Ch. – 4 – Lecture Notes
Class – X – Economics
"Globalisation and Indian Economy"

Introduction

- The idea of development or progress has always been with us.
- Development involves thinking about questions like, what are the essential things that we require? Can life be better for all? Can there be more equality?

PRODUCTION ACROSS COUNTRIES

- Until the middle of the twentieth century, production was largely organized within countries.
- Colonies such as India export the raw materials and food stuff and imported finished goods.
- Trade was the main channel connecting distant countries. This was done before large companies called multinational corporation (MNCs) emerged on the scene.
- **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.
- MNCs are not only selling its finished products globally but more important, the goods and services are produced globally.
- As a result, production is organized in increasingly complex ways.

INTERLINKING PRODUCTION ACROSS COUNTRIES

- In general, MNCs set up production where it is close to the markets; where there is skilled and unskilled labour available at low costs, and where the availability of other factories of production is assured.
- **The money that is spent to buy assets such as land, building, machines and other equipment is called investment.**
- **The investment made by the MNCs is called foreign investment.**
- The benefit to the local company of such joint production is two-fold.
  - (i) MNCs can provide money for additional investments, like buying new machines for faster production.
  - (ii) MNCs might bring with them the latest technology for production.
- But the most common route for MNC investments is to buy up local companies and then to expand production.
- Many of the top MNCs have wealth exceeding the entire budget of the developing country government.
- We see that there are a variety of ways in which the MNCs are spreading their production and interacting with local producers in various countries across the globe.
- MNCs are exerting a strong influence on production at these distant locations.
- As a result, production in these widely dispersed locations is getting interlinked.

FOREIGN TRADE AND INTEGRATION OF MARKETS

- **Foreign trade creates an opportunity for the producers to reach beyond the domestic markets** i.e., markets of their own countries.
- For the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.
- In general, with the opening of trade, goods travel from one market to another.
- Foreign trade thus results in connecting the markets or integration of markets in different countries.

WHAT IS GLOBALISATION?

- **Globalization is this process of rapid integration or interconnection between countries.**
- A large part of the foreign trade is also controlled by MNCs.
- The result of greater foreign investment and greater foreign trade has been greater integration of production and markets across countries.
- MNCs are playing a major role in the globalization process.
- More and more goods and services, investments and technology are moving between countries.

FACTORIES THAT HAVE ENABLED GLOBALISATION

- **Technology**
  - **Rapid improvement in technology has been on a major factor that has stimulated the globalization process.**
  - For instances, the past 50 years have seen several improvements in transportation technology.
  - Even more remarkable have been the development of information and communication technology.
  - Technologies in the areas of telecommunications, computers, and internet have been changing rapidly.

- **Liberalization of foreign trade and foreign investment policy**
  - **Tax on imports is an example of trade barrier.** It is called a barrier because some restriction has been set up.
  - The government can use trade barriers to increase or decrease foreign trade and to decide what kind of goods and how much of each, should come into the country.
  - The Indian government, after Independence, had put barriers to foreign investment.
  - This was considered necessary to protect the producers within the country from foreign competition.
  - Barriers to foreign trade and foreign investment were removed to a large extent.
  - This meant that goods could be imported and exported easily and also foreign companies could set up factories and offices here.
  - **Removing barriers or restriction set by the government is what is known as liberalization.**
  - The government imposes much less restriction than before and is therefore said to be more liberal.

WORLD TRADE ORGANISATION:

- We have seen that the liberalization of foreign trade and investment in India was supported by some very powerful international organization.
- These organizations say that all barriers to foreign trade and investment that are harmful. There should be no barriers.
- **World Trade Organization (WTO)** is one such organization whose aim is to liberalize international trade.
- Though WTO is supposed to allow a free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers.
- On the other hand, WTO rules have forced the developing countries to remove the trade barriers.

IMPACT OF GLOBALISATION IN INDIA:

- **In the last twenty years, globalization of the Indian economy has come a long way.**
- Globalization and greater competition among producers – both local and foreign producers – have been of advantage to consumers, particularly the well-off sections in the urban areas.
- As a result, these people today, enjoy much higher standards of living than was possible earlier.
- **MNCs have increased their investments in India over the past 20 years,** which means investing in India has been beneficial for them.
- Several of the top Indian companies have been able to benefit from the increased competition.
- Moreover, globalization has enabled some large Indian companies to emerge as multinationals themselves.
- **Globalization has also created new opportunities for companies** providing services, particularly those involving IT.

THE STRUGGLE FOR A FAIR GLOBALISATION:

- People with education skill and wealth have made the best use of new opportunities.
- On the other hand, there are many people who have not shared the benefits.
- **Fair globalization would create opportunities for all** and also ensure that the benefits of globalization are shared better.
- The government can play a major role in making this possible.
- Its policies must protect the interests, not only of rich and the powerful but all the people in the country.
- It can support small producers to improve their performance till the time they become strong enough to compete.
- If necessary, the government can use trade and barriers.
- In the past few years, massive campaigns and representatives by people's organizations have influenced important decisions relating to trade and investments at the WTO.
- This has demonstrated that people also can play an important role in the struggle for fair globalization.

Summary:

- Globalization is the process of rapid integration of countries.
- This is happening through greater foreign trade and foreign investment.
- Technology, particularly IT, has played a big role in organizing production across countries.
- In addition, liberalization of trade and investment has facilitated globalization by removing barriers to trade and investment.