



**JAIIB (New Syllabus)**

**INDIAN ECONOMY &  
INDIAN FINANCIAL SYSTEM  
(IE&IFS).**

**Paper-1**

**MODULE-A, UNIT-6**



**GLOBALISATION**

## Paper IE and IFS Module A Unit 6- Globalisation: Impact On India

### Globalisation

- **Globalisation is defined as a rise in economic integration among nations.** The concept of globalisation is an ancient one, dating back to the 18th century.
- The World War I, Great Depression and World War II forced a retreat from globalisation and several trade obstacles were raised. However, in the mid-1980s, the Organisation for Economic Cooperation and Development (OECD) popularised the term yet again.
- Globalisation is described by the World Trade Organization as the development towards “**unrestricted cross-border flows of goods and services, capital, and labour force.**” The concept was formally introduced in India with the ‘**new economic policy**’ in 1991–92.

### Globalisation and Its Advocacy

- The term “**globalisation**” refers to the **increasing interconnectedness of the world’s economies, cultures, and inhabitants**, as a result of cross-border trade in goods and services, technology, and flows of investment, people, and knowledge.
- There is strong evidence from nations of all sizes and locations that when countries globalise, their citizens benefit from more exposure to a broader range of goods and services, reduced costs, more and better-paying employment, improved health, and higher overall living standards.
- Investment, the proliferation of technology, robust institutions, effective macroeconomic policies, educated workforce, and the presence of a market economy are some of the reasons for globalisation’s wider acceptance.
- The phrase is also used to describe the movement of people (labour) and information (technology) across international borders. **Globalisation has larger cultural, political, and environmental implications.**

### Globalisation and Its Impact On India

- The advent of globalisation caused significant changes in **the Indian economy’s economic policy, production, and consumer behaviour.** Globalisation has an influence on its culture as well. The entry and expansion of foreign investment in various areas propelled the Indian economy’s development, even further.
- **Following the 1991 reforms**, the average growth rate of the Indian economy was much higher than in prior decades. Exports were regarded as a growth engine, and many new technologies **were implemented, which boosted productivity, in the long term.**

- Effects of globalisation include increased per capita income, better employment opportunities, and far more options for customers. **Globalisation opened up new options for agriculture exports.**

### **Fair Globalisation & The Need for Policy Framework**

- **The importance of mutual understanding and dialogue among governments**, organisations within and across borders to promote social cohesion is a key proposition of fair Globalisation.
- **Fair globalisation** creates opportunities for all, while also ensuring that the advantages of globalisation are shared equally.
- Government measures must safeguard the interests of all citizens, including workers. **Their rights must be effectively protected, and they must be given their entitlements.**
- At the local, **national, regional, and global levels, fair globalisation must be supported by the interdependent** and mutually reinforcing pillars of **economic development, social development, and environmental protection.**

### **Globalisation In Reverse Gear – The Threatened Re-Emergence Of Protectionism**

- **During economic and geopolitical crises, globalisation has always taken a hit as WTO regulations** allow governments to practise trade protection measures to preserve national interests within specific limits.
- **Deglobalisation:** The process of reducing dependency and integration amongst particular units throughout the world.
- It is commonly used to characterise historical eras, in which, **economic trade and investment between countries collapse.**
- When a government enacts laws that restrict or prohibit international trade, it is participating in protectionism, and protectionist measures frequently attempt to protect home producers and workers from foreign competition.


#### **Protectionism takes three main forms:**

- Tariffs,
- Import quotas,
- Non-tariff barriers.
- The protectionism results in decline in **trade, price rise, and the necessity for provision of subsidy** for protected industries.
- Some jobs in these industries may be saved, but jobs in other industries are likely to be lost.


- Limited role of the World Trade Organization ‘**Dispute Settlement Mechanism**’ also plays a critical role behind this.
  - There has been a rise in populism principle that, it would be better off pursuing inward rather than outward - **looking policies, in both economic and foreign policies.**
  - As **Michael O’Sullivan** has rightly said in his recent book, “**The Levelling: What’s Next After Globalisation**”, globalisation is already behind us.
  - These inward-looking sovereign policies, prioritising domestic production, offering packages to enable domestic companies to increase their scale of operations, increase investments domestically, and promoting a protectionist policy to support the countries from unfair trade competitions from cheaper suppliers clearly demonstrates the effect of a strategic retreat from globalisation.
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