

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

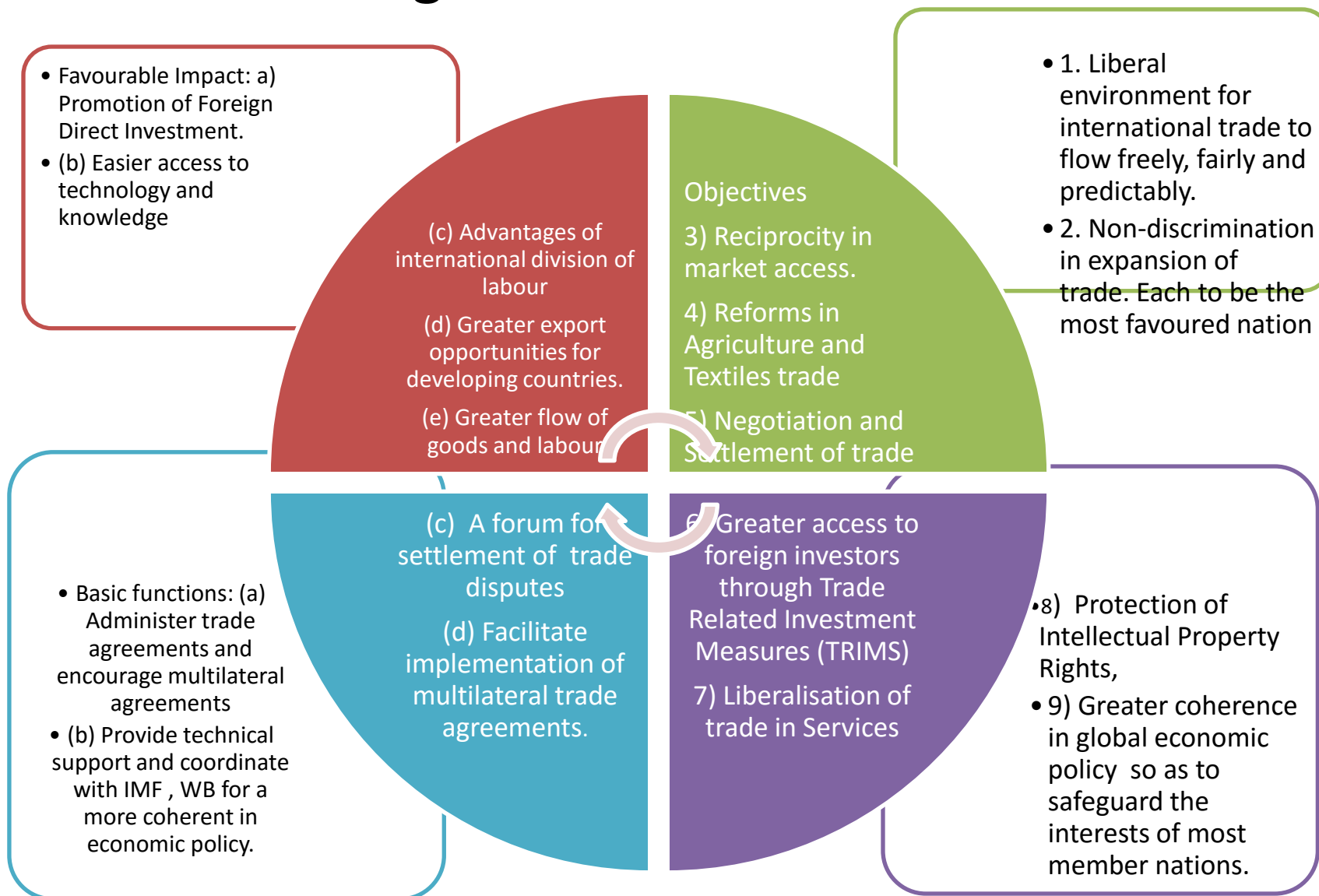
Almost free flow of intellectual capital , knowledge , technology

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

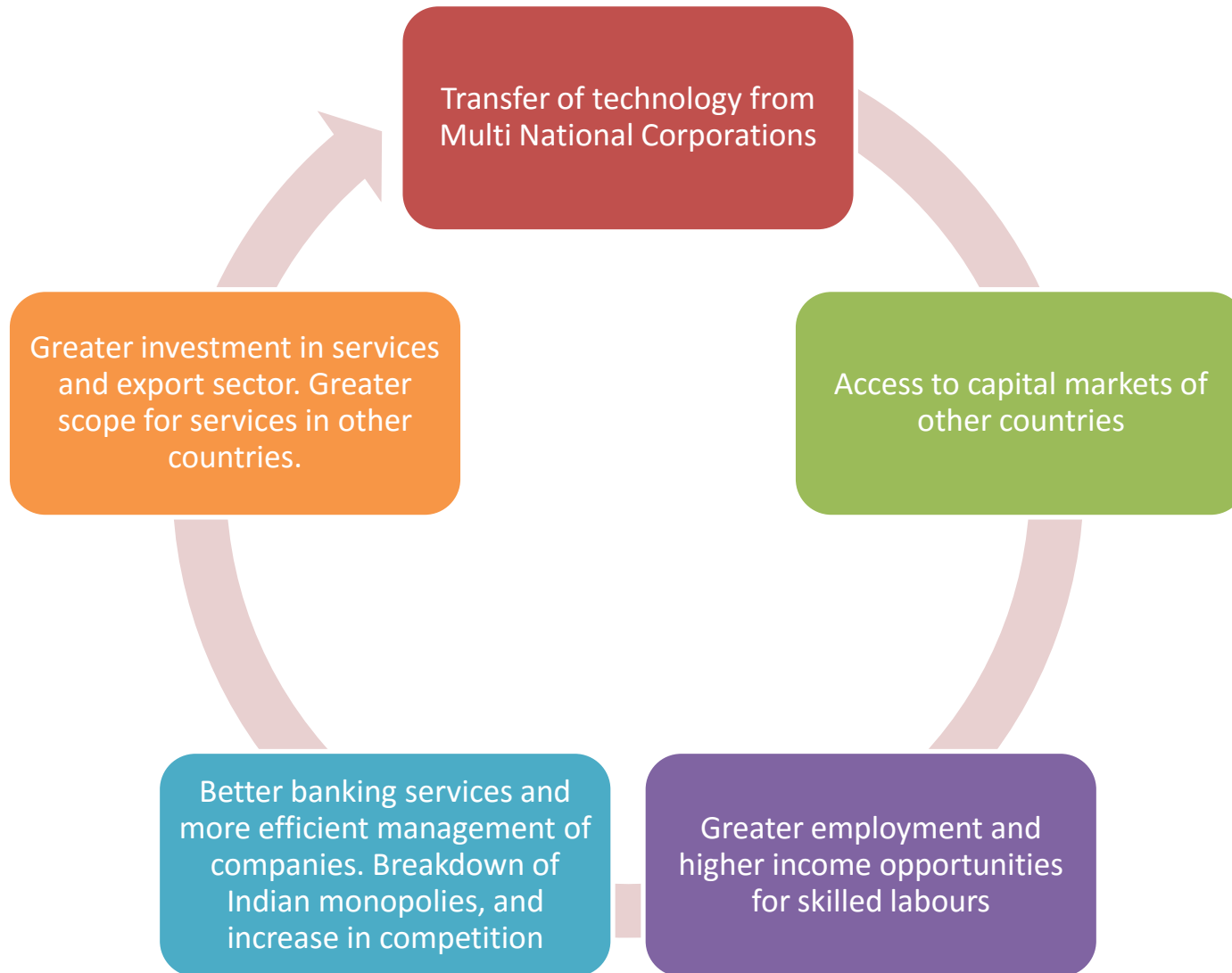
Factors: Technology (ICT) , Liberalisation of trade and foreign investment policy, Foreign Direct Investment in infrastructure, Foreign Portfolio Investment or Foreign Institutional Investment in stock markets

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



Benefits to Indian Companies



Adverse Impact of Globalisation on India

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.

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 .

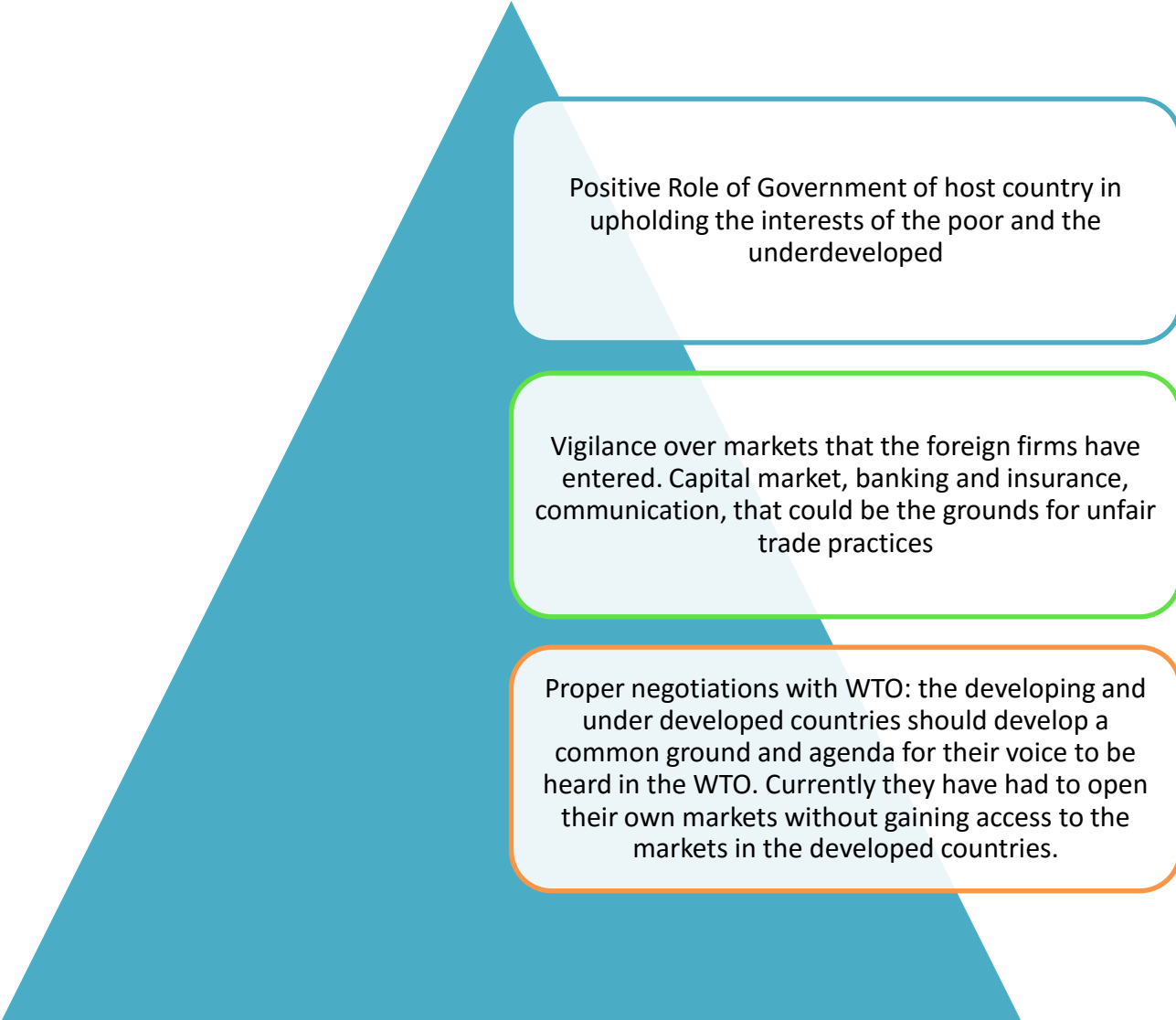
3. **Selling of obsolete technology to developing countries**, that causes damage to environment.

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.

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.

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.