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Abstract

The growing integration of economies and societies around the world has been one of the most hotly debated topics in international economies over the past few years. Globalisation is the new buzzword that has come to dominate the world since the nineties of the last century with the end of the cold war and the break-up of the former Soviet Union and the global trend towards the rolling ball. The term globalisation means international integration, includes an array of social, political and economic changes. Now the world is more interdependent now than ever before. Multinational companies manufacture products across many countries and sell to consumers across the globe. Money, technology and raw materials have broken the international barriers. Not only products and finances, but also ideas cultures have breached the national boundaries. Due to this process all the developing countries not only got the rapid growth rate but also reduced their poverty. In 1991 during the economic crisis Indian Government followed the process of LPG (Liberalization, Privatization and Globalization) and opens their market to attract the more investment in economy. An array of reforms was initiated with regard to industrial, trade and social sector to make the economy more competitive. The economic changes initiated have had a dramatic effect on the overall growth of the economy. It also heralded the integration of the Indian economy into Global economy. One side it proved good for the economy, but on the other hand it created many problems like inequality, poverty and environmental degradation.

Keywords: Globalization, Indian Economy, liberalization, privatization, India.

1. Introduction

The concept of globalization was first introduced by Adam Smith, the father of modern economics in the year 1776 through the book titled, "Wealth of the Nations", and since then the globalization has been debated topic in societies. So, the point is that - globalization is not a new concept. It has been using since ancient civilization. From the mid-1800s to the late 1920s, the world saw a frenetic pace of globalization. The inventions of the steamship, railroad, telegraph and eventually telephone, all helped to shrink the world significantly. Globalization has brought in new opportunities to developing countries. Greater access to developed country markets and technology transfer hold out promise improved productivity and higher living standard. If we look at Indian history then we will realize that Globalization in a fundamental sense is not new phenomenon for Indian economy. The Indus civilization had one of the most globalized economies of that time. Globalization is, so to say, in our blood. But globalization has also thrown up new challenges like growing inequality across and within nations, volatility in financial market and environmental deteriorations. Another negative aspect of globalisation is that a great majority of developing countries remain removed from the process. Till the nineties the process of globalization of the Indian economy was constrained by the barriers to trade and investment liberalisation of trade, investment and financial flows initiated in the nineties has progressively lowered the barriers to competition and hastened the pace of globalization.

Definition

Globalised World - What does it mean?

Does it mean the fast movement of people which results in greater interaction?

Does it mean that because of IT revolution people can be in touch with each other in any part of the world?

Does it mean trade and economy of each country is open in Non-Intrusive way so that all varieties are available to consumer of his choice?

Does it mean that mankind has achieved emancipation to a level of where we can say it means a social, economic and political globalisation?

Though the precise definition of globalisation is still unavailable a few definitions worth viewing, Stephen Gill: defines globalisation as the reduction of transaction cost of trans boarder movements of capital and goods thus of factors of production and goods. Guy Brainbant: says that the process of globalisation not only includes opening up of world trade, development of advanced means of communication, internationalisation of financial markets, growing importance of MNC's, population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution.

In the past globalization meant quid pro quo i.e., one thing for another. But in the early 20thcentury, everything changed when France introduced the system of protectionism and every nation began to create boundaries. Protectionism destroyed globalization in total. But again in the late 20th century the winds of globalization began to blow. Dr. Allen Green Span as well as Dr. Paul Walker began to egg the nation in favour of globalization and it was July 1, 1991, when India became the part and parcel of globalization and today every nation, which happens to be a pursuer of globalization, derives plenty of basketfuls of fruits. The word "Globalization", which connotes where all the nations join their hands d create a kind of synergy to do business or any commercial, cultural or educational activities, in which every participant nation should beneficiary. Globalization in a nutshell is "one for all and all for no. The purpose behind globalization has been to open the portals for each and every nation in different fields. A nation can buy from other nation and sell to other nation.

2. India and Globalization

During 1990's India was passing through mammoth economic crisis. The economic crisis of 1991 proved a real turning point for the Indian economy. Indian ambivalence towards markets and free trade has been evident in the way it has dealt with Bretton Woods institutions.

The World Bank and the International Monetary Fund were created with the fundamental premise that protecting and expanding the system of liberal international trade would help avert a third major global conflict. India has been a vibrant participant in these institutions, not only as a major client, but also through its brilliant staff members and its commending executive directors.

Indian economy was in deep crisis in July 1991. India opened up the economy in the early nineties following a major crisis that led by a foreign exchange crunch that dragged the economy close to defaulting on loans. In the year 1991 was the land mark of Indian economy because the new concept of Globalization was introduced. The policies of economic reforms were tended to integrate the Indian economy with the world economy. Government of India has taken the following measures in order to globalize the Indian economy.

2.1Duty Free Replenishment Certificate Scheme

Duty Free Replenishment Certificate Scheme is issued to a merchant-exporter for the import of inputs used in the manufacture of goods without payment of basic customs duty, and special addition duty. However, such inputs shall be subject to the payment of additional custom duty equal to the excise duty at the time of import.

2.2 Indian Trade Promotion Organization (ITPO)

Indian Trade Promotion Organization (ITPO) is the premier trade promotion agency of India and provides a broad spectrum of services to trade and industry so as to promote India's export.

2.3 Export Processing Zones

The Export Processing Zones(EPZs) set up as enclaves, separated from the Domestic Tariff Area by fiscal barriers, are intended to provide a competitive duty free environment for export production. There are four EPZs set up by the Government at Noida (Uttar Pradesh), Chennai (Tamil Nadu), Falta (West Bengal) and Visakhapatnam (Andhra Pradesh).

2.4 Special Economic zones

Indian government has been announced establishment of special economic zones on the pattern of China. The 100% FDI would be allowed in all products in SEZs. A new scheme for setting up of SEZs in the country to promote exports was announced by the Government in the EXIM Policy on 31st March 2000.The policy provided for setting up of SEZs in the public, private, joint sector or by the State Governments. It was also announced that some of the existing Export Processing Zones would be converted into Special Economic Zones.

2.5 Allowing Foreign Investment in India

Indian Government liberalizes the inflow norm of Foreign Direct Investment. Government allows the foreign Institutional Investors to invest in Indian Capital Market. List of item expanded for automatic approval of foreign equity. Government provides many incentives to NRI for investing in India. Indian Companies are allowed to procure capital from foreign countries through 'Euro Issues' and 'Global Deposit Receipts'.

2.6 Enactment of FEMA in place of FERA

Removing constraints and obstacles to the entry of MNCs into India by diluting and finally scrapping of restrictive laws like foreign Exchange and Regulation Act, 1973 (FERA). FERA is scrapped and in its place Foreign Exchange Management Act (FEMA), is passed by deleting the clauses with restricted the entry of MNCs.

2.7 Replacement of MRTP Act by Competition Bill 2001

The Competition Bill, 2001 seeks to ensure fair competition by prohibiting trade practices, which causes appreciable adverse effect on competition in Markets.

3. How India Will Get Advantage From Globalization

The implications of globalization for a national economy are many. India has much strength, which several developing countries have not. Therefore India is in better position to gain from globalization of trade and investment. Following are the suggestions to strengthen Indian Economy.

3.1 Strengthening the Agricultural Sector

Indian economy is still considered as an agrarian economy. Agriculture is the largest and the most important sector of the economy. Agriculture is the backbone of Indian economy and is a key to country's economic prosperity. Till today almost 60% people of total population is engaged in agriculture and share of agriculture in National Income is almost 26%. But unfortunately, in the emerging liberalized and globalized environment, the domestic agricultural sector is becoming weaker and getting further marginalized with the decline in the infrastructural investment by the state and with the withdrawal of various types of domestic incentives. The employment growth rate in agriculture was barely 0.02% during last decade. Thus, the major source of employment, that is agriculture , became dry. Expenditure on agriculture research in India has 0.3% of GDP, while in European countries it is about 1% of GDP. It is therefore necessary that an integrated strategy for the agricultural sector is adopted in the context of the new trading system. In India it is vitally necessary to tap the high potential in agriculture by directing investment in backward regions.

3.2 Improvement of Social Sector

Human capital formation helps in promoting capabilities of the people so that they can reap the benefits of globalization. For this, a country must increase its expenditure on education, health and poverty alleviation programmes. In case, the entire responsibility for financing health and education has to be borne by the individual, then left to the market force. Globalization has further increased the need for acquiring skills, because the main drivers of globalization are multinationals that use latest high level of technology. To save the poor from exclusion from the benefits of globalization it is necessary for the state to increase public investment in social sector.

3.3 Improvement of Service Sector

India can achieve high growth by giving importance to the service sector. Finance, Insurance and IT sector are emerging sectors of India. These can contribute substantially to development of economy.

3.4 Lesser Bureaucratic Control

Bureaucratic control should be minimized as far as possible to give diplomatic structure to public enterprises in India. It must be associated with the object of globalization.

3.5 Emphasis on Innovation and Technology

Developing economies mostly depend on importsof materials, services, technology and capital for enhancing the efficiencyand productivity of the internal economy. Exports make available the enabling mechanism for fulfilling this vital need. Exports face tough competition in the area of World trade. They can be achieved only through the proper utilization of the factor advantages of the internal economy. Efforts should always be made regularly by improving these advantages through innovation and technology.

4. Demerits of Globalization

The demerits of globalization are listed below.

4.1 Globalization Kills Indigenous Industries

Now when all the imports become free, with no restrictions including tariffs, the adverse effects of another sort, are bound to be large. The domestic industries, even those that fit in the theory of comparative advantage, will find it difficult to survive against the onslaught of imports. This will mean loss of production, income, and employment.

4.2 Widening Gap between Rich and Poor

One of the most negative effects of globalization is the growing income gap between the haves and have-nots. It is rightly contended that globalization has led to the widening of inequalities in the country. Since only a part of the economy has been linked with the world economy (though exports and imports which account for avery small proportion at less than 1% of the world exports and imports, and entry of small proportion of the world's financial flows etc.) most of the new jobs and the income have gone to the few who are related to these activities,. The rules of the world trade largely favour the rich and powerful countries and more often work against or ignore the interests of the poor or week countries.

4.3 Globalization and Brain Drain

There is another type of loss that developing countries suffer and that is brain drain or emigration of skilled workers. This impairs the capacity of a country to harness advanced agricultural and technologies.

4.4 Globalization and Uncertainties

Globalization can and in fact has brought in a variety of uncertainties. Worker fear it because of competition of imports which threaten their jobs. The producers of import-substitutes, particularly those in the small sector, face elimination or they get sidelined by the big producers. The domestic companies, however, large get forced out of business, or lose their entity when these are merged with or acquired by the large multinational com,panies. The volatile financial inflows, particularly those of financial institutional investors, and depositors, upset the financial system, the stock exchanges, the banks etc. The dangers from these inflows give rise to such unhealthy and destabilizing effect.

5. Conclusion

The implications of globalisation for a national economy are many. Globalisation has intensified interdependence and competition between economies in the world market. This is reflected in Interdependence in regard to trading in goods and services and in movement of capital. As a result domestic economic developments are not determined entirely by domestic policies and market conditions. Rather, they are influenced by both domestic and international policies and economic conditions. It is thus clear that a globalising economy, while formulating and evaluating its domestic policy cannot afford to ignore the possible actions and reactions of policies and developments in the rest of the world. This constrained the policy option available to the government which implies loss of policy autonomy to some extent, in decision-making at the national level. The Indian government, therefore, must beware of its headlong plunge for the globalization of the economy and opening it to foreign capital and to MNCs. And the people must mobilize their power against the present global economic system or “otherwise, we will continue to live under the tyrannical rule of a global financial system that is leading us in the direction of almost certain social and ecological collapse.”

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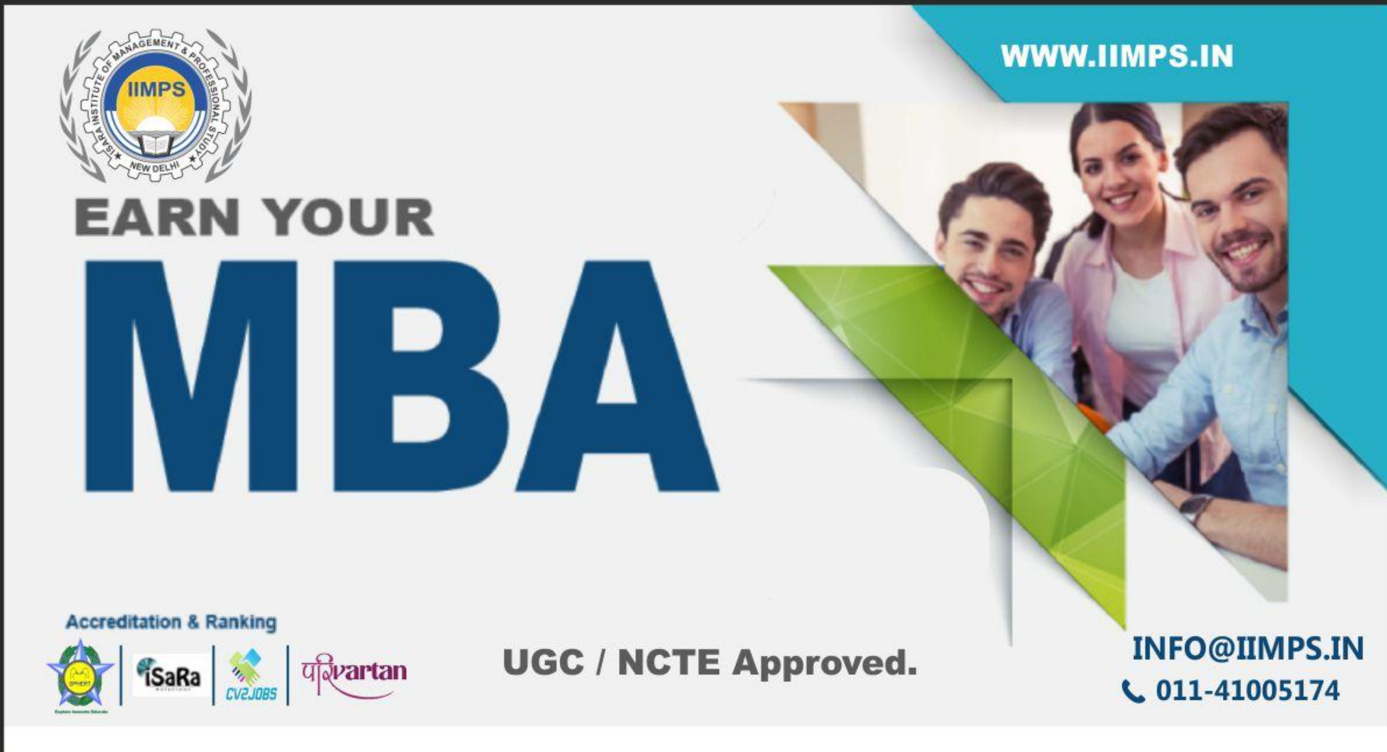

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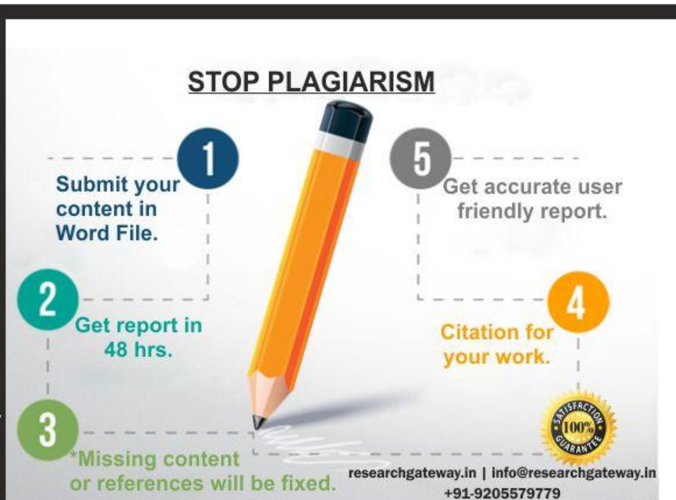

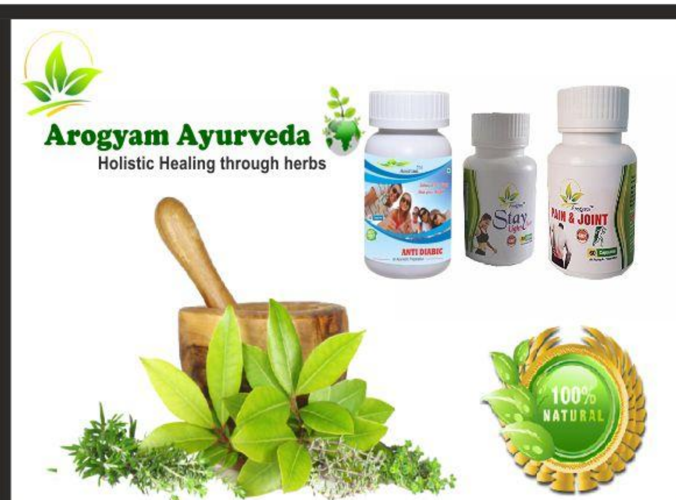

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