Class 10th

ECONOMICS

CHAPTER - 4

GLOBALISATION AND THE INDIAN ECONOMY

PRODUCTION ACROSS COUNTRIES:

- Until the middle of the 20th century, production was largely organised within countries.
- India exported raw materials and food stuff and imported finished goods. Trade was the main channel connecting distant countries. This was before large companies called Multinational corporations (MNCs) emerged on the scene.
- An MNC is a company that owns or controls production in more than one nation.
- MNCs set up offices and factories for production in regions where they can get cheap labour and other resources so that the company can earn greater profits.
- MNCs are not only selling its finished products globally but more important, the goods and services are produced globally.
- China provides the advantage of being a cheap manufacturing location.
- Mexico and Eastern Europe are useful for their closeness to the markets in the US and Europe.
- India has highly skilled engineers who can understand the technical aspects of production. It also has educated English speaking youth who can provide customer care services.

‘INTERLINKING PRODUCTION ACROSS COUNTRIES

- MNCs set up production where it is close to the markets; where there is skilled and unskilled labour available at low costs; and where the availability of other factories of production is assured.
- The money that is spent to buy assets such as land, building, machines and other equipment is called investment.
- An investment made by MNCs is called Foreign investment. MNCs are exerting a strong influence on production at these distant locations.
- MNCs set up production jointly with some of the local companies of these countries. The benefit to the local company of such joint production is ***two-fold***. **First**, MNCs can provide money for additional investments, like buying new machines for faster production. **Second,** MNCs might bring with them the latest technology for production.
- But the most common route for MNC investments is to buy up local companies and then to expand production. MNCs with huge wealth can quite easily do so

FOREIGN TRADE AND INTEGRATION OF MARKETS

- Foreign trade creates an opportunity for the producers to reach beyond the domestic markets.
- Producers can sell their products not only in markets located within the country but can also compete in markets located in other countries of the world.
- Foreign trade or international trade is the exchange (import and export) of capital, goods, and services across international borders or territories.
- For the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.
- With the beginning of trade, goods move from one market to another, and goods’ choice increases. Thus, the competition rises, and prices of similar goods in the two markets become equal.
- Foreign trade results in connecting the markets or integration of markets in different countries.

WHAT IS GLOBALISATION?

- Globalisation is the process of rapid integration or interconnection between countries.
- MNCs are playing a major role in the globalisation process. More and more goods and services, investments and technology are moving between countries.
- Besides the movements of goods, services, investments and technology, there is one more way in which the countries can be connected. This is through the movement of people between countries

Factors that have enabled Globalisation

Technology

- Rapid improvement in technology has been one major factor that has stimulated the globalisation process.
- This has made possible much faster delivery of goods across long distances at lower costs.
- Even more remarkable have been the development of information and communication technology.
- Technologies in the areas of telecommunications, computers, and internet have been changing rapidly.

Liberalisation of Foreign Trade and Foreign Investment Policy

- Trade barriers are some restrictions that have been set up by governments.
- The government can use trade barriers to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each, should come into the country. Tax on imports is an example of trade barrier.
- The Indian government, after Independence, had put barriers to foreign investment. This was considered necessary to protect the producers within the country from foreign competition.
- In the 1990s, changes were made to this policy in India→ Removing barriers or restrictions set by the government on trade, is known as liberalisation.

WORLD TRADE ORGANISATION

- World Trade Organisation (WTO) is one such organisation whose aim is to liberalise international trade.
- It establishes rules regarding international trade, and sees that these rules are obeyed.
- About 160 countries of the world are currently members of the WTO.
- It allows 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.

Impact of Globalisation in India

- Globalisation has created greater competition among producers – both local and foreign producers.
- There is greater choice before these consumers who now enjoy improved quality and lower prices for several products → As a result, these people today, enjoy much higher standards of living than was possible earlier.
- Among producers and workers, the impact of globalisation has not been uniform:
- MNCs have been interested in industries such as cell phones, automobiles, electronics, soft drinks, fast food or services such as banking in urban areas → these products have a large number of well-off buyers. In these industries and services, new jobs have been created. Also, local companies supplying raw materials, etc. to these industries have prospered.
- Several of the top Indian companies have been able to benefit from the increased competition. They have invested in newer technology and production methods and raised their production standards.
- Some have gained from successful collaborations with foreign companies. Moreover, globalisation has enabled some large Indian companies to emerge as multinationals themselves! Some Indian companies → like Tata Motors, Infosys, Ranbaxy, and Asian Paints are spreading their operations worldwide.

Steps to attract Foreign Investment

- To attract foreign investments in India, the Central and State governments have set up Industrial zones called Special Economic Zones (SEZ).
- SEZs are facilitated with all the amenities such as electricity, water, roads, transport, storage, recreational and educational facilities.
- Government has also allowed Flexibility in the labour laws to attract foreign investment. The companies can hire workers for shorter periods when there is intense pressure work.

Rising Competition and Uncertain Employment

- The benefits of globalization have not been distributed equally to small producers and workers.
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- The local companies have faced huge losses and subsequently have shut down their small-scale industries rendering many workers jobless.
- Because of growing competition and the motive to earn more profits, employers prefer to employ labourers flexibly.
- The workers have no secure jobs, must work in long shifts without extra wages, and under much pressure.

The Struggle for a Fair Globalisation

- The benefits of globalization are not equally distributed to all the people.
  Fair globalization would create opportunities and would be beneficial to all.
- The government can play a major role in making this possible. Its policies must protect the interests, not only of rich and the powerful but all the people in the country.
- The government should make provisions to support small scale industries until they are ready to face competition with foreign companies.
- The government can use trade and investment barriers. It can negotiate at the WTO for ‘fairer rules’.
- The government should make an ally with other developing countries having the same interest to fight against the supremacy of developed countries in the WTO.
- People can also play a significant role in the struggle for fair globalization through their campaign and representation relating to trade and WTO.