



GLOBALISATION IN INDIA AND CHINA: A CONCEPTUAL STUDY

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ABSTRACT

Over the past 30 years, international trade and investment are very fast- growing and expand faster than the world economy. Many firms decided to expand their business outside their countries, employing peoples internationally. Varieties of products are offered in the stores competing against one another. The technology has been introduced which allows the economy to increase their chance of trade internationally. One heartening feature of the evolution of the world economy during the last two to three decades has been the outstanding economic success of China and India – two of the world’s most populous and hitherto extremely poor countries. Starting out with the world’s largest absolute numbers of people living in poverty, in narrow economic terms the two countries have achieved impressive growth. China has undoubtedly been the fastest growing country in the world over the last quarter of a century, achieving historically unprecedented, almost double-digit, growth rates since 1980. India was among the ten fastest growing countries in the world over each of the two decades 1980-1990 and 1990-2000. This record is not matched by any country other than China. Indeed, the acceleration of growth in India and China in the last quarter century is particularly remarkable, as it has taken place at a time of deceleration in world economic growth. This paper is focuses on the impact of globalisation in India and China.



KEY WORDS : China's Economy, FDI, Globalisation, Indian Economy.

INTRODUCTION :

“Globalization is today’s objective trend in the economic development in the world in which featured by free flow and optimized allocation of capital, technology, information and service into the global context. It is result in development of the productive forces and advances in science and technology.”

“As a result, economic interdependence and interaction between countries are very strong. In the economic sense globalization means that means there is no country in the world which can develop and prosper in their isolation and successful without trading internationally. China has therefore learnt from their history that isolation in business leads them to go backward. Development progress and prosperity could only be able to achieved through the integration of the outside the countries by increasingly exchanges and cooperation with other countries in the world and influenced by human civilization. Therefore, the globalization gives the world opportunities to keeping up with the changing world outside their origin country.”

Globalisation is “is the objective trend of economic development in the world today, featured by free flow and optimized allocation of capital, technology, information and service in the global context. It is the inevitable result of the development of productive forces and advances of science and technology, especially the revolution of information technology since the 1980s and 1990s.” The influence of globalization on countries at different stages of development is very different.

Fast economic growth has led to large-scale income poverty reductions in both countries, although the extent in the Indian case since 1990 is still debated. There have also been huge improvements in human development indicators (UNDP, 2005).

GLOBALISATION IN CHINA

The China has taken advantage of increased globalisation to promote its growth and development over the past 30 years china’s share in world trade has increased by over 20 times. Trade dependence rose from 10 to 36%. Foreign Direct investment has increased by almost 2009 over the previous year making China the third largest recipient of FDI. According to a modular study on the synergy of FDI conducted by the Development Research Centre of the State Council, China’s GDP recorded an average annual growth rate of 9.7% over the past 20 years, of which 2.7% was attributed to FDI.

These effects of globalisation have helped the Chinese people in terms of improved lifestyle and annual income and china has been labelled the next super economic power. In 1999, the World Bank and the United Nations development program issued a report which points that “the number of poverty stricken people is increasing in many places in the world but china is an exception”. The number of rural poor reduced from 250 million in 1978 to 30 million in 2000 and poverty incidence from 30.7% to about 3% in 2000.

However, along with these numerous opportunities came hefty challenges. This has led Chinese government to adopt a series of strategically significant policies so as to address the challenge of economic globalization. China and globalisation are no strangers. The process has been happening for a long time, and it is essential that any business looking to break into China combines a global strategy combined with a market specific approach.

As the global economy shifts its focus towards China, new opportunities for businesses to enter the Chinese market are emerging. In other words, the impact of globalisation on China’s economic growth is already being felt. China is rapidly becoming the new champion of economic cooperation, trade and globalisation. As others retreat from the forefront, Chinese businesses are looking to expand and grow into all corners of the world.

While businesses are eager to take to the world stage and reap the benefits of globalisation in China, they remain cautious of outsiders. Ensuring you are culturally sensitive will offset some of this reticence and businesses of any size must appreciate that Chinese business culture does not follow western norms.

The shift towards protectionist attitudes that we have seen in some key markets are examples of western politics negatively affecting the global ambitions of Chinese businesses. It is actually in spite of this that the outlook is still positive and demonstrates the resilience of Chinese businesses.

Businesses that wish to be successful in China need to not only consider the business culture, but also how regulations and political policies are shaped by that culture. Building trust is key, as is working with local partners who understand the local landscape. It is imperative in Chinese business to show you are trying to work towards a mutually beneficial outcome.

Many influencers are starting to question whether if in China globalisation is causing business culture to separate from tradition – and if so, the impact this would have on established business practice. When considering the Chinese way of thinking, illustrated by the value of “people-oriented” methods, some may argue that business is detaching itself from people.

However, the current issue businesses must confront, in the face of globalisation, is how to maintain a balance when dealing with global development on one hand, and a global populous that is becoming increasingly sceptical of international business. The prosperity of a country and the businesses within it can,

in itself, be seen as people-oriented, but only if Chinese society believes the spoils of globalisation are shared.

Crucially, businesses must keep in mind that China is seeing a divergence between its generations. The young are more aware of the outside world and often more tolerant of different people and values. On the other hand, the older generations in China do not have much experience of the rest of the world, but they appreciate people who try to become more informed and understand Chinese culture. At the same time, as the younger Chinese look outwards, so does the Government, and it is this shift in perceptions that presents the greatest opportunity for businesses to work in partnership with the Chinese. To become a global business player, one needs to be a global thinker first.

With this in mind, the Chinese way of conducting business is likely to become even more relevant, particularly as the previous instigators of global cooperation opt to retreat from the forefront of an increasingly connected world. Thus, while it is still not clear what direction China and globalisation are taking in respect of each other, we are in a position where understanding the Chinese way of doing business is crucial not only for being successful in China, but also the wider world.

The Chinese Attitudes Towards Globalization

Charles Andrews had once analyzed that there are three basic attitudes towards globalization in the world. One is the frank pro-globalization stand. The second is the reformist approach, which sooner or later comes to accept globalization. The third view fights globalization because it is the current world phase of capitalism.

This assessment, however, seems only valid in a limited sense if applied to China. The reason is that there is only a few Chinese who are really prepared to fight globalization although they are deeply concerned about the negative impacts of globalization on China. Although we can hardly find an attitude in pure form, it is possible to classify the Chinese standpoints towards globalization in three basic attitudes: The optimistic, the pessimistic, and the realistic attitude.

China's Policy to Meet the Challenges of Globalization

It is certainly difficult to find a policy which is already sophisticatedly developed by the Chinese government to meet the challenges of globalization. Many political instruments introduced by different authorities in Beijing seem to be uncoordinated and therefore not mutually supporting. But it is also true that Beijing's globalization policy is taking on outlines even though some contours of this policy still remain vague and unclear. Generally speaking, China's globalization policy is stamped by an active adjustment of internal structure. Especially to match the pressure exerted by the WTO membership, Beijing has made vigorous efforts to make the state institutions and the society structures capable of enduring the foreseeable upheavals caused by the deepening of China's integration into the world economy. So far, the Chinese government seems to have tried to adjust the internal structures in the following areas:

- Tear down the administrative interventions by party organizations and government agencies into the enterprises. In the framework of this movement thousand of large and medium-size manufacturing enterprises were converted into joint stock companies.
- Introduce social security system. Health insurance system, insurance against unemployment and pension scheme have been experimentally established in urban areas. However, the state still remains too much involved in the social security issues.
- Develop human capital and attract human resources. Diverse programs at national and provincial level have been carried out to attract well-educated human resources, particularly skilled Chinese in overseas and foreign countries to return to China.
- Streamline the state institutions. At the national and the provincial level the government agencies were quite radically shorted to enhance the effectiveness of the administrative work, apart from these another efforts have also been made.

GLOBALISATION IN INDIA

In current scenario, globalization has not only become an important matter of discussion among economist but also among the journalists and politicians of every stripe. It is widely claimed that in current era, globalization has a greater say in our day to day dealings. National cultures, national economies and national borders are becoming increasingly fluid. Development of networks and infrastructures has surfaced to smooth the progress of the interactions, and institutions have emerged to regulate them. Such developments are rarely uniform and typically display clear patterns of irregularity.

Main elements of globalization includes; free movement of goods and services, flow of capital, movement of labour and the transfer of technology across national and international boundaries. These movements have brought the developed economies closer together and made them more strongly integrated. Many transition and developing countries through liberalization and increased openness to trade have benefited from the process. However, globalization is much more than simply the growth, expansion of international trade and the movements of factors of production.

There is no doubt that globalization has subsidized the degree of effective autonomy for national governments in current situation. While taking the decisions pertaining to the growth, stability and social equity governments are considering not only the domestic factors but also the global factors which can influence such decisions. At present, it is more costly to keep itself isolated from the rest of the world. Irrespective of the fact that the government's degree of autonomy has gone done quite considerably, we cannot deny its fundamental role to help the country to adjust into the process of globalization.

The contemporary wave of globalization has been driven by the new set of factors, such as, deregulation of financial services, emergence of modern transportation and communication technologies, collapse of Eastern Bloc and demonstration of the success stories of the East Asian economies. One of the main features of this golden age of globalization is the development of an onwards worldwide capitalism. It becomes more active and secure up the third generation of technological change to build up global production network. They were enticed by the profit and exploited the vulnerabilities in the Third world countries. Competitive deregulation of financial markets and development of information technology has influenced the recent wave of globalization. The rapid integration of financial markets and the emergence of several new instruments of financial flows and financial management also propelled this process.

Globalization and organizations with global business have turned into reality. Aspects of globalization brought opportunities along with challenges for all kinds of business organizations. Demands are all for greater modes of interaction, co-ordination, sharing and learning from one another within organizations which are existing internationally. Global pre-emption has been noted as important (Pralhad, 1997), whereby the innovations and modes of continuous learning for firms are getting necessary or survival in the hyper-competitive structure of the global mall.

In accordance to the current global economy there is the space for knowledge economy, where knowledge turns up to be the costly resource and is the platform to offer highest modes of returns, added by strategic management for sustainable kind of competitive advantages. On international basis, many scholars have accepted the eminence related to knowledge resource (Pillania, 2005). There are the multinational corporations (or the MNCs) with the knowledge repositories (as in Inkpen and Ramaswamy, 2006) with the demand to make best kind of innovative utilisation of their subsidiaries. There is the instance of great risk related to the aspect of neglecting knowledge and management of the same in current scenario.

In case of countries like those of India, with the space for globalization and liberalization in the recent past, the provisions are marked as bigger issues. Here, the platform meant for competition for relevant Indian firms turns up as global, as there is the purely generated domestic Indian firm facing competition from different kinds of multinational corporations or imports. In terms of surviving and growing, Indian firms are developing knowledge assets with better knowledge assets. They are also realizing the relevance of knowledge and as such the Indian Government appointed commission for knowledge for the implication of diversified aspects. Indian President further stresses over the making India one of the global superpowers in term of knowledge.

Economy of India experiences major kinds of changes in the policy during the early part of 1990s, that has got the newer mode of economic reform, relevant popularly marked as Liberalization, Privatization and Globalization (or the model of LPG). LPG aims in making Indian economy the fastest growing front and being competitive on international platform. There are many reforms followed in the industrial sector, financial and trading sectors of India. The core idea is to attain efficient economic structure.

Reforms related to liberalization of Indian economy during July, 1991 dawned a newer phase for India and its population. 1991 attained economic transition with excessive impact over the entire economic development in all the major economic sectors and the counted effects marked in last decade. Further, there is the advent related to the real kind of integration of Indian economy in reference to international economy.

This particular era related to reformation ushered remarkable change of Indian mental set up by deviating traditional values since Indian independence of 1947. The noted aspects are like those of socialistic policies and self reliance in reference to economic development, led by inward-looking restrictive governance. This leads to the mode of isolation, with backwardness and levels of economic inefficiency with similar kinds of problems. In spite of all potentialities, India still needs time to be attain the fast track in attaining prosperity.

Indian economy is restructuring itself with aspirations towards the elevation from current desolate position on international map. It is speeding up its economic developments imperatively and is witnessing positive role under the role of Foreign Direct Investment (or FDI) by following rapid growth in economy in the Southeast countries of Asia and China in particular. India has got an ambitious plan in terms of emulating successes with her neighbours of east and thereby is trying to sell itself as a profitable destination for FDI.

Globalization follows many diversified meanings as per the relevant context. Precise definition for globalisation is yet to get nailed. It also carry out massive modes of importing liberalization programs through the mode of switching from quantitative restrictions towards the tariffs as well as import duties, and thus being noted as globalization with policy reforms in India during 1991.

ISSUES OF GLOBALISATION

With regard to globalization, two major concerns, even termed as fears, have arisen. The first one is that, globalization is a phenomenon that creates a rather unfair and wrong income distribution among countries and even, within them. Additionally, one also fears that globalization lessens a feeling of national freedom and liberty. Because of this, nations find it more and more troublesome to work on the basis of independent domestic rules and regulations. Therefore, it becomes imperative to handle these matters both, theory-wise and empiricism-wise. Inequality could be one of the outcomes of globalization stands on the premise that since it stresses on efficiency, only countries that can boast of natural and human resources of requisite talents and qualities will stand to gain its benefits.

It is also true that advanced countries have an additional benefit over the rest by at least three centuries. While these countries do not have a sound technological base, it is very sophisticated and modern. Therefore, despite trade being a very beneficial proposition for all the countries, it is mostly countries that are industrially more advanced that benefit in a largely lucrative manner. This manner involves a longer transition period in terms of adjusting. Nonetheless, developing countries stand to gain a little differently with regard to international trade. Basically, industrially-advanced countries are slowly weaning off some production functions which can soon be handled by the developing countries. The East Asian countries pulled off something like this in the decades of 1970's and 1980's. Secondly, international trade is not any longer dependent on the appropriation of natural resources. The field of information technology has helped to contribute tremendously in human resources and in turn, elevate it to a great level. In the latter decades, the human resources function transformed in terms of becoming very exclusive and specialized, thus becoming a major determining factor in business and management. Today, productive activities are rather knowledge-centric and not any longer resource-centric. A gap, called the digital divide, has formed between developing and developed countries. One can be covered by creating a mechanism that

would help developing countries to work on their handicaps. The only pre-requisite for this would be a balancing mechanism.

INDIA'S STANCE

India stands at crossroads on the globalization issue and one wonders the attitude it should opt for in such an environment of increasing globalization. It would be important to remember that stepping out of the globalization arena is not a good step. With current strength of 149 members in the World Trade Organization or the WTO, there are additionally 25 more countries in line to enter the WTO. A new entrant is China.

Furthermore, it is also necessary to create a proper framework to be able to extract maximum advantages from international trade and investment. Ideally, the framework ought to: 1) clearly explain the number of demands that India would expect to make on the multilateral trade structure, 2) the kind of steps that India should take so as to make use of globalization to the fullest.

ACTIONS BY INDIA

The action plan that has been chalked out in order to improve India's stature in the international trade has to have the second set of measures. As such, India is a very stronger player compared to other developing countries. India has immense potential to gain from international trade and investment. In fact, its strong position in the global IT industry reflects its huge coffers of skilled manpower. It would therefore be to India's advantage that it could be one of the frontrunners in this aspect.

In this context, stability refers to a good balance in terms of fiscal and external accounts. It is important to have a competitive domestic environment for us to be able to exploit the potential of access to a wider market. The extended time that is given to developing countries to be able to break down the trade barriers ought to be made use of well. Legislations meant to defend sectors such as agriculture should be implemented without delay. It took us a lot of time to clear the Protection of Plant Varieties and Farmers' Right Act. It is also very important to be very active in making sure that our firms are using the new patent rights to the best of their abilities. While China is extremely focused and active in this, India ought to create a more active body that helps to motivate Indian firms to file patent applications. Therefore, it is crucial to establish certain institutions that would be needed in order to gain the maximum advantages from international trade and investment initiatives.

India has several activities going on that would work to its advantage. This would need creating plants on a global scale. The progress made in the IT field would improve its industrial framework. The telecom and IT industry are making revolutionary progress which contribute to making it a large single market economy, simultaneously also making the parts stronger.

IMPACT OF GLOBALIZATION OVER INDIAN ECONOMY

Economic reformation of India started at a slower pace since 1980s, and it further got accelerated as there was the resurgence of external crisis in the primitive phase of 1990s. Relaxation offered at diversified external and internal controls over the private economic activity gets counted as a relevant aspect of this reformation, where —license permit-quota raj|| remains predominant. The core aim of this liberalization is about attaining efficiency in the allocation of resource, and re-integrates the economy of India on international grounds¹. Moreover, there is the removal of restrictions with the attempt to case by case replacement, through discretionary controls that got more efficient regulation forms that has got market and the shape of the informational framework for these regulations as positive input within smoother approach of functionalities related to markets. Power, finance and telecom industries have got different where necessary regulation demands for potential monopolies, problematic information and sometime both. Power and finance can be noted as the process of redrawing nature related to boundary between Indian market and the state.

Reformation managed within governmental structures gets noted as a component of reform. There are some activities that continue in terms of being handled by government, from equity and level of efficiency. Some noted scope in terms developing effectiveness related to direct activity of the government in the field of economy, if in case of efficiency that expends funds for all sorts of public goods or attain redistribution or gets noted for the efficiency that raises revenue by taxation or borrowing (that ultimately demand for taxation). Reform attained in government can get clubbed with new regulatory under institutional reform'. However, there are reforms related to government decentralization with added no instrumental objectives, with the motivated aspect by intrinsic value attained from local democracy for improving efficiency as well as equity in the decisions related to economy.

Governance reform improve effectiveness and efficiency that get attained by designing instruments in a much better way, or through the process of changing internal organization related to government towards the efficient incentives. As for instance, there are changing approaches in taxation bases as well as rates towards the reduction of allocate distortions, or the aspects of redesigning the modes of intergovernmental schemes of transfer in order to avoid distortions towards the incentives related to the transfer of the recipients. As for instance, there are also the changes in the latter state and relationships gets noted between judiciary, bureaucracy, legislature or the governmental branches (with self-interest of the government actors), which further gets added by the change in the structure of determined relationships among diversified geographical jurisdictions of the government.

CONCLUSION

Economic globalization creates cross-boundary impact on the economy and administration of a country/region. A ruling regime, if accountable, should uphold the principle of maintaining the stability and growth of the world economy. It is evident that the Chinese government is an accountable government. Its economic policies not only serve to meet the needs of China's economic progress, but also take into account the possible impact on the world. Its response to the Asian financial turmoil is a typical example.

The success of the open door policy has boosted Chinese people's self-confidence, and has also established a liberal thinking in the country. Chinese people acknowledge that today's success is a result of liberalization, which has long been our primary target. Though like other nations, China may have a different interpretation of globalization and some specific ideas to cope with the challenges arisen from it, a few Chinese people would advocate going back to "isolationism" and hardly any would call for shutting the door of the country.

Indian government did the same and liberalized the trade and investment due to the pressure from World Trade Organization. Import duties were cut down phase-wise to allow MNC's operate in India on equality basis. As a result globalization has brought to India new technologies, new products and also the economic opportunities. Despite bureaucracy, lack of infrastructure and an ambiguous policy framework that adversely impact MNCs operating in India, MNCs are looking at India in a big way, and are making huge investments to set up R&D centres in the country. India has made a lead over other growing economies for IT, business processing, and R&D investments. There have been both positive and negative impacts of globalization on social and cultural values in India.

India gained highly from the LPG model as its GDP increased to 9.7% in 2007-2008. In respect of market capitalization, India ranks fourth in the world. But even after globalization, condition of agriculture has not improved. The share of agriculture in the GDP is only 17%. The number of landless families has increased and farmers are still committing suicide. But seeing the positive effects of globalization, it can be said that very soon India will overcome these hurdles too and march strongly on its path of development. The lesson of recent experience is that a country must carefully choose a combination of policies that best enables it to take the opportunity - while avoiding the pitfalls. For over a century the United States has been the largest economy in the world but major developments have taken place in the world Economy since then, leading to the shift of focus from the US and the rich countries of Europe to the two Asian giants- India and China.

Economics experts and various studies conducted across the globe envisage India and China to rule the world in the 21st century. India, which is now the fourth largest economy in terms of purchasing power parity, may overtake Japan and become third major economic power within 10 years. To conclude we can say that the modernization that we see around us in our daily life is a contribution of Globalization. Globalization has both positive and as well as negative impacts on various sectors of Indian Economy. So, Globalization has taken us a long way from 1991 which has resultant in the advancement our country.

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