

## CHAPTER -4

# Globalisation And the Indian Economy

### ❖ Key Themes:

#### 1. Explosion of Consumer Choice:

- There's a noticeable increase in the variety of goods and services available to consumers.
- From basic consumer products like shirts and juices to advanced electronics and cars—people now have access to global brands and innovations.

#### 2. Historical Context:

- Two decades ago (likely referring to the period before the 1990s or early 2000s), the Indian market was far more limited.
- Iconic examples like the dominance of Ambassador and Fiat cars reflect a time of restricted consumer options due to economic policies.

#### 3. Transformation of Markets:

- The availability of international products is described as a *relatively recent phenomenon*.
- The Indian marketplace has undergone significant transformation, moving from scarcity and limited choices to abundance and diversity.

#### 4. Driving Questions:

- What factors have led to this transformation? (Hint: globalization, foreign investment, liberalization policies, technology, etc.)
- How have these transformations affected everyday people? (e.g., increased consumerism, employment opportunities, cultural influence, inequality, etc.)

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### ❖ Implications & Further Discussion:

This chapter will likely explore:

- **Economic Liberalization of 1991** - When India opened up its economy.
- **Globalization** - Integration of Indian markets with global ones.
- **Technology & Communication Advances** - Internet, mobile phones, and mass media spreading consumer culture.
- **Effects on Society** - Including benefits like job creation and drawbacks such as rising inequality or cultural homogenization.

### ❖ What is Globalization?

Globalization means the increasing **connection and integration of countries through:**

- Trade of goods and services
- Movement of people and ideas
- Flow of money and investments
- Spread of technology and culture

### ➤ Features of Globalization

#### 1. More International Trade

- Countries buy and sell goods and services from each other.
- Example: India exports software and imports electronics.

#### 2. Rise of Multinational Corporations (MNCs)

- Companies operate in many countries.

- Example: Nike, Samsung, Apple, Tata.

### 3. Movement of People and Jobs

- People go abroad for work or study.
- Companies hire workers from different countries.

### 4. Exchange of Culture and Ideas

- Food, music, movies, and fashion from one country spread worldwide.
- Example: Bollywood films in Europe or McDonald's in India.

### 5. Advances in Technology

- Internet, mobile phones, and transport help connect the world faster.

## ❖ Causes of Globalization

- Improved transport and communication
- Liberalization of trade (removing restrictions on imports and exports)
- Foreign investment and MNCs expanding
- Global demand for goods and services

### ❖ Advantages of Globalization

- Access to a wide variety of products
- Creation of jobs and economic growth
- Sharing of ideas, cultures, and technology
- Cheaper goods due to large-scale production

### ❖ Disadvantages of Globalization

- Local industries may suffer due to competition
- Rich countries and companies may dominate
- Loss of cultural identity
- Poor working conditions in some factories

### ❖ Globalization in India – A Quick Example:

- After 1991, India opened its markets to the world.
- Foreign companies entered the Indian market.
- Indian companies started exporting more.
- Consumers got more choices (cars, clothes, gadgets, etc.).
- But small Indian producers faced more competition.

### ➤ FACTORS THAT HAVE ENABLED GLOBALISATION

Factor	How It Helps Globalization
Better Transport	Fast and cheap movement of goods & people
ICT	Instant communication and online services
Liberal Trade Policies	Fewer barriers to trade and investment
MNCs	Spread goods, jobs, and ideas globally
Trade Agreements	Smoother global trade rules
Global Supply Chains	Link production in multiple countries

## ❖ Interlinking Production Across Countries

**Interlinking production across countries** means that **different stages of producing a product** happen in **different countries**. This is done by **Multinational Corporations (MNCs)** to reduce costs and increase profits

#### ❖ **How Do MNCs Interlink Production?**

MNCs connect production in different countries by:

1. **Setting up factories** in countries where labour is cheaper.
2. **Buying raw materials** or parts from different nations.
3. **Hiring local companies** to produce goods for them (called subcontracting).
4. **Exporting and importing** goods at different stages.

#### ❖ **Why Interlink Production?**

- **Lower Costs:** Labor and materials may be cheaper in other countries.
- **Efficiency:** Different countries specialize in different parts of the process.
- **Profit:** By spreading production, MNCs make more money.
- **Access to Markets:** Producing in many countries helps companies sell globally.

#### ❖ **Role of MNCs in Interlinking Production**

MNCs are the main drivers of interlinking because:

- They have money to invest in many countries.
- They control decisions about what is made, where, and by whom.
- They create **global supply chains**.

#### ❖ **Benefits of Interlinked Production**

- More job opportunities in developing countries.
- Access to better technology and skills.
- Goods are produced more efficiently.

### ❖ **FOREIGN TRADE AND INTEGRATION OF MARKETS**

#### ➤ **What is Foreign Trade?**

**Foreign trade** means the buying and selling of goods and services between **different countries**.

There are three types:

1. **Import** - Buying goods from other countries (e.g., India imports crude oil).
2. **Export** - Selling goods to other countries (e.g., India exports tea and textiles).
3. **Entrepot** - Importing goods and then exporting them again (used mainly in trade hubs like Singapore).

#### ➤ **What is Market Integration?**

**Market integration** means that **separate markets in different countries become connected** to form **one global market**. Through foreign trade, goods made in one part of the world can be sold in another.

Example:

- A shirt made in **India** is sold in **America**.
  - A phone made in **South Korea** is sold in **India**.
- This is how markets get integrated.

#### ➤ **How Does Foreign Trade Integrate Markets?**

1. **Connects Producers and Consumers Across the World**
  - A producer in China can sell to a customer in Africa.
2. **Creates Competition**

- Indian goods compete with goods from other countries in Indian markets.
- 3. **Gives Consumers More Choices**
  - People can choose from local as well as foreign brands.
- 4. **Promotes Global Business**
  - Companies grow by reaching international customers.
- **Example: Global Integration through Foreign Trade**
  - Before globalization, Indian markets had only local brands.
  - Now, we see **foreign brands** like Samsung, Nike, and Apple in stores.
  - At the same time, Indian products like spices, software, and textiles are sold abroad.  
→ This shows how trade **links markets globally**.

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➤ **Benefits of Foreign Trade**

- More variety of goods
- Cheaper prices due to competition
- New job opportunities in export industries
- Better technology and quality products

➤ **Challenges**

- Small local producers may suffer
- Too much dependence on foreign countries
- Loss of traditional markets

➤ **What is the WTO?**

The **World Trade Organization (WTO)** is an international organization that helps countries **trade with each other smoothly and fairly**.

- It was started in **1995**.
- It replaced an earlier group called **GATT** (General Agreement on Tariffs and Trade).
- **Headquarters:** Geneva, Switzerland.
- **Members:** Over **160 countries**, including **India**.

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🎯 **Main Aims of WTO**

1. **Promote free and fair international trade**
2. **Reduce trade barriers** like import taxes (tariffs) and rules
3. **Help settle trade disputes** between countries
4. **Ensure all countries follow global trade rules**

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🌐 **How Does the WTO Work?**

- Countries come together and **agree on rules** for trading goods and services.
- If one country feels another is **unfair in trade**, it can complain to the WTO.
- The WTO investigates and suggests solutions.
- It also organizes **meetings and negotiations** on trade issues.

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☑ **Advantages of the WTO**

- Encourages **global trade** and cooperation
- Helps **developing countries** sell their goods in world markets
- Tries to make trade **transparent** and **rule-based**
- Aims to **settle disputes peacefully**

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➤ **Criticism of the WTO**

- Sometimes Favors **rich and powerful countries**
- Poor countries may struggle to compete in a global market
- Forces countries to open their markets even when local industries are not ready
- Can affect **farmers and small businesses** in developing nations

### **India and the WTO**

- India is a **member** of the WTO.
- It has **benefited** by exporting IT services, textiles, and pharma products.
- But India has also **faced challenges**, especially when it comes to protecting farmers and small-scale industries.
- **Summary :**

WTO	Details
Full Form	World Trade Organization
Started	1995
Goal	Promote free and fair global trade
HQ	Geneva, Switzerland
Members	160+ countries
India's Role	Active member, both gains and challenges

### ➤ **IMPACT OF GLOBALISATION IN INDIA**

#### **Positive Impacts of Globalization in India**

##### **1 More Job Opportunities**

- Many Multinational Companies (MNCs) set up offices and factories in India.
- Sectors like IT, BPO, retail, telecom, and automobiles created millions of jobs.
- Example: Infosys, TCS, and Wipro export software services globally.

##### **2 More Choices for Consumers**

- Indian markets are now full of global brands—from smartphones to food products.
- Consumers get better quality, latest designs, and more variety.

##### **3 Growth in Exports**

- India now exports software, textiles, medicines, and engineering goods to many countries.
- Example: India is known as the "pharmacy of the world" due to its medicine exports.

##### **4 Improved Technology and Infrastructure**

- MNCs brought in modern technology and new ways of working.
- Roads, airports, and communication systems improved due to global investments.

##### **5 Cultural Exchange**

- Indian films, yoga, food, and music are now popular globally.
- At the same time, Indians are exposed to international trends in fashion, food, and entertainment.

#### **Negative Impacts of Globalization in India**

##### **1 Loss for Small-Scale Industries**

- Small Indian producers often cannot compete with cheap and mass-produced foreign goods.
- This led to job losses and closures of some cottage and handloom industries.

##### **2 Growing Inequality**

- Cities and skilled workers benefited more, while many rural and unskilled workers were left behind.
- The rich-poor gap has widened.
- ③ Job Insecurity
  - Many new jobs are temporary or contract-based, especially in call centers or factories.
  - Workers face low wages and lack of job safety.
- ④ Cultural Impact
  - Overexposure to Western culture has led to loss of traditional values and local identity in some areas.

## ➤ THE STRUGGLE FOR A FAIR GLOBALISATION

### Why is There a Struggle?

- Big multinational companies (MNCs) earn huge profits.
- Rich countries have more power in global organisations like WTO.
- Small farmers, workers, and local industries often face losses or job cuts due to competition.

So, there is a need to make globalisation more fair and inclusive.

### Who is Struggling for Fair Globalisation?

#### 1. Workers and Labour Unions

- Demand better wages, job security, and working conditions.
- Want protection from unfair treatment by big companies.

#### 2. Farmers and Small Producers

- Want protection from cheap imports and foreign competition.
- Ask for government support like subsidies and fair prices.

#### 3. Social Movements & NGOs

- Fight for economic justice, environment protection, and human rights.
- Spread awareness about unfair trade practices.

#### 4. Developing Country Governments

- Negotiate in the WTO and other global platforms for fair trade rules.
- Demand a level playing field for their industries and farmers.

### What Can Governments Do to Ensure Fair Globalisation?

- ✓ Make strong laws to protect workers and small producers
- ✓ Provide education and training to improve skills

- ✓ Support farmers and rural industries with subsidies and fair prices
- ✓ Negotiate fair trade rules at global platforms like the WTO
- ✓ Invest in infrastructure to help local industries grow
- ✓ Promote domestic companies to compete globally

Learning Horizon