CHAPTER - 4 ECONOMICS

GLOBALISATION AND INDIAN ECONOMY

Globalisation is the process of rapid integration or Interconnection of countries

* In a matter of years our Market have been transformed.

Production across countries

MNCs (Multinational corporation) : Company that own or controls Production in more than one country.

Untill 20th (1901-2000) century	After 2000.
* Production was organised within countries.	* Goods and services are 'Produced globally
* Trade (raw material, food stuff, finished good)	* China ↓ Cheap Manufacturing location
* Indian : Export : raw material; Import : finished goods.	* India ↓ Skill Engineers and English speaking Youth.

Interlinking Production across countries

* MNCs set up factories and offices for production. The money that spend to buy assets such as land, building machines and other equipment is called Investment
* Investment made by MNCs is called foreign Investment.
* Any Investment is made with the hope that these assets will earn

profit → Multiply factor before setting up factories

Ways through which MNCs set up their production are:-

* Setting up production jointly with local companies which benefits local companies in the following ways
  * firstly MNCs can provide money for additional investment, like buying new machines for faster production
  * second, MNCs might - bring with them the latest technology for Production.

* MNCs buy up local campanies.

  Cargill food $\xrightarrow{\text{buy}}$ Parakh foods

  wallmart $\xrightarrow{\text{buy}}$ flipkart.

* Foreign trade and Integration of Market

•> Exchange of goods - Purchase and sale - across geographical boundries of the countries.

•> goods — travels — from one Market to another

China ⟶ other —— countries

Import

Advantages of foreign trade

For Producer

•> Choice of Producer because they get multiple no. of Market to sell their production.

•> Cost of Production can be reduced.

For Consumer

- Choice of goods in the Market Rises.
- Competition among producers which lead to decrease in prices of goods and Quality of goods will increase, which will benificial for consumers.

What is globalisation

* MNCs are playing major role in the globalisation process like
  - MNCs is not only selling its finished product globally but more Important goods and services produces globally.
  - The production process is divided in to small parts and spred out across the globe.

* The result of greater foreign investment and greater foreign trade has been greater integration of Production and market across the countries.

* The ~~More~~ and more goods and services, Investment and technology are moving between countries.

* The technology has made much faster delivery of goods across long distance possible at lower costs.

Factors that Enabled Globalisation

→ **Technology**

- Rapid improvement in technology has been one major factor that has stimulated the globalization process.
- This has made possible much faster delivery of goods across long distances at lower costs.
- The development in Information and communication technology have made information instantly accessible.

Liberalisation of foreign trade and foreign Investment policy

* Trade barriers are some restrictions that have been set up by government
* The government trade can use trade to increase or decrease foreign trade and to decide what kind of goods and how much of each should come in to country. Tax on import is known as Trade barriers

* Removing barriers or restrictions set by the government on trade is known as liberalisation. when the government imposes less restriction than before, it is said to be more liberal.

Steps to Attract foreign investment

* Special Economic Zones
  - Setting up of Industrial zones by the central and government to attract foreign companies to invest in India which have world class facilities, electricity, water, roads, transport, storage etc.

* Government has also allowed flexibility in the labour law to attract foreign investment.

World Trade Organisation (WTO)

* WTO is an organisation whose aim is to established International trade.
* It has established rule for developed countries regarding international trade so that these countries can allow free trade for all.
* At Present, 164 countries of the world are currently member of the WTO.

GATT ⟶ WTO

(1948-1994) (1 Jan 1995)

General Agreement on trade and tarriff — world trade organisation

Impact of Globalisation

Positive

* Greater competition among procedure - both local and foreign Producer has been advantage to consumers.
* There is a greater choice for consumer. who now enjoy improved quality and lower price for several product
* foreign investment has increased.
* Increased competition has made Indian companies to invest in new technology and Production methods, raise their production standards.

* Globalisation has enabled some Indian companies to emerged as Multinational.
* New opportunities for companies providing services particularly those involving information Technology.

Negative

* Agriculture on the backburner.
* Monopoly power of Multinationals.
* Disparity b/w rural and urban India.

The struggle for a fair Glabalisation

fair globalisation creates opportunities for all also ensures that the benefits of globalization are shared better. The government can play a major role in making this possible.

Steps taken by government

* It can ensure that labour laws properly implemented and workers get their right.
* It can supports small producers to improve their performance.
* If necessary, the government can use trade and Investment barrier.
* It can negotiate at the WTO for 'fair rules'
* It can also align with other developing countries with similiar interests to fight agaist the domination of developed countries in the WTO.