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INTRODUCTION TO GLOBALISATION

- **Globalization** refers to the process of deepening economic integration, increasing economic openness and economic interdependence between countries in the world economy.

- **All the international relations** are mostly based on economic relation between the countries. This is a gift of globalization to the world.

- **Now no economy is self subsistent** or closed every single one is opened to the world.

- **Indian economy adopted globalization process in 1991 with the adoption of new economic policy.**

PROCESS OF GLOBALISATION

- **Trade** of good and services – Goods and services are traded worldwide. Almost every country is dependent on other for its trade related requirements. And whole world become a big village.

- **Movement of capital** from one country to another – It is also marked by the movement of capital inward or outward for getting the appropriate advantage of the capital.

- **Investment** or movement of foreign finances – foreign finances are another important process of globalization.

FOUR PARAMETERS OF GLOBALISATION

- Reduction in trade barriers.
- Environment for free flow of capital
- Permitting free flow of technology
- Free flow of labour

REASONS FOR GLOBALISATION IN INDIA

- **BOP crisis of 19190-91** - The country India had not enough foreign exchange to finance for more than fourteen days.

- **Gulf War of 1990-91 -** This reduces remittances for the country. Most of its citizens are working in gulf countries. So , this region was the hub of foreign exchange for the country. But the war made them unemployed and added to the crisis.

- **The second oil shock -** Pushed up the import bills while export lagged behind. This made the country more vulnerable. The energy requirements are high and the export receipts are very small to finance them.

- **Current account deficit** - These above conditions made the current account in trouble.

- **Hyper inflation** -The inflation was soaring high. Due to all these imbalances the hyper inflation condition came into existence into the country.

- **Increasing public debt and defaulting** – These condition forced the country to be indebted. As the defaulter no country was ready to give the loan or assistance to India and thus IMF helped but with some conditions.

ADVANTAGES OF GLOBALIZATION

- **Promote FDI** and raise capital of developing economy.
- **Make use of technology** developed by advanced economy without investing in research and development.
- **Access of developed countries market** and their product to developing countries' consumer.
- **Faster diffusion of knowledge** and in production and productivity.
- **Reduces cost** of transportation and communication, tariff, etc.

STEPS TOWARDS GLOBALISATION:

- **Exchange Rate Adjustment and rupees convertibility- IMF** insisted on devaluation of Indian rupees thus govt. 18-19% reduction in the exchange rate value. Further in subsequent years govt. progressively moved towards full convertibility.

- **Import Liberalization-** Export- import policy allowed the free import of all items except the some items and the import duties reduced from 110% to 10%.

- **Opening up of foreign capital-** FDIs and FIIs are allowed and automatic permission was granted for 51% and was further raised to 100%.they are allowed to invest in capital market,manufacturing, SEZs, telecom, pharma,etc.

IMPACT OF GLOBALISATION:

- **Trade**- Trade, import, export all have increased but the imports bill has increased much larger than the export.
- **Foreign Investment Flows**- FDIs and FIIs helps in increasing the productive capacity in the economy. But fluctuation in foreign portfolio investment was much larger than the foreign direct investment. It has also been concentrated in service sector mainly. But FDI outflow also nullifying the inflow.
- **Empolyment condition-** Unemployment has increased along with increasing employment in unorganised sector and temporary casual workers. The wages have also lowered increasing the exploitation.
- **Poverty-** Though the poverty has decreased in percentage but the absolute value is very high and the pace of poverty reduction is also slow.
- **Inequality -** The inequality has increased as the uncompetitive and small enterprises can not compete with the cheap import product. The wages are also decreased.

- **Advanced countries profit-** They demand many concession and reduction of tariff from developing countries.

- **Feminization of labour-** There is increased participation of the women workers in low paid jobs like in manufacturing specially in Asia.

- **Weakening of welfare state in favour of market-** The role of state has been minimized. It has led to neglect in providing proper infrastructure especially in rural area. The social responsibility is also being neglected.

- **Fiscal Deficit-** The fiscal deficit and the public debt has decreased considerably.