
GLOBALISATION: CHALLENGES AND OPPORTUNITIES

WITH SPECIAL REFERENCE TO WTO REGIME AND

INDIAN ECONOMY

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Abstract

Globalization has many meanings depending on the context and on the person who is talking about. The process of globalisation involves a change in the role of state. However, this does not, in any way, mean re-adoption of laissez faire or reversion to the principal of police state. Under globalisation, the state continues to be a welfare state. However, its economic activity is getting confined with the activities which are essentially needed for the operation of economy. It acts as a facilitator and coordinator and refrains from acting as an owner and regulator. It acts to ensure a smooth and orderly function of the market. The two major developments impacting Indian Agriculture during nineties have been: (a) The Agreement on Agriculture implemented from 1st January, 1995 under WTO, and (b) Emergence of highly volatile price regime thereafter. Several recent studies, on the causes of poor performance of agriculture, often relate to WTO Agreement on agriculture and its likely adverse implications against promise. The global scenario in future is going to become more competitive and the pressure for liberalisation of domestic market would also grow. In this context, India needs to follow two pronged strategy. One, based on the post WTO experience of last ten years India should continue taking active part in negotiating agreement to its advantage with sound agreements. This would require objective understanding of the implications of the changed trade regime, promoted and planned under the auspices of WTO. Such as understanding of the implications of the changed trade regime, promoted and planned under the auspicious of WTO.

Keywords: Privatization, Globalization, Liberalization, Economy, Foreign Direct Investment.

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Introduction

Globalization is a process by which the world is interconnected through technology and powerful infrastructure for the purpose of communicating and managing resources. Globalization seems to talk about several phenomena which ensure two major components. Firstly, function across national boundaries and secondly, they result in higher incorporation or interdependence of human societies. It is therefore one aspect of development that affects the world in general, from every point of human view. Globalisation is a concept which stands for the wholesome interconnection of world markets and free flow of goods, services, technology and people across borders. This is projected as the imperative way for securing the objective of economic growth, spread of technology, sustainable management and better standards of living in all countries- both developed and developing. It is by the ideal of converting the entire world into a global village. Naturally, it involves an assault of the concept of sovereign, territorial, nationalist nation-state system. The process of globalisation involves a change in the role of state. However, this does not, in any way, mean re-adoption of *laissez faire* or reversion to the principal of police state. Under globalisation, the state continues to be a welfare state. However, its economic activity is getting confined with the activities which are essentially needed for the operation of economy. It acts as a facilitator and coordinator and refrains from acting as an owner and regulator. It acts to ensure a smooth and orderly function of the market. The research mainly concentrates on finding the positive and negative impacts of globalization on Indian economy, talking about reforms, casual analysis of various factors influencing the country especially in agriculture and industrial areas, etc. The main purpose of this research proposal was to identify and analyze the impact of globalization on the Indian economy. It also helped to determine the positive and negative impacts on globalization. The design and methodology stage helped to create the framework of possibilities and methods useful to achieve the specified objectives.

The Impact of Globalization on Indian Economy

Indian economy had experienced major policy changes in early 1990s. The new economic reform, popularly known as, Liberalization, Privatization and Globalization (LPG model) aimed at making the Indian economy as fastest growing economy and globally competitive. The series of reforms undertaken with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient. Globalization has many meanings depending on the context and on the person who is talking about. Though the precise definition of globalization is still unavailable a few definitions are worth

viewing, Guy Brainbant analyses that the process of globalization not only includes opening up of world trade, development of advanced means of communication, internationalization of financial markets, growing importance of MNCs, population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution. The term globalization refers to the integration of economies of the world through uninhibited trade and financial flows, as also through mutual exchange of technology and knowledge. Ideally, it also contains free inter-country movement of labor. In context to India, this implies opening up the economy to foreign direct investment by providing facilities to foreign companies to invest in different fields of economic activity in India, removing constraints and obstacles to the entry of MNCs in India, allowing Indian companies to enter into foreign collaborations and also encouraging them to set up joint ventures abroad; carrying out massive import liberalization programs by switching over from quantitative restrictions to tariffs and import duties, therefore globalization has been identified with the policy reforms of 1991 in India.

Globalization in Earlier Times

In the early 1990s Indian economy had experienced major policy changes. The economic reform known as Liberalization, Privatization and Globalization (LPG model) aimed to make the Indian economy, the fastest growing economy and also to make it globally competitive. The series of reforms implemented with respect to industrial sector, trade as well as financial sector aimed at making the economy more efficient. July 1991 has led to a new start for India. This period of economic changes has had a tremendous impact on the overall development of almost all major sectors of the economy. Globalization has changed the mindset of Indian people. It has changed the traditional values such as self reliance and socialistic policies of economic development; that were mainly created to economic backwardness, inefficiency of the economy and also some other problems; which were created since the independence in 1947. Despite of such obstacles, India has always had the potential to be on the fast track to prosperity.

Views of Prominent Thinkers Regarding the Concept

In the book by Jeffrey A. Frankel (1998), named "The regionalization of the world economy", he gave a brief idea about the free trade areas, custom unions and custom blocs that are prevalent in the entire world. He further said that Regionalization is the base which makes more economists hopeful about the opportunities that it may create in the near future, whereas it creates fear in the minds of others- making them think about the efforts it may take to encourage global free trade. The book provides answers to questions like- the

extent of regional arrangements having affected the patterns of trade, maintains the safety effects for the arrangements and it also explains the economic effects on patterns of trade, via price differentiations or gravity models.

In the book by Robert Boyer and Daniel Drache (1996), named "States against markets: the limits of globalization", they commented that: As the countries are making efforts to increase their exports; this has indirectly led to crossing of national-borders and becoming dependent on other countries to satisfy their wants. Some important points discussed in the book are- clarification of whether globalization is a development or not, further it assesses the success of globalization as a media of convergence and uniformity across nations, it provides update on Hayek vs. Keynes debate and also helps to provide best benefits to the entire world.

In the book by K R Gupta (1996), named "Liberalisation and globalisation of Indian economy (Volume 1)", he comments that it has been a long time since the process of Liberalisation and Globalisation was started in India in 1991. In the book he has examined the achievements and failures of economic reforms throughout this period, and has also made some suggestions to improve them. The book also presents the roles to be played by all states in accelerating the developments of the country as a whole. It describes the economic reforms of other countries from which India can learn a lot, it analyses the impact of reforms on the agricultural cottage and small scale sector and suggests a greater attention towards these sectors.

In the book by Satyendra S. Nayak (2009) named "Globalization and the Indian economy: Roadmap to convertible rupee", he examines the impact of globalization on the Indian economy- in respect to the trade, investment and financial aspects, he has also considered the balance of payment and exchange rate. In the first part of the book- he mentions the role played by the US in undergoing the globalization process, he also provides detailed analysis of monetary system. In the second part of the book- the author explains the Indian economic systems and its process of dealing with the globalization; he has given a brief idea regarding the economic reforms and state of liberalisation in India. Finally the author examines whether the Indian currency- rupee can be made fully convertible or not.

WTO And Globalization

It tries to secure stability in the market through macro- economic policies. Globalisation is essential under WHO as even before world war II, several institutions and supra- national organisations were created for guiding and regulating international economic relations. Later on, the International Monetary fund(IMF) and the world Bank (WB) were designed

to act as structure to manage the finances in a new international policy economy, and were part of a new international order together with the regime of General Agreement on Tariffs and Trade (GATT) and the United Nations. GATT promoted standards for tariffs and then tariff cuts, and then turned into the World Trade Organisation (WTO) at the Uruguay Round in 1995, thereby also taking a broader role in shaping much of international trade agenda. The WTO can, therefore, be seen as an instrument of globalisation, as it surely pushes for free trade and discourages protectionism. Agriculture occupies a significant place in growth and economy. The agriculture sector has acknowledged special treatment in all countries. This sector enjoys a vital position of both developed and developing countries especially in context of General Agreement on Tariff and trade. GATT/WTO negotiating, for the developing countries like India this sector is an engine of economic growth due to livelihood and food security and its interdependence with industrial sector. In developing nations, economic growth to a great extent depends on agriculture sector. Two major developments impacting Indian Agriculture during nineties have been: (1) The Agreement on Agriculture implemented from 1st January, 1995 under WTO, and (2) Emergence of highly volatile price regime thereafter. Several recent studies, on the causes of poor performance of agriculture, often relate to WTO Agreement on agriculture and its likely adverse implications against promise. The global scenario in future is going to become more competitive and the pressure for liberalisation of domestic market would also grow. In this context, India needs to follow two pronged strategy. One, based on the post WTO experience of last ten years India should continue taking active part in negotiating agreement to its advantage with sound agreements. This would require objective understanding of the implications of the changed trade regime, promoted and planned under the auspices of WTO. Such as understanding of the implications of the changed trade regime, promoted and planned under the auspicious of WTO. Such as understanding is of critical importance to play an effective role in future negotiations, as well as to plan adequately for designing our policies and economic activities including agricultural performances which are basic to accelerate sustainable agricultural development. Secondly, in order to effectively operate in the WTO driven environment, the member countries need to driven appropriate domestic policies and strategies. The crux of these policies should be to identify weakness and strengths of domestic policies and strategies of domestic procedure in respect of major competing attributes of our procedure, involving production, processing, marketing, trading practices and other processes from the farm to the final destination up gradation of competitive strength, regular improvement policies,

infrastructure, institutions and technology. India is one of the founding members of WTO which came into existence on January 1, 1995 replacing GATT (General Agreement on Tariffs and Trade) and promising the herald of new era in the ongoing processor globalisation. WTO provisions related to international trade are now similarly applicable to agriculture which was brought within the fold of GATT in the Uruguay Round (1986-93) of multilateral trade negotiations (MTNS). Application of WTO provisions on agriculture involves many contentions issues and is an area of serious concern for developing countries which are primarily agrarian economies, moreover the world, despite growing inters dependence and integration, is highly heterogeneous with regard to levels of development. This heterogeneity is very much noticeable when we compare the agricultural sector of developed and developing countries. Support infrastructure like storage, processing, finance, marketing, transport and facilities are much more advanced and organised. In sharp contrast, in a country like India, for millions of farmers who derived their livelihood from agriculture, it is still a way of life and not an occupation they have chosen for themselves. Indian farmers are mostly involved in subsistence farming with very little or no marketable surplus. On the other hand, there have veer instances where in the USA farmers have been given subsidies worth millions of dollars to keep their farm land uncultivated. In India 70% of the holding are not of the economy size, making application of modern technology difficult and unaffordable for the farmers. The developed countries like the USA, Japan and EU countries heavily subsidise their agriculture with high quality standards and aggressive marketing practices, these countries hold 72% share of world Trade in agricultural products are keep the developing countries virtually at the periphery of world market.

The Impact of Globalization in Agriculture and Industrial Fields

Agriculture sector in India has responded positively to the launching of macro economic reforms in 1991. With liberalization of exchange rate, the terms of trade for agriculture have shown a significant improvement. Private investment in agriculture registers a step rise in the post reform period. For the first time since independence India has become a net exporter of food grain. The fear that liberalization of imports would lead to massive influx of agriculture imports has been found to be misplaced. Quantitative restrictions on imports have been lifted since April 2000. Though import like fruits, ketchup and meat products have increased they still account for a miniscule of total agricultural imports Though there is clearly a need to be constantly vigilant and work in league with other developing countries and removal of tariff and non tariff barriers the major challenges the developed

countries at WTO we need to take measures which make Indian agriculture more competitive. Though there is clearly a need to be constantly vigilant and work in league with other developing countries and removal of tariff and non tariff barriers, the major challenges the developed countries at WTO, we need to make measures which make Indian agriculture more competitive. The fortunes of Indian agriculture which now accounts for about 20% of the GDP and provides employment to about 60% of labour force crucially depend upon greater investment, both private and public in irrigation power, roads and the ability of agriculturists to access the modern technology specially the yield augmenting technology. Conditions need to be created for widespread diffusion and application of this technology by the farm sector. To conclude it can be said that WTO provisions pose no real threat to Indian agriculture though aspects related to IPR, removal of tariff and non tariff barriers and market access need to be dealt with constant vigil and suitable expertise. relevant institutional and legal changes need to be brought about equally import is the need to restructure, modify and revamp our agriculture sector so that it can rise up to the challenges thrown by growing integration with the rest of the world the need of the time is to make it more efficient, modern diversified and competitive the time to engineer a second green revolution has arrived.

According to the past WTO experience of previous years, India should continue indulging in negotiating agreement to its advantage with sound arguments. So, it can be said that WTO provisions pose no real threat to Indian agriculture though aspects related to IPR, removal of tariff and non- tariff barriers and market access need to be dealt with constant vigil and suitable know-how. Similarly import is the need to restructure, modify and revamp our agriculture sector so that it can rise up to the challenges thrown by growing integration with the rest of the world. The need of the times is to make it more efficient, modern diversified and competitive. The reduction in agricultural subsidies and barriers to export of agricultural products, agricultural subsidies and barriers to export of agricultural products, agricultural exports from India will increase. The multilateral rules and disciplines related to anti- dumping, subsidies and countervailing measures, safeguards and disputes settlements machinery will ensure greater security and predictability of international trade. This would be favourable environment for India's international business. India along with other developing countries has the market access to a number of highly developed countries due to the imposition of the causing relating to trade without prejudice.

The Immediate Future of India on Global Trade and Indian Economy

In the immediate future India should address three sets of issue to withstand in the global trade.

1. First, decades ago India has bought its tariffs at GATT on some agricultural commodities at the zero rates. This did not matter as long as these products enjoyed protection in the Quantitative Restrictive regime.
2. Second, the government will have to find a way to addressing the anomalous situation of allowing import of some products which are reserved for production in small scale sector.
3. The third and high- profile area is import of used cars. With second hand cars of the high quality available at throwaway prices in a number of foreign markets, imports in the pro-QR regime could pose a major threat to products- India and foreign- in the local market.

To be a dynamic force and to play a catalytic role in WTO, India should face the following challenges:

- (a) India has to work creatively and very hard to make a dent in leading edge technologies being developed all over the world.
- (b) India should bring about universal literacy.
- (c) India should make its presence felt on the world of science. India needs a very elaborate nation science policy which should address the area of health.
- (d) India should reach the international standards in the quality of both industrial and agricultural products.
- (e) India should properly plan and utilise its cheap and abundant human and natural resources.
- (f) India should open up its economy to foreign investment without the detriment of native investment

India's leadership is required to get the next WTO round started by finding an appropriate way of discussing the critical trade related issues.

Conclusion

Globalization offers a boundless opportunity for business endeavours to develop their trade all over the world. Ways in which trade can be linked to globalization. The first way may include the exceptional progress of foreign direct investment. This has enabled by ease of internet accessibility all over the world. Secondly, there could be increased competitive advantage, through specialization and division of labour, as different countries can

specialize on what they can produce best. The growth of technology innovation has also been influenced by trade on globalized scale. Additionally, service industries, which includes financial, managerial, legal and information, has also been growing to the advantage of globalization. India as a founder member of both the GATT and the WTO must become proactive on the world arena by evolving itself into a formulator of visions and leader of WTO in the new millennium. India must play a much larger and important role in global trade. For a long time, it shut itself from the world and was a recipient of aid. Now India made the transition from closed to market led economies. It is now past that the era of dependence. India became one of the ten industrial countries of the world. The situation is ripe for India to play a leading role at multilateral trade institute. India needs to take the leadership role at multilateral trade institute. India needs to take the leadership role on the behalf of other developing economies.

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