ECONOMICS

CHAPTER – 4 GLOBALIZATION

PRODUCTION ACROSS COUNTRIES:

1. Until the middle of the twentieth century, production was largely organized within countries.
2. Colonies such as India export the raw materials and food stuff and imported finished goods.
3. Trade was the main channel connecting distant countries. This was done before large companies called multinational corporation (MNCs) emerged on the scene.
4. An MNC is a company that owns or controls production in more than one nation.
5. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources.
6. MNCs are not only selling its finished products globally but more important, the goods and services are produced globally.
7. As a result, production is organized in increasingly complex ways.

INTERLINKING PRODUCTION ACROSS COUNTRIES:

1. 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.
2. 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.
3. 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.
4. But the most common route for MNC investments is to buy up local companies and then to expand production.
5. Many of the top MNCs have wealth exceeding the entire budget of the developing country government.
6. 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.
7. MNCs are exerting a strong influence on production at these distant locations.
8. As a result, production in these widely dispersed locations is getting interlinked.

FOREIGN TRADE AND INTEGRATION OF MARKETS:

1. Foreign trade creates an opportunity for the producers to reach beyond the domestic markets i.e., 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 thus results in connecting the markets or integration of markets in different countries.

WHAT IS GLOBALISATION?

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

FACTORIES THAT HAVE ENABLED GLOBALISATION:

1. Rapid improvement in technology has been on a major factor that has stimulated the globalization process.
2. For 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.

Liberalization of foreign trade and foreign investment policy:
1. Tax on imports is an example of trade barrier. 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 competition.
5. Barriers to foreign trade and foreign investment 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 restriction set by the government is what is known as liberalization.
8. The government imposes much less restriction than before and is therefore said to be more liberal.

WORLD TRADE ORGANISATION:

1. We have seen that the liberalization of foreign trade and investment in India was supported by some very powerful international organization.
2. These organizations say that all barriers to foreign trade and investment that are harmful. There should be no barriers.
3. World Trade Organization (WTO) is one such organization whose aim is to liberalize international trade.
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.

IMPACT OF GLOBALISATION IN INDIA:
1. In the last twenty years, globalization of the Indian economy has come a long way.
2. Globalization 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 than 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 competition.
6. Moreover, globalization has enabled some large Indian companies to emerge as multinationals themselves!
7. Globalization 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 globalization would create opportunities for all and also ensure that the benefits of globalization 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 but 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 by people's organizations have 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 globalization.