

# **Globalisation and the emerging business / entrepreneurial environment**

# Globalization

- Integration of economies and societies through cross country flow of information, ideas, technologies, goods, services, capital, finance and people.

# Trade in Goods and Services

- According to the standard theory, international trade leads to allocation of resources that is consistent with comparative advantage.
- This results in specialization which enhances productivity.
- It is accepted that international trade, in general, is beneficial and that restrictive trade practices impede growth.

# Movement of Capital

- Capital mobility enables the total savings of the world to be distributed among countries which have the highest investment potential.
- The inflow of foreign capital will play a significant role in the development.
- Capital flows can take the form of foreign direct investment.
- For developing countries the preferred alternative is foreign direct investment.

# Financial Flows

- The rapid development of the capital market - important feature of globalization.
- Growth in capital and foreign exchange markets have facilitated the transfer of resources across borders, the gross turnover in foreign exchange markets has been extremely large.

- The number of billionaires of India has risen to 44—more than those of
  - Japan (24)
  - China (17)
  - France (14)
  - Italy (14)
- The 44 Indian billionaires have assets worth about Rs.7.50 lakh crores
- The cumulative assets of 91 Public Sector Undertakings of GOI - Rs.3.93 lakh crores

# **The Dark Side of Globalization**

average-farm holding - the average farm size in 2010-11 estimated at 1.16 hectares compared to 1.23 hectares in 2005-06, and 2.28 hectares in 1970-71.

acreage has remained at 140 million hectares since 40 years but the number of farmers has increased from 7 crore to 14 crore.

If this trend continues, farm holdings in 2020-21 would number around 154 million

- **More iniquitous distribution of income among countries and within countries.**
- **Leads to loss of national sovereignty and that countries are finding it increasingly difficult to follow independent domestic policies.**

## **WTO – AOA – Subsidy ?**

The economists have pointed out that “The average European cow gets a subsidy of \$ 2 a day” (the World Bank measure of poverty);

More than half the people in the developing world live on less than that.

## Where does Indian stand in terms of Global Integration?

- FDI flows in India – averaged around 0.5% of GDP against 5% for China 5.5% for Brazil.
- FDI inflows into China now exceeds US \$ 50 billion annually. It is only US \$ 4 billion in the case of India
- India's share of world merchandise exports increased from .05% to .07% over the past 20 years. Over the same period China's share has tripled to almost 4%.
- According to IMF estimates. India undertrades by 70-80% given its size, proximity to markets and labour cost advantages.

## **Conclusion**

Globalisation has intensified interdependence and competition between economies in the world market. This is reflected in Interdependence in regard to trading in goods and services and in movement of capital. As a result domestic economic developments are not determined entirely by domestic policies and market conditions.

It is thus clear that a globalising economy, while formulating and evaluating its domestic policy cannot afford to ignore the possible actions and reactions of policies and developments in the rest of the world. This constrained the policy option available to the government which implies loss of policy autonomy to some extent, in decision-making at the national level.