🌍 Chapter 4 – Globalisation and the Indian Economy

🔄 Foreign Trade and Integration of Markets

🔹 What is Foreign Trade?

- Foreign trade allows producers to reach markets beyond their own countries.
- Producers can sell goods internationally, and buyers get more choices.

📌 *Example*:
Ford Motors in India exports cars to countries like South Africa, Mexico, and the USA.

📌 Add: *(Fig. – Ford Motors production & export visual)*

🔹 Impact of Foreign Trade

Foreign trade leads to:

1. Increased variety of goods available to consumers
2. Competitive prices – domestic producers compete with international ones
3. Connected markets – Prices and products are influenced globally

📌 *Example*:
Chinese toys entered Indian markets → More variety at lower prices → Indian toy makers suffered losses.

🔁 What is Globalisation?

Globalisation is the process of rapid integration or interconnection between countries through:

- Goods and services
- Investments and technology
- Movement of people

📌 *Key Point*: MNCs are the main drivers of globalisation.

🌐 How is the World Getting Linked?

1. **Goods:** Trade and movement of products between nations.
2. **Services:** Call centres, IT services, etc., delivered across countries.
3. **Investments:** MNCs invest in production in other countries.
4. **Technology:** Modern communication connects people instantly.
5. **People:** Move across countries for jobs, studies (though still restricted).

📌*Add: (Fig. – Diagram showing movement of goods, services, tech, people)*

⚙️ Factors That Enabled Globalisation

1️⃣ Technology:

- Faster transport → goods move quickly & cheaply
- Containers, shipping, air transport improvements

2️⃣ Information & Communication Tech:

- Use of Internet, computers, and mobile tech for fast communication
- E.g.: A magazine for London readers designed in Delhi and emailed instantly

📌 Add: *(Fig. – Use of IT in global magazine production example)*

🔓 Liberalisation of Foreign Trade and Investment

- **Liberalisation** = Removing government-imposed restrictions on trade and foreign investments

Before 1991:

- India had high trade barriers to protect local producers
- Only essential goods (machinery, fuel) were imported

After 1991:

- India opened up trade
- Foreign companies allowed to invest freely
- Belief: Competition will improve Indian producers

📌 Add: *(Fig. – Timeline of liberalisation reforms since 1991)*

🛑 Trade Barriers and Quotas

- A tax on imports is a trade barrier → Makes foreign goods expensive → Helps local producers
- A quota is a limit on how much of a product can be imported

📌 ***Example***:
If the Indian govt restricts the number of Chinese toys, it protects Indian toy makers.

🏛️ Role of WTO (World Trade Organization)

- WTO promotes free and fair trade between countries
- 160+ countries are members
- Developed nations often violate rules by protecting their own producers (e.g., by subsidising farmers), hurting developing countries