

# Globalization and India: A Silver Jubilee Experience

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## ABSTRACT

Saskia Sassen writes that, "a good part of globalization consists of an enormous variety of micro-processes that begin to denationalize of communication, transportation, and tradewhat had been constructed as national — whether policies, capital, political subjectivities, urban spaces, temporal frames, or any other of a variety of dynamics and domains."

Globalization describes the process by which regional economies, societies, and cultures have become integrated through a global network. Globalization describes the process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. However, globalization is usually recognized as being driven by a combination of economic, technological, socio-cultural, political, and biological factors. The study has objectives such as- to study the impact of globalization on the World and to study the positive and negative impact of globalization on Indian economy.

**Key Words: Communication, Globalization, Negative, Positive Transportation.**

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## I. INTRODUCTION

Saskia Sassen writes that, "a good part of globalization consists of an enormous variety of micro-processes that begin to denationalize what had been constructed as national — whether policies, capital, political subjectivities, urban spaces, temporal frames, or any other of a variety of dynamics and domains."

Globalization describes the process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. The term is sometimes used to refer specifically to economic globalization: the integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology. However, globalization is usually recognized as being driven by a combination of economic, technological, socio-cultural, political, and biological factors. The term can also refer to the transnational circulation of ideas, languages, or popular culture through acculturation.

Globalization is basically an increase in the degree of interdependence of integration in the world economy as a result of three main forces: <sup>1</sup>

- the increase in trade in goods and services,
- the increase in the investment of transnational companies, the consequent change in the nature of production, the production becoming no longer national but as a process that takes place in different countries and finally,
- As the third main force, the explosion, the multiplication in financial and exchange rate transaction.

The major tenets of globalization relate to the creation of environment:

- (i) In which there will be reduction of trade barriers so as to permit free flow of goods across national frontiers,
- (ii) In which free flow of capital can take place among nation states,
- (iii) Permitting free flow of technology and,
- (iv) Free movement of labour can take place in different countries of the world.

## II. OBJECTIVES OF THE PAPER

The study has following objectives-

1. To study the impact of globalization on the World,
2. To study the positive and negative impact of globalization on Indian economy.

## III. COMPETITION-THE CENTRAL ISSUE IN GLOBALIZATION

Survival in the new global business market calls for improved productivity and increased competition. Due to the market becoming worldwide, companies in various industries have to upgrade their products and use technology skillfully in order to face increased competition.

Unfettered competition is considered as the core issue of globalization by advanced countries of the OECD. They have coined the word 'contestability of markets' which is a new name for unfettered competition. Contestability of markets implies in theory that any investor from any country should be able to contest, that is, to compete in any sector in any market in any country. Competition is a game and value that has undeniable merit. However, can we consider competition? as the apex of pyramid as the top social value that should subordinate all other social values? Competition has its limits. This is clear from the fact that the countries like USA have underscored the need for limiting gains through competition that result from some unacceptable practices like the work of prisoners or child labour or slave labour. The differences in competition should be related to differences in the stages of development, the differences in capacity to compete.

Globalization has brought about technological advance in transport and communication technologies and the choice of large developing countries have improved their investment climate and have opened up their economies to foreign trade and investment. Poor countries have been able to harness the potential of their abundant labour to break into global market for manufactured goods and services.

Manufactures rose from less than a quarter of developing country exports in 1998. Countries those strongly increased their participation in global trade and investment include Brazil, China, Hungary, India and Mexico.

More globalized developing countries have increased their per capita growth rate from 1 percent in 1960s to 3 percent in '70s, 4 percent in '80s and 5 percent in '90s. The growth rates of these countries now substantially exceed those of the rich countries. While new globalizing countries are beginning to catch up much of the rest of the developing countries with about 2 billion people are becoming marginalized. Their aggregate growth rate was actually negative in the '90s.

The potential for global integration to reduce poverty is indicated by the cases of China, Uganda, India and Vietnam. India and Uganda have achieved rapid poverty reduction as they integrated with the global economy. Globalization can be a powerful force for poverty reduction.

The World Bank Report <sup>2</sup> mentions that about 2 billion people live in countries that are not participating strongly in globalization; many of them are Africa and the former Soviet Union countries. Their exports are confined to a narrow range of primary commodities. Such concentration has made them highly prone to terms of trade shocks.

The divergence between the more globalized and the less globalized developing countries since 1980 makes the aggregate performance of developing countries less meaningful.

## IV. GENERAL IMPACTS OF GLOBALIZATION

The countries exposed to the world in the globalized era have been experiencing both positive and negative impacts on the economy. Following are the impacts of globalization.

### 4.1. POSITIVE IMPACTS

- Globalization introduced rapid development of the capital market
- brought in the new technologies in the different sectors. The new technologies and progress in telecommunication, introduction of satellites, mobiles etc are the positive results of globalization
- introduction of advanced scientific research models
- risen standard of living
- better trade, employment opportunities and higher productivity
- exposure to the globe
- change in political and cultural domain
- change in ideologies, and thinking amongst people.

### 4.2 NEGATIVE IMPACTS

- ❖ Globalization caused too much flow of capital amongst countries, introduced unfair and wicked distribution of income
- ❖ domestic policies have lost their strength due to too much exchange

- ❖ pressure on corporate sector
- ❖ unhealthy and unethical competition
- ❖ fear of loosing national integrity.

#### **V. GLOBALIZATION AND INEQUALITY**

There is a widespread anxiety that growing integration has led to heightened inequalities within countries. This is not true in the case of most of the globalized countries. Most globalizing developing countries have seen only small changes in household inequality and inequality has declined in such countries as the Philippines and Malaysia. However, there are some important examples that go the other way. In Latin America due to prior extreme inequalities in educational attainment global integration has further widened wage inequalities. In China inequality has also risen but the rise in Chinese inequality is far less problematic. One of the key points made by critics of recent economic globalization is that income inequality, both between and within nations, is increasing as a result of these processes. One article from 2001 found that significantly, in 7 out of 8 metrics, income inequality has increased in the twenty years ending 2001. Also, "incomes in the lower deciles of world income distribution have probably fallen absolutely since the 1980s". Furthermore, the World Bank's figures on absolute poverty were challenged. The article was skeptical of the World Bank's claim that the number of people living on less than \$1 a day has held steady at 1.2 billion from 1987 to 1998, because of biased methodology. A chart that gave the inequality a very visible and comprehensible form, the so-called 'champagne glass' effect, was contained in the 1992 United Nations Development Program Report, which showed the distribution of global income to be very uneven, with the richest 20% of the world's population controlling 82.7% of the world's income.

#### **VI. GLOBALIZATION- CULTURE, SOCIETY AND POLITICS**

In his speech on "Is there life after globalization? Prospects for Development in the 21<sup>st</sup> century?" Mr. H.E. Rubens Ricupero, Secretary General UNCTAD has said, "In my opinion the real concept of globalization is a very broad approach, something which is primarily a cultural and political phenomenon that is driven by technology, by scientific innovation. That is very much the case now with the contribution of the progress in transport, telecommunications, and computers that made possible, for instance, to divide the stages of production of an article in different geographic locations according to the logics of cost. That is also a product of a culture, it is not purely an economic factor....." Ricupero further says that the economy is not like the planetary system or the genetic code; something that is given once and for all and which one cannot alter; it is a product of culture, it is a product of human choices, of choices of values.<sup>3</sup>

Globalization is mainly a cultural and political phenomenon because what we find at its roots as the driving force of globalization are cultural phenomenon and political events.

#### **VII. GLOBALIZATION AND ENVIRONMENT**

The advent of global environmental challenges that might be solved with international cooperation, such as climate change, cross-boundary water and air pollution, over-fishing of the ocean, and the spread of invasive species. Since many factories are built in developing countries with less environmental regulation, globalism and free trade may increase pollution and impact on precious fresh water resources (Hoekstra and Chapagain 2008). On the other hand, economic development historically required a "dirty" industrial stage, and it is argued that developing countries should not, via regulation, be prohibited from increasing their standard of living.

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#### **IX. NEGATIVE EFFECTS OF ECONOMIC LIBERALIZATION**

The world today is so interconnected that the collapse of the subprime market in the U.S. has led to a global financial crisis and recession on a scale not seen since the Great Depression Government deregulation and failed regulation of Wall Street's investment banks were important contributors to the subprime mortgage crisis. A flood of consumer goods such as televisions, radios, bicycles, and textiles into the United States, Europe, and Japan has helped fuel the economic expansion of Asian tiger economies in recent decades. However, Chinese textile and clothing exports have

recently encountered criticism from Europe, the United States and some African countries. In South Africa, some 300,000 textile workers have lost their jobs due to the influx of Chinese goods. The increasing U.S trade deficit with China has cost 2.4 million American jobs between 2001 and 2008, according to a study by the Economic Policy Institute (EPI). A total of 3.2 million – one in six U.S. factory jobs – have disappeared between 2000 and 2007.

### **9.1 BRAIN DRAIN**

Opportunities in richer countries drives talent away from poorer countries, leading to brain drains. Brain drain has cost the African continent over \$4.1 billion in the employment of 150,000 expatriate professionals annually. Indian students going abroad for their higher studies costs India a foreign exchange outflow of \$10 billion annually.

### **9.2 LIMITATIONS**

Global economy is far from complete. It is still much easier to do business between Illinois and California than between USA and Japan or between USA and Poland. All countries have some limits on trade and foreign investment. Jobs can move from country to country but people seldom do, “Even in this mobile age only about 2 percent of the world’s population lives outside its own country and most of these people are refugees, not workers chasing jobs.

Globalization has not covered all of humanity to the same extent. In terms of territorial location global networks have involved population of North America, Western Europe and Eastern Asia much more than other parts of the world. In terms of the class, global finance has been a domain of the wealthy far more than the poor. In terms of gender, men have linked up to global computer networks much more than women.

The unevenness of globalization has important implication for social power relations. Those with connections to super territorial spaces have access to important resources and influence that are denied to those who are left outside. Thus some have commented on the ‘global apartheid’ as manufactured in the ‘digital divide’ and other inequalities. Others have divided the ‘cultural imperialism’ of Holly Wood and McDonalds in contemporary globalization. There has been “anti-globalization movement” marked by mass protests against global companies, the IMF and other prominent agents of transworld relations.

### **9.3 CRITIQUES ARGUE THAT, THE GLOBALIZATION RESULTS IN**

1. Poorer countries suffering disadvantages,
2. The exploitation of foreign impoverished workers,
3. The shift to outsourcing,
4. Weak labor unions,
5. An increase in exploitation of child labor, etc.,

## **X. GLOBALIZATION AND INDIAN EXPERIENCE**

India, in 1985 was facing severe Balance of Payment (BOP) crisis and at the end of 1990, in a serious economic crisis. By June 1991 India's foreign exchange reserves were scarcely sufficient for the imports of essentials for two weeks. This critical condition of the economy led for an emergency loan of \$ 2.2 billion from IMF by pledging 67 tonnes of India's gold reserves as collateral security. A series of large scale reforms began under Structural Adjustment Programme (SAP) of International Monetary Fund (IMF).

In 1991 economic reforms brought in. Since 1991 reform measures popularly known as LPG, Indian economy is open to the world. The main aim was to make country more competitive globally and increasing the speed of economic development. The reforms brought in industrial sector, financial sector, trade, etc. for increasing efficiency. The Indian economy has experienced the various reforms in different sectors of them some successful and some unsuccessful. India's global economic scenario changed due to the emergence of Information and Communication Technologies (ICT) and changed the global economic order. There was revolutionary changes marked in the fields of banking and finance, trade, infrastructure, education, and social services. But different threats were emerged including environmental issues. Yet she has shown flexibility in the face of regional or global crises such as the South-East Asian region and the global slowdown. Undeniably in the journey of 25 years LPG era, Indian economy has recorded plethora of records. China being 1<sup>st</sup> in the world, India is emerged as 2<sup>nd</sup> fastest growing economy till 2015. The nominal GDP was Rs. 5,86,212 crore in 1991 increased to Rs. 1,35,76,086 crore (\$2-trillion) in 2016 which witnessed 22 times increase and ranked 9<sup>th</sup> in the world in GDP. The GDP growth figures of China has shown slower down in the speed. India, now is the fastest growing economy in the world with a growth rate of 7.6 percent in 2015-16. It is projected that, India will be the 2<sup>nd</sup> largest economy in the world by 2050. The liberalization in India created a different engine for economic development through ending the license system and government intervention; promoting private investment and business.

## XI. CONCLUSION

Globalization describes the process by which regional economies, societies, and cultures have become integrated through a global network of communication, transportation, and trade. The globalization has both positive and negative effects. It is projected that, India will be the 2<sup>nd</sup> largest economy in the world by 2050. In the journey of 25 years LPG era, Indian economy has recorded plethora of records. China being 1<sup>st</sup> in the world, India is emerged as 2<sup>nd</sup> fastest growing economy till 2015. The nominal GDP was Rs. 5,86,212 crore in 1991 increased to Rs. 1,35,76,086 crore (\$2-trillion) in 2016 which witnessed 22 times increase and ranked 9<sup>th</sup> in the world in GDP. The GDP growth figures of China has shown slower down in the speed. India, now is the fastest growing economy in the world with a growth rate of 7.6 percent in 2015-16. According to the effects every country has to act sensitively and be aware of globalization. If necessary the country has to come out of the globalised world.

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