GLOBALISATION

Economy

Essential Elements and Meaning: Globalisation is the process of integration of national economies with the international economy, in terms of trade, commerce, production, and transformation through technology, movement of capital, political structures and cultural ideas.

Free flow of trade and flow of capital and almost free flow of labour

Almost free flow of intellectual capital , knowledge , technology

Transformation of the methodology of production , manufacture, and marketing from local to international.

Factors: Technology (ICT) , Liberalisation of trade and foreign investment policy, Foreign Direct Investment in infrastructure, Foreign Portfolio Investment or Foreign Institutional Investment in stock markets

Essential conditions: (a) Business freedom (b) Government support through reforms (c) Competitive markets (d) Comparative advantage (e) International orientation of business firms

World Trade Organisation : Basic functions

- Favourable Impact: a) Promotion of Foreign Direct Investment.
- (b) Easier access to technology and knowledge

(c) Advantages of international division of labour

(d) Greater export opportunities for developing countries.

(e) Greater flow of goods and labour

Objectives

3) Reciprocity in market access.

4) Reforms in Agriculture and Textiles trade

5) Negotiation and Settlement of trade

- 1. Liberal environment for international trade to flow freely, fairly and predictably.
- 2. Non-discrimination in expansion of trade. Each to be the most favoured nation

- Basic functions: (a) Administer trade agreements and encourage multilateral agreements
- (b) Provide technical support and coordinate with IMF , WB for a more coherent in economic policy.

(c) A forum for settlement of trade disputes

(d) Facilitate implementation of multilateral trade agreements.

6) Greater access to foreign investors through Trade Related Investment Measures (TRIMS)

7) Liberalisation of trade in Services

- 8) Protection of Intellectual Property Rights,
- 9) Greater coherence in global economic policy so as to safeguard the interests of most member nations.

Benefits to Indian Companies

Transfer of technology from Multi National Corporations

Access to capital markets of other countries

Greater employment and higher income opportunities for skilled labours

Better banking services and more efficient management of companies. Breakdown of Indian monopolies, and increase in competition

Greater investment in services and export sector. Greater scope for services in other countries.

Adverse Impact of Globalisation on India

1. Unemployment has increased , though it was believed that globalisation would result in higher employment . Emphasis has been on expansion of private enterprises, but the private sector has begun using latest technology that employs less manpower.

2. The quality of employment has also degraded. The MNCs and private sector emphasise on maximum profits. They are reluctant to pay the social security benefits to labour and there is no job security , even at very low wages . Competition is uneven, and there is no level playing field, as MNCs are in a stronger financial and technological position than Indian companies.

3. Selling of obsolete technology to developing countries, that causes damage to environment.

It is argued that the technology developed in the developed countries involves minimal labour , and is unsuited for developing countries that are populous and need to give employment to their educated youth. The developing countries are twice losers in this process. They get obsolete technology and their population remains unemployed.

4. Greater volatility in the capital market due to interlinking of economies under globalization. Through Financial Institutional Investment (FII) in Stock Exchanges the richer countries gain more than the developing country in which the investment has been made. Only a very small percentage of local population invests in stocks , and they alone tend to gain. The national economy as a whole does not generate any wealth through FII . A developing economy such as India , needs Foreign Direct Investment (FDI) for developing its infrastructure and does not need FII .

5. Unfair trade practices are adopted by MNCs. Even though the WTO envisages that the developed countries should follow “free and fair” trade practices, the reality, the developing countries are denied entry into developed markets due to many qualitative restriction on their imports .

6. Competition in India has been damaged due to globalisation as it is unfair competition , and is not on an level playing field. The entry of foreign banks is another damaging factor, as they skim the cream through FII funding and the richest clients.

Making Globalisation fair

Positive Role of Government of host country in upholding the interests of the poor and the underdeveloped

Vigilance over markets that the foreign firms have entered. Capital market, banking and insurance, communication, that could be the grounds for unfair trade practices

Proper negotiations with WTO: the developing and under developed countries should develop a common ground and agenda for their voice to be heard in the WTO. Currently they have had to open their own markets without gaining access to the markets in the developed countries.