growing into global capital markets due to the large flow of funds between countries.
- Technological restructuring, i.e. technological revolutions such as microelectronics reshaping competition globally.
- Globalisation exposes firms to international competition. In order to survive in global markets, firms have to improve efficiency of operations, reduce costs and improve quality.

Globlisation and Its Impact on Indian Economy

Globalisation is considered as an important element in the reform package. But what constitutes globalisation? The term globalisation has four parameters: (i) Reduction of trade barriers so as to permit free flow of goods across national frontiers; (ii) creation of an environment in which free flow of capital can take place among nation-states; (iii) creation of environment, permitting free flow of technology; and (iv) from the point of view of the developing countries, creation of an environment in which free movement of labour can take place in different countries of the world. The advocates of globalisation, more especially from developed countries, limit the definition of globalisation to only three components, viz., unhindered trade flows, capital flows and technology flows. They insist on the developing countries to accept their definition of globalisation and conduct the debate on globalisation within the parameters set by them. However, several economists in the developing world believe that this definition is incomplete and in case the globalised s ultimate aim is to look upon the world as a 'global' village, then the fourth component, unrestricted movement of labour cannot be left out. But the entire issue whether debated at the World Trade Organisation (WTO) or at other forums blacks out the 'labour flows' as an essential component of globalisation.

Impact of WTO on Indian Economy

India, being a founder member of the WTO, has been following the WTO decisions, but as a consequence, certain effects on the Indian economy have become evident.

Effects on Indian Industry

WTO has been urging India to lower import duties, remove controls on consumer goods imports, reduce quantitative restrictions, etc. Under the Uruguay Round Agreement, India offered to reduce tariffs on capital goods, components, intermediate goods and industrial raw materials to 40% in case our tariffs were above that percentage; to 25% in case our tariffs were between 25 to 40 per cent and to bind the tariff ceiling at 25 per cent in case our tariffs were below that percentage. This reduction in tariffs was to be achieved by the year ending 2000.

Since India scrupulously followed the agreement, the tariffs have been reduced year after year to conform with the WTO provisions. As the protection afforded by import duties gradually disappeared, Indian industry had to face increasing competition from foreign goods. Confederation of Indian Industry, the apex body expressed its disapproval against duty Srce status of capital goods sector. As a result, Confederation of Indian Industry estimated that indigenous capital goods industry on a conservative estimate lost orders worth Rs. 5,000 crores from foreign countries. Instead of ensuring level playing field, indigenous industry has to pay excise, sales tax, octroi, turnover tax while imported goods are allowed duty-free access to our market. Not only the entire manufacturing industry is faced with a crisis, even machine tools industry, gensets and boiler producers are put at a serious disadvantage. Consequently, imports of finished products are displacing indigenously produced products. As a result, many industrial units are being closed and cheap imports have become an important cause of recession in Indian industry.

CONCLUSION

A survey of the globalisation policies followed in India reveals that the promised benefits of globalisation in the form of sharp increase in GDP, exports, foreign direct investment, reduction of poverty, deceleration of unemployment could not be realised by India during the 1990s. Globalisation has adversely affected Indian industry, it has enabled the developed countries to push their exports to India at a much faster rate, but did not facilitate the process of access to international markets; small scale industry has suffered due to the policy of dumping practiced by developed countries, more especially in consumer goods. The most distressing part of the story is the double standards practiced by the developed countries which manifest in the form of unfair agreement on textiles; a policy marked by a bias in favour of the farmers of developed countries as against the poor farmers in India Developed countries brought forth spurious environmental and social issues to prevent the exports from India of such commodities in which the country possessed comparative advantage. Mr. V S Vyas rightly points out: "The international agreements, particularly under World Trade Organisation (WTO) have not helped the developing countries as was professed at the time of the establishment of WTO". All these factors have resulted in an erosion of faith in globalisation as the new "mantra" for stimulating development in India.

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