

Chapter 4 - Globalisation and the Indian Economy

This chapter deals with globalisation. Here you will get to know the integration between countries through foreign trade and foreign investments by multinational corporations (MNCs). You will further get to know the role that MNCs play in the globalisation process. The final section of the chapter covers the impact of globalisation and the extent to which globalisation contributed to the development process.

In a matter of years, our markets have been transformed.

Production Across Countries

Trade was the main channel connecting distant countries. Large companies which are now called Multinational Corporations (MNCs) play a major role in trade. 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.

Interlinking Production Across Countries

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. As a result, production in these widely dispersed locations is getting interlinked.

There are a variety of ways as mentioned below, in which MNCs are spreading their production and interacting with local producers in various countries across the globe.

1. By setting up partnerships with local companies
2. By using the local companies for supplies
3. By closely competing with the local companies or buying them up

MNCs set up production jointly with local companies which benefits local companies in the following ways:

1. First, MNCs can provide money for additional investments, like buying new machines for faster production.
2. Second, MNCs might bring with them the latest technology for production.

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. Similarly, buyers have the options to choose among various goods beyond domestically produced goods. Thus, 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 of countries. MNCs are playing a major role in the globalisation process.

- More and more goods and services, investments and technology are moving between countries.

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- 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

1. 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. The developments in information and communication technology have made information instantly accessible.

2. 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.

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

World Trade Organisation

World Trade Organisation (WTO) is an organisation whose aim is to liberalise international trade. At present, 164 countries of the world are currently members of the WTO. It has established rules for developed countries regarding international trade so that these countries can allow free trade for all.

Impact of Globalisation in India

Globalisation has impacted the lives of people in India in the following manner:

1. It has provided greater choices to consumers who now enjoy improved quality of and lower prices on several products.
2. It has resulted in higher standards of living.

Globalisation has also created new opportunities for companies providing services, particularly in the IT sector.

The Struggle for a Fair Globalisation

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

Some of the steps that the government take are:

1. It can ensure that labour laws are properly implemented and the workers get their rights.
2. It can support small producers to improve their performance.
3. If necessary, the government can use trade and investment barriers.
4. It can negotiate at the WTO for 'fairer rules'.
5. It can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.