

# [Does indian stand in terms of global integration economics essay](https://assignbuster.com/does-indian-stand-in-terms-of-global-integration-economics-essay/)

The worldwide movement towards economic, financial, trade and communications integration. Globalization implies the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital, goods, and services across national frontiers. However, it does not include unhindered movement of labor and, as suggested by some economists, may hurt smaller or fragile economies if applied indiscriminately.

Name for the process of increasing the connectivity and interdependence of the world’s markets and businesses. This process has speeded up dramatically in the last two decades as technological advances make it easier for people to travel, communicate, and do business internationally. Two major recent driving forces are advances in telecommunications infrastructure and the rise of the internet. In general, as economies become more connected to other economies, they have increased opportunity but also increased competition. Thus, as globalization becomes a more and more common feature of world economics, powerful pro-globalization and anti-globalization lobbies have arisen.

The pro-globalization lobby argues that globalization brings about much increased opportunities for almost everyone, and increased competition is a good thing since it makes agents of production more efficient. The two most prominent pro-globalization organizations are the World Trade Organization and the World Economic Forum. The World Trade Organization is a pan-governmental entity (which currently has 144 members) that was set up to formulate a set of rules to govern global trade and capital flows through the process of member consensus, and to supervise their member countries to ensure that the rules are being followed. The World Economic Forum, a private foundation, does not have decision-making power but enjoys a great deal of importance since it has been effective as a powerful networking forum for many of the world’s business, government and not-profit leaders.

The anti-globalization group argues that certain groups of people who are deprived in terms of resources are not currently capable of functioning within the increased competitive pressure that will be brought about by allowing their economies to be more connected to the rest of the world. Important anti-globalization organizations include environmental groups like Friends of the Earth and Greenpeace; international aid organizations like Oxfam; third world government organizations like the G-77; business organizations and trade unions whose competitiveness is threatened by globalization like the U. S. textiles and European farm lobby, as well as the Australian and U. S. trade union movements.

Impact of Globalization on Developing Countries and India

Globalization is the new buzzword that has come to dominate the world since the nineties of the last century with the end of the cold war and the break-up of the former Soviet Union and the global trend towards the rolling ball. The frontiers of the state with increased reliance on the market economy and renewed faith in the private capital and resources, a process of structural adjustment spurred by the studies and influences of the World Bank and other International organizations have started in many of the developing countries. Also Globalization has brought in new opportunities to developing countries. Greater access to developed country markets and technology transfer hold out promise improved productivity and higher living standard. But globalization has also thrown up new challenges like growing inequality across and within nations, volatility in financial market and environmental deteriorations. Another negative aspect of globalization is that a great majority of developing countries remain removed from the process. Till the nineties the process of globalization of the Indian economy was constrained by the barriers to trade and investment liberalization of trade, investment and financial flows initiated in the nineties has progressively lowered the barriers to competition and hastened the pace of globalization.

## Impact on India:

India opened up the economy in the early nineties following a major crisis that led by a foreign exchange crunch that dragged the economy close to defaulting on loans. The response was a slew of Domestic and external sector policy measures partly prompted by the immediate needs and partly by the demand of the multilateral organisations. The new policy regime radically pushed forward in favour of amore open and market oriented economy.

Major measures initiated as a part of the liberalisation and globalisation strategy in the early nineties included scrapping of the industrial licensing regime, reduction in the number of areas reserved for the public sector, amendment of the monopolies and the restrictive trade practices act, start of the privatisation programme, reduction in tariff rates and change over to market determined exchange rates.

Over the years there has been a steady liberalisation of the current account transactions, more and more sectors opened up for foreign direct investments and portfolio investments facilitating entry of foreign investors in telecom, roads, ports, airports, insurance and other major sectors.

The Indian tariff rates reduced sharply over the decade from a weighted average of 72. 5% in 1991-92 to 24. 6 in 1996-97. Though tariff rates went up slowly in the late nineties it touched 35. 1% in 2001-02. India is committed to reduced tariff rates. Peak tariff rates are to be reduced to be reduced to the minimum with a peak rate of 20%, in another 2 years most non-tariff barriers have been dismantled by March 2002, including almost all quantitative restrictions.

## India is Global:

The liberalisation of the domestic economy and the increasing integration of India with the global economy have helped step up GDP growth rates, which picked up from 5. 6% in 1990-91 to a peak level of 77. 8% in 1996-97. Growth rates have slowed down since the country has still bee able to achieve 5-6% growth rate in three of the last six years. Though growth rates has slumped to the lowest level 4. 3% in 2002-03 mainly because of the worst droughts in two decades the growth rates are expected to go up close to 70% in 2003-04. A Global comparison shows that India is now the fastest growing just after China.

This is major improvement given that India is growth rate in the 1970’s was very low at 3% and GDP growth in countries like Brazil, Indonesia, Korea, and Mexico was more than twice that of India. Though India’s average annual growth rate almost doubled in the eighties to 5. 9% it was still lower than the growth rate in China, Korea and Indonesia. The pick up in GDP growth has helped improve India’s global position. Consequently India’s position in the global economy has improved from the 8th position in 1991 to 4th place in 2001. When GDP is calculated on purchasing power parity basis.

## Globalisation and Poverty:

Globalisation in the form of increased integration though trade and investment is an important reason why much progress has been made in reducing poverty and global inequality over recent decades. But it is not the only reason for this often unrecognised progress, good national polices, sound institutions and domestic political stability also matter.

Despite this progress, poverty remains one of the most serious international challenges we face up to 1. 2 billion of the developing world 4. 8 billion people still live in extreme poverty.

But the proportion of the world population living in poverty has been steadily declining and since 1980 the absolute number of poor people has stopped rising and appears to have fallen in recent years despite strong population growth in poor countries. If the proportion living in poverty had not fallen since 1987 alone a further 215million people would be living in extreme poverty today.

India has to concentrate on five important areas or things to follow to achieve this goal. The areas like technological entrepreneurship, new business openings for small and medium enterprises, importance of quality management, new prospects in rural areas and privatisation of financial institutions. The manufacturing of technology and management of technology are two different significant areas in the country.

There will be new prospects in rural India. The growth of Indian economy very much depends upon rural participation in the global race. After implementing the new economic policy the role of villages got its own significance because of its unique outlook and branding methods. For example food processing and packaging are the one of the area where new entrepreneurs can enter into a big way. It may be organised in a collective way with the help of co-operatives to meet the global demand.

Understanding the current status of globalisation is necessary for setting course for future. For all nations to reap the full benefits of globalisation it is essential to create a level playing field. President Bush’s recent proposal to eliminate all tariffs on all manufactured goods by 2015 will do it. In fact it may exacerbate the prevalent inequalities. According to this proposal, tariffs of 5% or less on all manufactured goods will be eliminated by 2005 and higher than 5% will be lowered to 8%. Starting 2010 the 8% tariffs will be lowered each year until they are eliminated by 2015.

## GDP Growth rate:

The Indian economy is passing through a difficult phase caused by several unfavourable domestic and external developments; Domestic output and Demand conditions were adversely affected by poor performance in agriculture in the past two years. The global economy experienced an overall deceleration and recorded an output growth of 2. 4% during the past year growth in real GDP in 2001-02 was 5. 4% as per the Economic Survey in 2000-01. The performance in the first quarter of the financial year is5. 8% and second quarter is 6. 1%.

## Export and Import:

India’s Export and Import in the year 2001-02 was to the extent of 32, 572 and 38, 362 million respectively. Many Indian companies have started becoming respectable players in the International scene. Agriculture exports account for about 13 to 18% of total annual of annual export of the country. In 2000-01 Agricultural products valued at more than US $ 6million were exported from the country 23% of which was contributed by the marine products alone. Marine products in recent years have emerged as the single largest contributor to the total agricultural export from the country accounting for over one fifth of the total agricultural exports. Cereals (mostly basmati rice and non-basmati rice), oil seeds, tea and coffee are the other prominent products each of which accounts fro nearly 5 to 10% of the countries total agricultural exports.

## Where does Indian stand in terms of Global Integration?

India clearly lags in globalisation. Number of countries has a clear lead among them China, large part of east and far east Asia and Eastern Europe. Let’s look at a few indicators how much we lag.

Over the past decade FDI flows into India have averaged around 0. 5% of GDP against 5% for China 5. 5% for Brazil. Whereas FDI inflows into China now exceeds US $ 50 billion annually. It is only US $ 4billion in the case of India

Consider global trade – India’s share of world merchandise exports increased from . 05% to . 07% over the pat 20 years. Over the same period China’s share has tripled to almost 4%.

India’s share of global trade is similar to that of the Philippines an economy 6 times smaller according to IMF estimates. India under trades by 70-80% given its size, proximity to markets and labour cost advantages.

It is interesting to note the remark made last year by Mr. Bimal Jalan, Governor of RBI. Despite all the talk, we are now where ever close being globalised in terms of any commonly used indicator of globalisation. In fact we are one of the least globalised among the major countries – however we look at it.

As Amartya Sen and many other have pointed out that India, as a geographical, politico-cultural entity has been interacting with the outside world throughout history and still continues to do so. It has to adapt, assimilate and contribute. This goes without saying even as we move into what is called a globalised world which is distinguished from previous eras from by faster travel and communication, greater trade linkages, denting of political and economic sovereignty and greater acceptance of democracy as a way of life.

## Consequences:

The implications of globalisation for a national economy are many. Globalisation has intensified interdependence and competition between economies in the world market. This is reflected in Interdependence in regard to trading in goods and services and in movement of capital. As a result domestic economic developments are not determined entirely by domestic policies and market conditions. Rather, they are influenced by both domestic and international policies and economic conditions. It is thus clear that a globalising economy, while formulating and evaluating its domestic policy cannot afford to ignore the possible actions and reactions of policies and developments in the rest of the world. This constrained the policy option available to the government which implies loss of policy autonomy to some extent, in decision-making at the national level.

## Advantages of Globalization

It is the advantages of Globalization which act to bring about economic welfare on international levels, thereby benefiting the worldwide population.

Mentioned below, are the advantages of Globalization which facilitate the development of world economies immensely:

Free movement of capitals offers access to the foreign investments to many countries like the United States of America.

The worldwide commercial market becomes so flexible due to the advent of Globalization, that transactions of the international companies are not restricted to geographical borders of the countries.

Globalization enhances the flow of capital, permitting the investors to invest on the untapped resources of the developing countries.

Globalization of the mass media has reduced the global space substantially, keeping the people informed about all latest international happenings through different television channels.

Improvement in global communication networks leads to easy flow of important information not only to individuals but at company levels as well.

The democratic thoughts are rapidly spread among countries across the world, owing to Globalization.

Globalization stresses on increasing mutual dependence among all the nation-states across the world.

Globalization lessens the possibilities of warfare among developed countries to considerable extents.

The developed countries display a tendency for working towards protecting their surrounding environments to large extents.

Globalization enhances free international trades among countries across the world.

The total output levels of a country increase when productions become competition-oriented. This means that to compete with the existing world market, the products must be of best qualities and they also improve the lifestyle of the overall population.

Cheap imports and extensive competition on international level keep a check on the prices leading to lower inflation rates, which occasionally interrupt the economic growth and development of a nation.

Economic Globalization ushers in the concept of Open Economy, where there is an extensive promotion of technological growth and inventions. This requires new topics and concepts to be imported from abroad.

Employments in the export-oriented industries generally pay its employees approximately 15% more than the import-oriented jobs in a country.

One of the positive effects of Globalization is the smooth and speedy transportation of people and commodities to different corners of the world.

Globalization reduces cultural blockages and differences among nations, by encouraging fellow-feeling and mutual compassion.

## Disadvantages of Globalization

The following general factors may be considered as drawbacks of Globalization:

There is significant increase in the flow of skilled and unskilled employment opportunities simultaneously from developed and developing countries across the world. This is due to the fact that the global companies are in search of cheap labors to extract maximum benefit at minimum expenses.

The popular reactions of Globalization may be violent in the sense that people are more interested in maintaining the traditions and customs associated with world culture. In such a situation the control of a handful of companies over the global media may restrict expression of culture.

A main drawback of Globalization is that it enhances possibilities of unintentional transportation of diseases between countries.

Globalization gives birth to money-oriented lifestyles and selfish attitudes, which consider consumption to be a mean to attain overall economic affluence.

Globalization increases the possibility of civil war between the developed nations and opens battle between the developing nations for getting hold of the available resources.

Globalization tends to reduce environmental honesty, because the corrupt companies make use of the weak authoritarian rules of the developing nations.

Escalation in the possibility of economic disturbances in one particular country, affects the economic balance of other nations as well.

The commercial power of nation-states increases far more than ordinary individuals and the civil society institutions.

With the rapid spread of Globalization, there are chances for international organizations like World Trade Organization (WTO) to violate both national and international sovereignty.

Globalization intensifies commercial competition among developed and developing nations in an attempt to improve their respective economic conditions.

The existing gap between the rich and poor nations is widened more, with the advent of Globalization.

Globalization has made the small commercial sectors to struggle hard for existence and establish their trades.

Globalization has increased exploitation of the working class or the labor class of the society.

The revenue generated in the host nations is hardly spend in that particular country for uplifting the economic conditions of its population; rather this revenue is spend in other countries across the globe. This weakens national unity and independence, permitting the developed countries to dispatch domestic jobs abroad, in search of cheap labor.

## Conclusion:

In conclusion, globalization has brought a lot of advantages and disadvantages to us. We know there is nothing perfect in this world; things just have limited strong features and weak features. But the most important point is that people all over the world should try to balance the advantages and the disadvantages of globalization because we are the ones who stay here to make the world a better place.

## Viper – the Anti-plagiarism Report