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Globalization: The Future of Indian Economy

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Globalization: The Future of Indian Economy

"Globalization is the process of world shrinkage, of distances getting shorter, things moving closer. It pertains to the increasing ease with which somebody on one side of the world can interact, to mutual benefit, with somebody on the other side of the world"

Thomas Larsson

In simple words, Globalisation is a trend toward a more integrated global economic system. It includes globalisation of markets, globalisation of production, globalisation of investment and also globalisation of technology. Today the markets have been global for most of the goods and services and especially for financial instrument of all types. The globalisation provides both opportunities and also imposes threats of various kinds. There are several areas in which each country must excel in order to emerge as a strong global player. They are competitiveness, trade regulations, socially responsible etc. There are also several decisions which need to be taken while deciding for globalisation like how to enter the market, deciding the organisation structure, technology etc.

International managers face intense and constant challenges that require training and understanding of the foreign environment. Managing a business in a dynamic environment requires managers to deal with a large variety of cultural and environmental differences. As a result, international managers must continually monitor the political, legal, sociocultural, economic, and technological environments. Therefore there is a need for innovative techniques to handle the various risks and to welcome the opportunities.

An attempt has been made in this paper to highlight the positive and negative impact of globalisation and also the status of export and import of India and WTO guidelines in favour of trade.

Keywords: Globalisation, WTO, Environment

Globalization and Indian Economy

"Globalization is the process of world shrinkage, of distances getting shorter, things moving closer. It pertains to the increasing ease with which somebody on one side of the world can interact, to mutual benefit, with somebody on the other side of the world"

Thomas Larsson

"The growing economic interdependence of countries worldwide through increasing volume and variety of cross border transactions in goods and services and of international capital flows and also through the more rapid and widespread diffusion of technology".

International Monetary Fund

"The shift towards a more integrated and interdependent world economy. Globalization has two main components-the globalization of markets and the globalization of production".

Charles U.L. Hill

"The present worldwide drive toward a globalized economic system dominated by supranational corporate trade and banking institutions that are not accountable to democratic processes or national governments."

The International Forum on Globalization

In simple words, Globalization is a trend toward a more integrated global economic system. It includes globalization of markets, globalization of production, globalization of investment and also globalization of technology. Today the markets have been global for most of the goods and services and especially for financial instrument of all types. The globalization provides both opportunities and also imposes threats of various kinds. There are several areas in which each country must excel in order to emerge as a strong global player. They are competitiveness, trade regulations, socially responsible etc. There are also several decisions which need to be taken while deciding for globalization like how to enter the market, deciding the organization structure, technology etc. Globalization is the system of interaction among the countries of the world in order to develop the global economy. Globalization refers to the integration of economics and societies all over the world. Globalization involves technological, economic, political, and cultural exchanges made possible largely by advances in communication, transportation, and infrastructure.

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Features of Globalization

Globalization encompasses the following features:

- Operating and planning to expand business throughout the world.
- Erasing the differences between domestic and foreign market.
- Buying and selling goods and services from any country in the world.
- Product planning and development are based on market consideration of the entire world.
- Setting the mind and attitude to view the entire globe as a single market.
- Global orientation in strategies, organizational structure, organizational culture and managerial expertise.
- Increase in international trade at a faster rate than the growth in the world economy
- Increase in international flow of capital including foreign direct investment
- Creation of international agreements leading to organizations like the WTO and OPEC
- Development of global financial systems
- Increased role of international organizations such as WTO, WIPO, IMF that deal with international transactions
- Increase of economic practices like outsourcing, by multinational corporations.
- Greater international cultural exchange,

- Spreading of multiculturalism and better individual access to cultural diversity, for example through the export of Hollywood and Bollywood movies. However, the imported culture can easily supplant the local culture, causing reduction in diversity through hybridization or even assimilation. The most prominent form of this is Westernization, but Sensitization of cultures also takes place.
- Greater international travel and tourism
- Greater immigration, including illegal immigration
- Spread of local foods such as pizza and Indian food to other countries (often adapted to local taste)
- Development of a global telecommunications infrastructure and greater transborder data flow, using such technologies as the Internet, communication satellites and telephones
- Increase in the number of standards applied globally; e.g. copyright laws and patents
- Formation or development of a set of universal values

Is Globalization Desirable?

There are two conflicting views on globalization- both positive and negative. The various advantages that globalization offers to the country and the various threats associated with globalization have been discussed here under:-

Advantages

1) Globalization helps free flow of capital from one country to the other. It helps the investors to get a fair interest rate and the global companies to acquire finance at lower cost of capital.
2) It encourages industrialization in countries.
3) Both Businesses and investors get much wider opportunities for investment.
4) Companies get access to much wider markets and consumers get much variety of products to choose from.
5) Economic interdependence among different nations can build improved political and social links.
6) It promotes specialization and also creates competition for local firms.

7) It enables worldwide access to sources of cheap raw materials, and this enables firms to be cost competitive in their own markets and in overseas markets as well.
8) Globalization helps break the regressive taboos responsible for discriminating against people on the basis of gender, race or religion. It is an antidote to the intolerant fundamentalism that oppresses millions of the world's poorest.
9) With the free flow of capital, technology and locating manufacturing facilities in developing countries, the developing countries industrialize their economies which in turn lead to the balanced development of all the countries.
10) It also encourages balanced human development and improves the skills of the people.
11) It also offers employment to a large number of people and thus improves the employment situation in a country and helps in raising the income level.
12) Globalization reduces prices and thereby enhances consumption and living standards of people in all the countries of the world.

Disadvantages of Globalisation

1) *Globalization kills Domestic Business*. The domestic business fail to compete with the MNC's on the technology and quality front which results to closing down of the domestic companies.
2) Most of the MNC's produce the products in their home countries or in some other foreign countries and market in developing countries which reduces the domestic industry's operations and thus leads to unemployment and underemployment.
3) Economic depression in one country can trigger adverse reaction across the globe.
4) Globalization results in decline of source of income and thus widens the gap between rich and poor.
5) It also exploits the natural resources of one country and provides advantage to other countries.
6) It imposes threat to our National Sovereignty as it results in shift of economic power from the independent countries to the super national organizations like WTO, Un and etc.

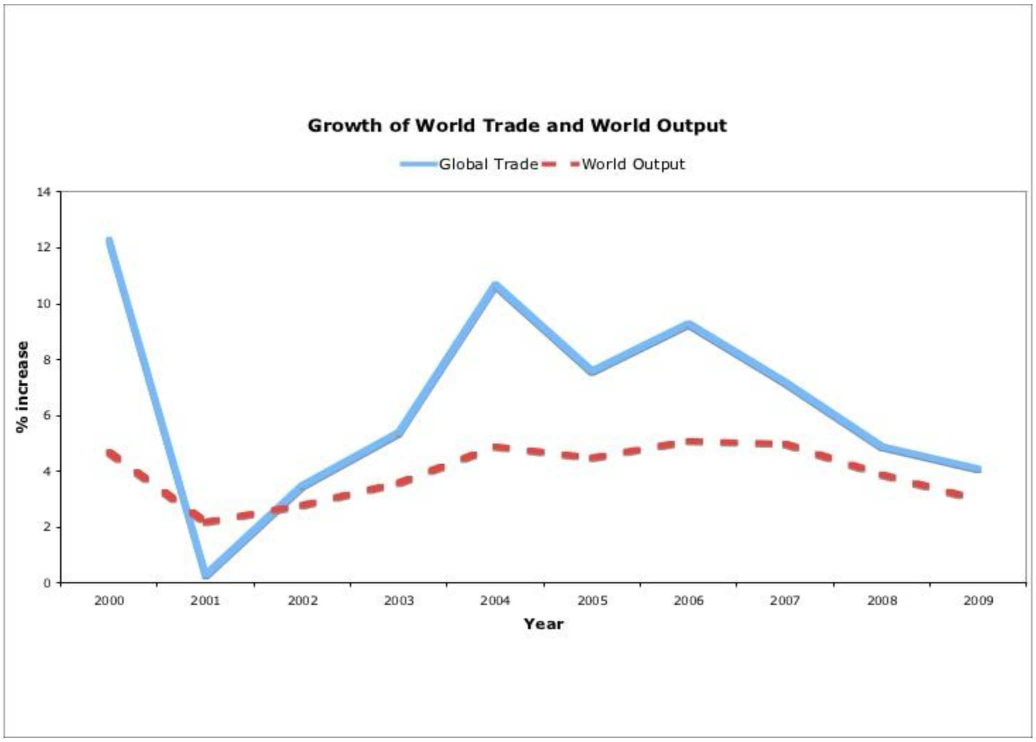
A Glimpse of WTO

The World Trade Organization (WTO) is the only International Organization that deals with global rules of trade between nations. It provides a framework for conduct of international trade in goods and services and lays down the rights and obligations of governments in the set of multilateral agreements and also covers a wide range of issues related to intellectual property rights, dispute settlement and prescribes disciplines for government in formulation of rules, procedures and practices in these areas. Also ensures that international markets remain open and their access is not disrupted by the sudden and arbitrary imposition of import restrictions.

It came into existence on 1st January, 1995 as a successor to the GATT.

Among the various functions of the WTO, these are regarded by analysts as the most important:

- It oversees the implementation, administration and operation of the covered agreements.
- It provides a forum for negotiations and for settling disputes.



Principles of the trading system

The WTO establishes a framework for trade policies. The major principles of WTO are:-

1. Non-discrimination. It has two major components: the most favoured nation (MFN) rule, and the national treatment policy. Both are embedded in the main WTO rules on goods, services, and intellectual property, but their precise scope and nature differ across these areas. The MFN rule requires that a WTO member must apply the same conditions on all trade with other WTO members, i.e. a WTO member has to grant the most favorable conditions under which it allows trade in a certain product type to all other WTO members "Grant someone a special favour and you have to do the same for all other WTO members." National treatment means that imported goods should be treated no less favorably than domestically produced goods (at least after the foreign goods have entered the market) and was introduced to tackle non-tariff barriers to trade (e.g. technical standards, security standards et al. discriminating against imported goods).
2. Reciprocity. It reflects both a desire to limit the scope of free-riding that may arise because of the MFN rule, and a desire to obtain better access to foreign markets. A

related point is that for a nation to negotiate, it is necessary that the gain from doing so be greater than the gain available from unilateral liberalization; reciprocal concessions intend to ensure that such gains will materialize.

3. Binding and enforceable commitments. The tariff commitments made by WTO members in a multilateral trade negotiation and on accession are enumerated in a schedule (list) of concessions. These schedules establish "ceiling bindings": a country can change its bindings, but only after negotiating with its trading partners, which could mean compensating them for loss of trade. If satisfaction is not obtained, the complaining country may invoke the WTO dispute settlement procedures.
4. Transparency. The WTO members are required to publish their trade regulations, to maintain institutions allowing for the review of administrative decisions affecting trade, to respond to requests for information by other members, and to notify changes in trade policies to the WTO. These internal transparency requirements are supplemented and facilitated by periodic country-specific reports (trade policy reviews) through the Trade Policy Review Mechanism (TPRM). The WTO system tries also to improve predictability and stability, discouraging the use of quotas and other measures used to set limits on quantities of imports.
5. Safety valves. In specific circumstances, governments are able to restrict trade. The WTO's agreements permit members to take measures to protect not only the environment but also public health, animal health and plant health.

India's Foreign Trade Policy

The foreign trade policy in India is formulated and implemented mainly by the Ministry of Commerce and Industry and also in consultation with other concerned Ministries, such as Finance, Agriculture and Textiles, and the Reserve Bank Of India. The directorate General of Foreign Trade (DGFT) under the Department of Commerce is responsible for the execution of foreign trade policy.

Export Prohibitions and Restrictions

Export prohibitions are maintained for environmental, food security, marketing, pricing and domestic supply reasons, and to comply with international treaties.

Restrictions on exports on account of security concern through multilateral agreements are continued in the special chemicals, organisms, materials and equipments and technologies list.

Exports from India are free except in case where these are regulated by the provisions of foreign trade policy or any other law in force.

Export of wild animals, exotic birds, tallow, wood products, beef and offal of cows, oxen and calves, peacock tail feathers, handicrafts, manufactured articles and shavings from shed antlers of deer, human skeletons, certain endangered species of wild orchid and plants are prohibited.

Export of restricted items is permitted only after obtaining authorization from DGFT.

The export licensing requirements have been reduced considerably and the remaining restrictions on exports are essentially maintained for food safety and security reasons.

Import Prohibitions and Restrictions

DGFT may, through a notification, adopt and enforce any measure necessary for: -

1) Protection of public morals.
2) Protection of human, animal or plant life or health.
3) Protection of patents, trademarks and copyrights and the prevention of deceptive practices.
4) Prevention of use of prison labour.
5) Protection of national treasures of artistic, historic or archaeological value.
6) Conservation of exhaustible natural resources.
7) Protection of trade of fissionable material or material from which they are derived; and

8) Prevention of traffic in arms, ammunition and implements of war.

According to **Department of Commerce**, the fifteen largest trading partners of India represent 62.1% of Indian imports, and 58.1% of Indian exports as of December 2010. These figures do not include services or foreign direct investment, but only trade in goods.

The largest Indian partners with their total trade (sum of imports and exports) in millions of US Dollars for calendar year 2011–2012 are as follows:[1]

Country	Exports	Imports	Total Trade	Trade Balance
China	18,076.55	57,517.88	75,594.44	-39,441.33
United Arab Emirates	35,925.52	35,790.39	71,715.91	135.13
United States	34,741.60	24,470.16	59,211.75	10,271.44
Saudi Arabia	5,683.29	31,060.10	36,743.40	-25,376.81
Switzerland	1,095.34	32,404.95	33,500.29	-31,309.61
Singapore	16,857.71	8,600.29	25,458.00	8,257.41
Germany	7,942.79	16,275.56	24,218.35	-8,332.77
Hong Kong	12,931.90	10,646.93	23,578.83	2,284.96
Indonesia	6,677.99	14,623.55	21,301.54	-7,945.56
Iraq	763.97	18,939.63	19,703.60	-18,175.66
Japan	6,328.54	12,100.57	18,429.10	-5,772.03
Belgium	7,160.76	10,450.29	17,611.05	-3,289.54
Kuwait	1,181.41	16,375.37	17,556.78	-15,193.96
Unspecified	16,436.76	1,052.09	17,488.85	15,384.67
Korea	4,352.35	13,098.93	17,451.28	-8,746.58

Source: Statistics (DGCI&S)

During 1990's India was passing through massive 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.

Since the days of 1991, India has come a long way. It has comfortable foreign exchange reserves (despite high levels of domestic debt); booming software and services export market, and a burgeoning knowledge economic Clearly, India has tremendous opportunities to benefit from globalization but there is also consensus that the challenges confronting in development are extensive, even overwhelming. Now a day's globalization has become laissez faire i.e., unrestricted commerce. Today, ***Indian economy is growing due to globalization***.

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