PAPER I - INDIAN ECONOMY & INDIAN FINANCIAL SYSTEM

Module A: INDIAN ECONOMIC ARCHITECTURE

Chapter 6: Globalisation - Impact on India

Quick Revision

6.1 & 6.2: Introduction to Globalisation

- **Definition:** Globalisation is the process of increasing economic integration and interconnectedness among nations. This is driven by the cross-border flow of goods, services, capital (investment), technology, and people (labour).
- **Historical Context:** While the concept is old, modern globalisation gained momentum in the mid-1980s. In India, it was formally introduced with the **new economic policy of 1991-92**.
- **Advocacy for Globalisation:** Proponents argue that globalisation benefits developing countries by:
    - Promoting **economic growth** and higher living standards.
    - Creating **jobs** through foreign investment and technology transfer.
    - Increasing **trade** by reducing barriers.
    - Enhancing **social justice** by bringing global attention to human rights issues.

6.3: Globalisation and its Impact on India The adoption of globalisation following the 1991 economic reforms had a significant positive impact on the Indian economy. The main effects include:

- A higher average economic growth rate compared to previous decades.
- An **increase in per capita income**.
- Creation of **better employment opportunities**.
- A much **wider range of choices for consumers** in goods and services.
- New opportunities for **agricultural exports** and investment in farm mechanization.

6.4: Fair Globalisation & the Need for a Policy Framework

- **Concept:** Fair Globalisation is a concept that aims to create opportunities for all and ensure that the benefits of globalisation are shared equally among everyone.
- **Key Principles:**
  - It must be supported by the three interdependent pillars of **economic development, social development, and environmental protection**.
  - It must provide **equal opportunity** and access to all nations.
  - Governments must have policies in place to **protect the rights and interests of all citizens**, including workers.

6.5: Globalisation in Reverse Gear - The Re-emergence of Protectionism

In recent years, there has been a significant shift away from globalisation, a trend often referred to as **Deglobalisation**.

- **Deglobalisation:** The process of reducing economic dependency and integration among countries.
- **Protectionism:** This is when governments enact policies to restrict or prohibit international trade in order to protect domestic industries and

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workers from foreign competition. The three main forms of protectionism are:

1. **Tariffs:** Taxes on imported goods.
2. **Import Quotas:** Limits on the quantity of goods that can be imported.
3. **Non-tariff Barriers:** Other rules and regulations that make imports difficult.

- **Reasons for the Shift:** This retreat from globalisation has been accelerated by several major global events:
    - Brexit (the UK's exit from the EU).
    - The US-China Trade Disputes.
    - The COVID-19 Pandemic, which disrupted global supply chains.
    - The Russia-Ukraine conflict.
- **The Current Trend:** There is a rise in **populism** and **inward-looking policies**, where countries prioritize domestic production and trade protection over global cooperation. This indicates that the era of peak globalisation may be behind us.