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Globalisation

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Globalisation is the new buzzword that has come to dominate the world since the nineties of the last century with the end of the cold war and the break-up of the former Soviet Union and the global trend towards the rolling ball. The frontiers of the state with increased reliance on the market economy and renewed faith in the private capital and resources, a process of structural adjustment spurred by the studies and influences of the World Bank and other International organisations have started in many of the developing countries. Also Globalisation has brought in new opportunities to developing countries. Greater access to developed country markets and technology transfer hold out promise improved productivity and higher living standard. But globalisation has also thrown up new challenges like growing inequality across and within nations, volatility in financial market and environmental deteriorations. Another negative aspect of globalisation is that a great majority of developing countries remain removed from the process. Till the nineties the process of globalisation of the Indian economy was constrained by the barriers to trade and investment liberalisation of trade, investment and financial flows initiated in the nineties has progressively lowered the barriers to competition and hastened the pace of globalisation

International trade as a proportion of GDP reached 24% by 2006, up from 6% in 1985 and still relatively moderate,

India currently accounts for 1 .2% of World trade as of 2006 according to the World Trade Organisation (WTO)J Until the liberalisation of 1991, India was largely and intentionally isolated from the world markets, to protect its fledgling economy and to achieve self-reliance. Foreign trade was subject to import tariffs, export taxes and quantitative restrictions, while foreign direct investment was restricted by upper-limit equity participation, restrictions on technology transfer, export obligations and government approvals; these approvals were needed for nearly 60%

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of new EDT in the industrial sector. The restrictions ensured that FDI averaged only around $200M annually between 1985 and 1991; a large percentage of the capital flows consisted of foreign aid, commercial borrowing and deposits of non-resident Indians. India's exports were stagnant for the first 15 years after independence, due to the predominance of tea, jute and cotton manufactures, demand for which was generally inelastic. Imports in the same period consisted predominantly of machinery, equipment and raw materials, due to nascent industrialisation. Since liberalisation, the value of India's international trade has become more broad-based and has risen to 63,080,109 crores in 2003—04 from 1,250 crores in l950—51. India's major trading partners are China, the US, the UAE, the UK, Japan and the EU. The exports during April 2007 were $12.31 billion up by 16% and import were $17.68 billion with an increase of 18.06% over the previous year.

India is a founding-member of General Agreement on Tariffs and Trade (GATT) since 1 947 and its successor, the World Trade Organisation. While participating actively in its general council meetings, India has been crucial in voicing the concerns of the developing world. For instance, India has continued its opposition to the inclusion of such matters as labour and environment issues and other non-tariff barriers into the WTO policies.

Despite reducing import restrictions several times in the 2000s, India was evaluated by the World Trade Organisation in 2008 as more restrictive than similar developing economies, such as Brazil, China, and Russia. The WTO also identified electricity shortages and inadequate transportation infrastructure as significant constraints on trade. Its restrictiveness has been cited as a factor which has isolated it from the global financial crisis of 2008—2009 more than other countries, even though it has reduced ongoing economic growth.

Foreign direct investment in India has reached 2% of GDP, compared with 0.1% in 1990, and Indian investment in other countries rose sharply in 2006.

As the third-largest economy in the world in PPP terms, India is a preferred destination for foreign direct investments (FDI); India has strengths in information technology and other significant areas such as auto components, chemicals, apparels, pharmaceuticals, and jewelry. Despite a surge in foreign investments, rigid FDI policies resulted in a significant hindrance. However, due to some positive economic reforms aimed at deregulating the economy and stimulating foreign investment, India has positioned itself as one of the front-runners of the rapidly growing Asia Pacific Region. India has a large pool of skilled managerial and technical expertise. The size of the middle-class population stands at 50 million and represents a growing consumer market.

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