



Globalization: India's Concern over Unsettled Issues

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Abstract:

Keeping in view the inevitable options left to Indian thinkers, the policy of economic liberalisation has come to stay under globalisation. As a part of this, India has devalued the exchange rates, abolished the licensing system for industry, reduced trade protectionism and liberalised foreign investment. Free Trade pundits advocated that the poor will benefit from low prices for goods and services that globalisation will bring through increased competition. The benefits thus derived are expected to outweigh the losses sustained on account of dispensing with the policy of protectionism. It is expected that lowering of prices, in general, raises the purchasing power of the poor and thus stimulates domestic demand which in turn stimulates domestic industry. However, these free trade pundits failed to focus attention on a host of challenges posed by globalisation through reduced sovereign policy domain.

Key words: exchange rate, free trade, globalisation

Introduction:

As most of the issues still remain unsettled in the process of globalisation, for India with over 100 core populations, these issues are posing for midable challenges making it difficult to cope with the economic compulsions consequent on clear drift in economic policy. Even free trade pundits like Arthur Dunkel, former Director General of GATT expressed serious apprehensions about the push for further liberalisation without a proper assessment of the existing commitments. Unsettled issues like Agreement on Agriculture linkage of trade with environment and social standards and pressure for protectionism through anti-dumping and countervailing measures are of common concern to both developed and developing countries. While matters stood thus, the low growth rates of GDP in countries like US and Japan posed new dimensions to unbridled liberalisation. If the WTO, compiled by the large business groups and prophets of globalisation concede to their demands for insertion of linkages of trade with environment and social clauses, it may lead to protectionism posing new challenges in the multilateral trading system.

Review of multilateral trading system:
Globalisation is defined as a process that

increases the opportunities for interaction between people all around the globe. This interaction can be economic as well as social, political, scientific or otherwise. Amidst economic compulsions India is left with no option, excepting to concede to trade liberalisation negotiations under GATT, 1994, which finally culminated in the form of WTO. Yet, claims and counter claims on globalisation by economic, social and political thinkers both inside and outside made the issues debatable despite the fact that it has become inescapable for all the developing countries and India is not an exception.

Keeping in view the inevitable options left to Indian thinkers, the policy of economic liberalisation has come to stay under globalisation. As a part of this, India has devalued the exchange rates, abolished the licensing system for industry, reduced trade protectionism and liberalised foreign investment. Even in the fields of social investment like education, health and safety mechanisms, identification of special target groups has been assigned priority while the general consumer welfare is left to unconditioned liberal market mechanism. However, it is warned that unless economic policies, strategies and programmes are overhauled under global perspective and



attention is focussed towards border distribution of growth, poverty alleviation and social development are likely to have negative effects.

By and large, it is agreed that free trade is relatively fair than the restricted trade in terms of maximising economic growth and welfare. Since trade is not a zero but a positive sum game, it is likely to protect the interests of both the 'lions' (developed countries) and the 'rats' (developing countries). However, the performance of 'tiger' economies through their trade regimes forestalled the fact that free trade is better than restricted trade. There are apprehensions that globalisation benefits those who produce goods of services comparatively at low costs, therefore, there are fears that globalisation will not benefit like countries like India mainly due to certain in built weaknesses such as large fiscal deficits, high inflation, unrealistic sensitive index, volatile exchange rates on the economic front. Besides, unsettled issues under WTO are mounting day by day making the climate bad to worse although India's economic situation is releasing positive signals in the present state of economic liberalisation. These positive signals cannot be construed as an outcome of unconditional acceptance of globalisation but may be attributed largely to the economic reforms initiated for equitable distribution and ensuring social justice through effective people's participation. It is necessary to assess the India's position before embarking upon the vital issues of global concern.

The Multilateral Trading System -Indian scenario: The Indian Government has followed an inward looking policy for more than forty years backed by the objective of social justice and economic equality. Yet, mass poverty in India has declined at a much slower rate when compared to the other Asian Countries that have a doped more market friendly outward-looking policies.

Thus, the strategies adopted in India consist of many components to carry out a quantitative

evaluation of the impact of AOA on Indian agriculture including production, pricing imports and exports current tariff and proposed revisions. Keeping in view, the present agricultural situation prevailing in India, the proposed negotiations shall inextricably be connected to national food security and political sovereignty. In fact, the negotiation at the WTO meet on AOA are likely to take into accounts major issues common to many other developing countries and in case of pressure applied by US and EU, forced settlements under the man dated reform process, the interests of Indian peasantry are likely to suffer posing serious problems not only in agricultural production but also distribution, thereby destabilising the country's economy.

Anti-Dumping and Countervailing Measures (AD/CV)

Globalisation has opened up the opportunities of heavy dumping and growing concern is exhibited over the surge in cheap imports from different countries. India, being the Centre of attraction as an emerging potential market, global economies is trying to benefit out of free trade policies by resorting to heavy dumping to operations through direct and indirect channels. Thus, India is one among the victims of unchecked dumping of worthless products. The recent uproar figured consequent on heavy dumping practices allowed by Hong Kong, China and Taiwan obviously alerted Indian Government to come out heavily with Anti Dumping (AD) and countervailing Measures (CV). The WTO has also agreed that the AD and CV measures are legal instruments, however, cautioned over indiscriminate application of these legal measures. In fact, AD being a legitimate trade instrument under WTO/GATT, there is no reason why the developing countries along need to be cautioned while such measures are heavily applied by the industrialised nations. The WTO documents expressed concern over the rising trend of AD/CV measures applied by EU and India, while in reality these measures account



for only 3 percent of the total in contrast to China which for 18 percent followed by 15 percent in respect of EU. The United Nations conference on Trade and Development (UNCTAD) Report also while agreeing the AD/CV measures as legitimate permitted under WTO/GATT expressed growing concern over increasing resort to AD/CV measures by the developing countries ask trade remedies, however, nomination is made of developed countries. India being the largest potential market, there is growing need for application of AD/CB measures to guard against invasion of cheap products from outside.

Linkage: Trade Policy and Consumer Rights

Indubitably, multilateral trading system offered a host of opportunities for optimum utilisation of resources including vast Human Resource Potential in order to maximise consumer welfare, seizing these opportunities require liberalisation of trade policies with proper timing, sequencing and speed of liberalisation to cope with the challenges of globalisation.

Free Trade pundits advocated that the poor will benefit from low prices for goods and services that globalisation will bring through increased competition. The benefits thus derived are expected to outweigh the losses sustained on account of dispensing with the policy of protectionism. It is expected that lowering of prices, in general, raises the purchasing power of the poor and thus stimulates domestic demand which in turn stimulates domestic industry. However, these free trade pundits failed to focus attention on a host of challenges posed by globalisation through reduced sovereign policy domain. The picture emerging is not that rosy as advocated by the pundits of globalisation due mainly to the apprehensions posed out of heavy competition from the MNC's and the pathetic reflections have already come to stay crippling SST's while the situation in medium industries is also proving worse in India.

Consumer International (CI) representing 247 Consumer Organisations from III countries has launched a worldwide campaign to ensure that the rights of the consumers are supported by the multilateral trading system. The CI says that it cannot support the Millennium Round of trade negotiations until crucial changes are made in the WTO's trade liberalisation agenda. The CI in its new document on the Consumer Rights and the Multilateral Trading System clearly emphasised on the need to provide clear evidence that the consumer rights are duly protected. Further, the CI document pointed out that when the MNC's face any problems in exporting to a country because of either Social and Consumer legislations, they use the threat of action through the WTO to intimidate the governments to bypass or change the laws. Therefore the CI has called for the need to include consumer policy in the trade policy both at the national and international levels.

In the absence of clear protection guaranteed by the Consumer Protection Legislation in India the beleaguered Indian Consumer has no escape excepting to fight for linkage of issues concerning consumer welfare. Similar is the case even with other social legislations that are aimed to ensure social justice. Therefore, linking of Social and consumer Welfare is an imperative need in adoption of WTO terms.

It may be recalled that at the Seattle Ministerial Conference of WTO, the free trade pundits warned grave consequences of unbridled liberalisation. They expressed serious apprehensions over the push for further liberalisation without a proper assessment of the existing commitments. Noted trade theorist Prof. Jagadish Bhagavathi cautioned about the issues concerning linkage of trade with environment and social standards that are proposed by rich nations whose interest are chiefly protected in the very structure of WTO.

Conclusion: Already declining growth rates of GDP witnessed by some developed nations like US and Japan have thrown signals for adoption of protectionist policies, thus making it difficult to countries like India to take advantage of the



multi lateral trading system owing to serious imbalances likely to manifest between the rights and obligations. In this context, it may be noted that the Trade policy review committee of WTO has already voiced concern over the increasing pressures for protectionism, thus advocating for reversal of the world trading system. This is in conformity with the warning signals released by IMF on the slower growth by the major industrialised countries. It is for the WTO to remove the apprehensions of Indian trading community which is trying to respond very fast to cope with the challenges posed by globalisation. Further, greater burden also lies with the international community in committing themselves to honest implementation of special and differential treatment under various Agreements as promised to developing countries like India without resorting to undue protectionism while the vital issues of concern still remain unsettled.

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