GLOBALISATION AND THE INDIAN ECONOMY

Global production

Until the mid of 20th century production was largely organised within countries.

Colonies such as India exported raw material and imported finished goods.

This was the system was followed until large companies called MNCs came into existence.

MNC is multinational company that owns production in more than one country.

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.

(These points can be used for explaining how MNCs changed the world economy)

Advantages of MNCs

1. Availability of capital and foreign investment.
2. Availability of foreign exchange.
3. Promotion of small scale industries (As MNCs get most of their production from small scale industries).
4. Foreign trade and integration of market.
5. Helpful in creating jobs.

Disadvantages of MNCs

1. Harmful for host country as investment is moving out of host country.
2. Creates monopoly as small scale industries produce for MNCs.
3. Main motive is to earn profit hence it creates inequality.
4. Employees in underdeveloped countries are paid less compared to developed countries for same work.

Under a multinational corporation production is organized in complex ways-

1. Production process is divided and spread across the globe.
2. In most cases research is carried out in developed countries like USA, Japan etc.
3. Goods are manufactured in countries where cheap labour is available like China.
4. Customer service are provided in countries with cheap and skilled labour like India.
5. Example is production of Iphone, Tesla cars etc.
6. The above techniques are used by MNCs to keep the cost of production low.
7. MNCs also pass get most of their manufacturing from small scale industries.
8. To organize their production they also enter into joint ventures and buy local companies.
   (Point 6,7 and 8 can be used to answer production control in MNCs. Point 3 and 5 can also be used).

Along with the points mentioned above government policies also impact the location of MNCs.

Foreign trade and integration of markets

1. Foreign trade creates an opportunity for the producers to reach beyond the domestic markets that is markets of their own countries.
2. For the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced
3. In general, with the opening of trade, goods travel from one market to another.
4. Foreign trade also impact the prices of markets throughout the world.
5. Foreign trade also promotes competition locally and globally.

Globalisation

1. A large part of the foreign trade is also controlled by MNCs.
2. Result of Greater foreign trade has been greater integration of production and markets across countries.
3. Globalisation is the process of rapid integration or interconnection between countries.
4. MNCs are playing a major role in the globalisation process.
5. more and more goods, services and technology are being exchanged between countries.

Factors that have enabled globalisation

1. Rapid improvement in technology has been on a major factor that has stimulated the globalisation process.
2. Foreigners instances, the past 50 years have seen several improvements in transportation Technology.
3. Even more remarkable have been the development of Information and Communication Technology.
4. Technologies in the areas of telecommunications, computers and internet have been changing rapidly.
5. Financial institutions like banks has made the transfer of money easier and safer.
6. A host of services like research and customer care services also require advanced communication services.

Liberalisation of foreign trade and foreign investment policy

1.Tax on imports is an example of trade barriers. it is called a barrier because some restriction has been set up.
2. 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.
3. The Indian government, after independence, had put barriers to foreign investment.
4. This was considered necessary to protect the producers within the country from foreign competitions.
5. Barriers to foreign trade and foreign investments were removed to a large extent.

6. This meant that goods could be imported and exported easily and also foreign companies could set up factories and offices here.
7. Removing barriers or restrictions set by the government is what is known as liberalisation.
8. The government imposes much less restrictions than before and is therefore said to be more liberal.

World Trade Organisation

1. We have seen that the liberalisation of foreign trade and investments in India was supported by some very powerful International Organisation.
2. These organisations say that all barriers to foreign trade and investment are harmful. There should be no barriers
3. World Trade Organisation (WTO) is one such organisation whose motive is to liberalise international trade in an open and non discriminatory manner.
4. 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.
5. On the other hand, WTO rules have forced the developing countries to remove the trade barriers.
6. WTO prepares trade rule that every country has to follow. WTO also provides technical assistance to underdeveloped and developing countries.

Impact of globalisation in India

1. In the last 20 years, globalisation of the Indian economy has come a long way.
2. Globalisation and greater competition among producers, both local and foreign producers, has been of advantage to consumers, particularly the well-off sections in the urban areas.
3. As a result, these people today, enjoy much higher standards of Living then was possible earlier.
4. MNCs have increased their investments in India over the past 20 years, which means investing in India has been beneficial for them.
5. Several of the top Indian companies have been able to benefit from the increased competitions
6. Moreover, globalisation has enabled some large Indian companies famous as multinational themselves.
7. globalisation has also created new opportunities for companies providing services particularly those involving IT.

The struggle for a fair globalisation

1. People with education skill and wealth have made the best use of new opportunities.
2. On the other hand, there are many people who have not shared the benefits.
3. Fair globalisation would create opportunities for all and also ensure that the benefits of globalisation are shared better.
4. The government can play a major role in making this possible.

5. Its policies must protect the interests, not only of rich and the powerful all the people in the country.
6. It can support small producers to improve their performance till the time they become strong enough to compete.
7. If necessary, the government can use trade and barriers.
8. In the past few years, massive campaigns and representatives are by people's organisations influenced important decisions relating to trade and investments at the WTO.
9. This has demonstrated that people also can play an important role in the struggle for fair globalisation.

S.No	Foreign investment	Foreign trade
1.	Money that is spent to buy assets such as land, building, machines, etc is called investment and investment by MNCs is called foreign investment	Foreign trade creates a trade link with other countries and it creates an opportunity for the producers to reach beyond domestic markets
2.	Investment is made with the objective of earning profits	Goods travel from one place to another
3.	MNCs set up production jointly with some local companies of the countries in which they are making investment	Choices of goods in the market increases and prices of similar goods tend to become equal
4.	It is a benefit for local companies as they get additional investment from MNCs and new technology for production	Foreign trade integrates two markets in different countries