



Balancing Globalisation with Economic Self-Reliance

This editorial is based on “[Globalisation and India](#)” which was published in The Financial Express on 10/12/2024. The article brings into focus globalization's resilience amid crises and India's journey, raising its global economic share from 2% in 1947 to 7.93% in 2023. However, India's future hinges on balancing self-reliance with deeper economic integration

For Prelims: [Globalisation](#), [Indian Ocean trade networks](#), [Balance of Payments Crisis](#), [Unified Payments Interface](#), [Chandrayaan-3 mission](#), [ISRO](#), [International Yoga Day](#), [Global Biofuels Alliance](#), [Active pharmaceutical ingredients](#), [Start-Up India](#), [Global Biofuels Alliance](#), [Ransomware Attack](#), [India Semiconductor Mission](#), [Digital Personal Data Protection Act 2023](#).

For Mains: Key Positive Impacts of Globalization on India, Balancing Globalisation with Self Reliance.

[Globalisation](#) continues to evolve, demonstrating remarkable **resilience through financial crises, pandemics, and geopolitical tensions**. India stands at a critical juncture, with its economic potential partially realized yet constrained by challenges such as **low labor participation, import restrictions, and socio-political complexities**. Despite raising its global economic share from **2% at independence to 7.93% in 2023**, the nation's future in the global economy hinges on balancing **self-reliance with international economic integration**.

What are the Major Phases of Globalization in India?

- **Pre-Colonial Period (Ancient and Medieval India):**
 - **Flourishing Trade:** India was a major global trading hub, exporting spices, textiles, and gemstones via the **Silk Road** and [Indian Ocean trade networks](#) (**Fine Indian muslin** was in great demand in Roman markets).
 - **Cultural Exchange:** Buddhism spread from India to **China, Japan, and Southeast Asia** through trade and travel.
 - **Scientific Contributions:** Indian knowledge, like the **decimal system**, spread globally via **Arab traders**.
- **Colonial Era (18th - 20th Century):**
 - **Economic Reconfiguration:** India was transformed into a supplier of raw materials (e.g., [cotton](#)) for British industries.
 - **Example:** Export of **cotton and indigo to Britain** while importing finished goods.
 - **Infrastructure Development:** Railways and ports were developed but served colonial interests.
 - **Example:** The **Bombay port** became a key trade hub for the British Empire.
- **Post-Independence Protectionism (1947-1991):**
 - **Economic Isolation:** Focus on **self-reliance** under policies like **import substitution** and **five-year plans**.
 - **Example:** Establishment of **PSUs like BHEL** and **LIC** for economic sovereignty.

- **Limited Foreign Interaction: Trade and FDI were restricted;** India was largely isolated from global markets.
- **Challenges:** Inefficient industries, **low growth (termed the "Hindu rate of growth"), and weak exports.**
- **Economic Reforms and Liberalization (1991 Onwards):**
 - **Trigger:** A severe [Balance of Payments Crisis](#) led to sweeping reforms under the **Narasimha Rao government**, guided by **Manmohan Singh**.
 - **Key Policies:**
 - Reduction in tariffs and trade barriers.
 - Allowing **100% FDI** in certain sectors.
 - Privatization and a shift to market-driven policies.
- **Globalization in the 21st Century (Post-2000):**
 - **Digital Integration:** India emerged as a global **IT outsourcing hub**, providing services to Fortune 500 companies.
 - **Economic Partnerships:** Increased role in multilateral platforms like the **WTO, BRICS, and G20**.
 - **Cultural Exchange:** Bollywood movies and Indian cuisine gained global recognition. (Films like **Slumdog Millionaire** popularized Indian culture globally).
 - **Start-Up Revolution:** Integration of Indian start-ups like **Ola, Flipkart, and BYJU's** into the global ecosystem.
- **Post-COVID-19 and Atmanirbhar Bharat:**
 - **Economic Nationalism:** The pandemic exposed supply chain vulnerabilities, leading to a push for self-reliance. (Promotion of local manufacturing under **PLI schemes**).
 - **Digital Globalization:** Digital platforms like [Unified Payments Interface \(UPI\)](#) have revolutionized global fintech systems. (UPI partnerships with countries like **Singapore and UAE**).

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What are the Key Positive Impacts of Globalization on India?

- **Economic Growth and Employment Generation:** Globalization has significantly boosted India's GDP growth by integrating it into global markets, enabling access to **FDI, and expanding export-driven industries like IT and pharmaceuticals.**
 - For instance, India's IT exports reached **\$194 billion in FY 2023**, making it the **world's largest IT outsourcing hub**, while FDI inflows hit a record **\$83.57 billion in FY 2022**.
 - This has created millions of jobs, particularly in urban centers like Bengaluru and Hyderabad.
- **Technological Advancement and Innovation:** Globalization has facilitated the influx of cutting-edge technologies, fostering innovation in sectors like space, healthcare, and fintech.
 - **ISRO's expertise and cost-effective launching technologies** have attracted numerous foreign countries. Through its commercial divisions, ISRO has successfully launched around **430 foreign satellites for various nations.**
 - It achieved global acclaim with its [Chandrayaan-3 mission in 2023](#), becoming the first country to land near the moon's south pole.
 - Similarly, the adoption of digital payment systems, led by **UPI**, recorded **10.58 billion transactions in September 2023**, showcasing India as a leader in financial technology.
- **Improved Living Standards:** The rise of globalization has elevated the standard of living for millions of Indians, particularly through access to global brands, better healthcare, and higher incomes.
 - While it took 75 years to reach a per capita income of **\$2,730**, as per IMF projections, **it will take only five years to add another \$2,000.**

- The strength of the middle class is expected to rise from 432 million people in 2020-21 to **715 million (47%) in 2030-31**
- **Cultural Exchange and Soft Power Enhancement:** Globalization has amplified India's cultural influence globally, promoting its art, cuisine, and traditions while embracing global diversity domestically.
 - Movies like **Slumdog Millionaire**, directed by a foreign director with music by **A.R. Rahman**, and **RRR**, which **won an Oscar in 2023**, have showcased India's cinematic talent on the world stage.
 - Similarly, the international success of actors like **Irrfan Khan**, who starred in **Spider-Man and Jurassic World**, has further bolstered India's cultural reach.
 - Additionally, the international acceptance of Indian cuisine has boosted tourism.
- **Rise in Entrepreneurship and Start-Up Ecosystem:** Global integration has nurtured India's start-up ecosystem, fostering innovation, funding, and global market access.
 - India became the **third-largest start-up hub globally**.
 - Indian startups raised over **\$2.3 billion in the first quarter of 2024** with initiatives like **Start-Up India** boosting entrepreneurial spirit among the youth.
- **Strengthened International Trade and Economic Diplomacy:** Globalization has transformed India into a trade powerhouse, enabling its integration into global supply chains.
 - India's active participation in the **G20 and FTAs (e.g., UAE CEPA in 2022)** has enhanced its **global economic influence and trade competitiveness**.
- **Improved Infrastructure and Urbanization:** Globalization has driven investments in India's infrastructure, modernizing cities and creating smart urban hubs.
 - India is developing **100 Smart Cities**. Metro rail projects in cities like **Delhi and Mumbai**, supported by foreign technology, have enhanced urban mobility.
- **Strengthened Defense and Strategic Capabilities:** Globalization has enabled India to modernize its defense sector through international collaborations, enhancing its strategic standing.
 - The procurement of **Rafale jets** from France. Defence exports touched a record-high of **Rs 21,083 crore in FY 2023-24**
- **Environmental Collaboration and Renewable Energy Growth:** Globalization has fostered India's collaboration in tackling climate change and boosting renewable energy capacity.
 - Initiatives like the **International Solar Alliance (ISA)**, launched in partnership with 121 countries, position India as a leader in sustainable development.
 - India alongside 8 countries (**Argentina, Bangladesh, Brazil, Italy, Mauritius, Singapore, UAE, and USA**), launched the unique multistakeholder **Global Biofuels Alliance (GBA)** during India's G20 Presidency.

What are the Key Challenges that Globalization Presents to India?

- **Widening Economic Inequality:** Globalization has accelerated wealth concentration, **benefiting urban elites while leaving rural and marginalized populations behind**.
 - The influx of foreign investments and market liberalization has disproportionately enriched skilled workers and corporations, sidelining unskilled labor.
 - A study reveals India's wealth inequality, with the richest 1% holding 40% of total wealth. The 10,000 wealthiest individuals own 16,763 times the national average, while the top 1% average ₹54 million in wealth.
 - The Gini coefficient, a measure of inequality, climbed to **0.402 in 2022-23**, reflecting deepening disparities.
- **Jobless Growth and Automation:** Despite GDP growth, globalization has fostered **automation and outsourcing**, leading to stagnant job creation in labor-intensive sectors.
 - Industries like **manufacturing and textiles** are increasingly relying on mechanization, displacing unskilled workers.
 - The latest Annual PLFS report estimates the unemployment rate for youth aged 15-29 in India at 10.2% for 2023-24.
- **Decline of Traditional Industries:** Global competition has marginalized India's traditional and small-scale industries, which lack the capital and technology to compete with global giants.
 - **Handicrafts, handlooms, and small-scale industries** are losing relevance as mass-produced imports dominate markets.

- For example, exports from **India's handloom sector declined by 30%** immediately after Covid-19 pandemic, while millions of artisans faced reduced incomes due to **cheaper machine-made alternatives from China**.
- **Overdependence on Global Supply Chains:** Globalization has made India highly reliant on global supply chains, making it vulnerable to disruptions.
 - The **Covid-19 pandemic** and geopolitical tensions highlighted this dependence, particularly in critical sectors like pharmaceuticals and electronics.
 - For instance, **India relies on China for 70% of [active pharmaceutical ingredients \(APIs\)](#)**, while the semiconductor imports in India rose **18.5% to Rs 1.71 lakh crore in 2023-24**
- **Cultural Homogenization:** Global cultural dominance, driven by **media and consumer goods**, has diluted India's indigenous cultural identity and values.
 - **Western food habits, fashion, and media** are increasingly replacing traditional practices, especially among urban youth.
 - For instance, according to a **World Obesity Federation report**, adult obesity in **India has more than tripled**, while the rise in childhood obesity is among the steepest globally, ranking behind only Vietnam and Namibia.
 - Moreover, **regional languages are declining**, with AICTE data revealing that **3 to 4 colleges in West Bengal, Kerala, and Karnataka** have discontinued their engineering courses offered in regional languages.
- **Dependence on Foreign Capital:** India's integration into global financial systems has increased its reliance on **volatile foreign investments**, making its economy susceptible to global shocks.
 - **Capital outflows during global downturns** destabilize markets and depreciate the rupee.
 - India recorded the highest FPI outflow from the equity market in **October 2024, totaling \$10,428 million**.
- **Rising Cybersecurity Threats:** Globalization has accelerated **digital adoption**, exposing India to cyberattacks and data breaches due to weak regulations.
 - With an increase in online transactions and data dependence, cybercrimes are on the rise.
 - **In 2023, [cyberattacks on India](#) surged by 138%**, targeting critical sectors like **banking and healthcare ([AIIMS Delhi Ransomware Attack](#))**.
 - The **CoWIN data leak in 2023** exposed personal details of millions, highlighting the need for stringent data privacy laws.
- **Loss of Agricultural Autonomy:** Global trade agreements and **corporate-driven globalization** have increased **dependency on imported agricultural inputs and volatile international markets**.
 - The dominance of multinational corporations in agrochemicals and seeds has eroded traditional farming practices. For example, India imported **18.65 lakh tonne urea and 22.58 lakh tonne [P&K fertilizers](#) from China** in 2023-24
 - Also, dependence on genetically modified seeds by global giants like **Monsanto has marginalized indigenous seed varieties**, reducing biodiversity and farmers' autonomy.

How India can Balance Globalisation with Push for Self Reliance?

- **Make in India and Make for the World:** The Production Linked Incentive (PLI) scheme should be expanded to emerging sectors like **semiconductors, green energy, and advanced materials**.
 - Encourage MNCs to set up manufacturing units in India while creating strong backward linkages with local MSMEs.
 - This ensures global technology adoption while fostering domestic production and employment.
 - Recent success in smartphone manufacturing under PLI highlights its scalability.
- **Strengthen Research and Development (R&D) Ecosystems:** Invest at least **2% of GDP in R&D to boost innovation**, particularly in frontier technologies such as AI, biotechnology, and quantum computing.
 - Establish **more public-private research parks**, with global collaborations, to commercialize innovations at scale.
 - Initiatives like the **[India Semiconductor Mission](#)** need greater momentum with

partnerships from tech leaders like **Taiwan**.

- This ensures global competitiveness without dependency. Linking research to industrial applications can help India move up the value chain.

- **Build Resilient Supply Chains with Regional Partners:** Diversify supply chains by forging deeper economic ties with countries like **Vietnam, Indonesia, and South Korea**.
 - Create **alternatives to China-centric supply chains**, especially in critical sectors like rare earth elements and pharmaceuticals.
 - Participation in [Quad](#) and **G20's global value chain initiatives provides** opportunities to balance dependencies. Domestically, invest in port and logistics infrastructure to ensure seamless trade integration.
- **Focus on Skilling for Global Competitiveness:** Develop specialized skill hubs to train the workforce in emerging industries such as **renewable energy, robotics, and logistics**.
 - The Skill India Mission can integrate with global apprenticeship programs through MOUs with developed nations.
 - As remote work grows, **capitalize on India's large IT pool to provide global services**.
 - Facilitate foreign universities arrival in India as envisioned under **National Education Policy 2020**
 - Promoting vocational training in rural areas ensures inclusivity in the global value chain, while also addressing domestic employment challenges.
- **Enhance Agricultural Productivity and Export Competitiveness:** Invest in agri-tech solutions like **precision farming, drones, and blockchain to modernize the agriculture sector**.
 - Promote **export-oriented organic farming** as India's products are frequently rejected due to **sanitary concerns**, which ultimately damages the country's image.
 - Strengthen **India's farm-to-fork supply chains**, integrating them with global export standards.
 - Leveraging recent trade agreements with the **UAE and Australia can expand agricultural exports**.
- **Develop a Green Growth Economy:** Leverage India's G20 presidency commitments to transition to a green economy, emphasizing renewable energy exports.
 - Collaborate with countries like **Germany and Japan** for tech transfer in clean energy. Strengthen domestic green industries to meet global [Environmental, Social, and Governance \(ESG\) standards](#), boosting exports.
 - This strategy positions India as both a global leader and a self-reliant green economy.
- **Digital Public Infrastructure for Global and Local Synergy:** Scale up platforms like **UPI and ONDC for global adoption**, while enhancing domestic digital inclusion.
 - Collaboration with **countries in Africa and Southeast Asia** for digital payment infrastructure builds India's soft power and economic integration.
 - Domestically, **ensuring robust data protection laws** through frameworks like the [Digital Personal Data Protection Act 2023](#) can safeguard sovereignty while enabling seamless global tech partnerships.
- **Reform Trade Policies for Strategic Autonomy:** Streamline trade policies to focus on sectors where India has comparative advantages, such as **textiles, pharma, and IT services**.
 - Implement **tariff barriers selectively to protect nascent industries** without stifling competition. Boost exports by reducing regulatory hurdles and aligning with global standards.
 - The [Regional Comprehensive Economic Partnership \(RCEP\)](#) could be reconsidered with protective safeguards for critical sectors to ensure mutual benefits.
- **Financial Integration with Domestic Control:** Strengthen global financial participation through **rupee trade settlements with countries like Russia and the UAE**.
 - Expand **sovereign green bonds** to attract global investors for developmental projects. Alongside, develop more cities like [GIFT-IFSC in Gujarat](#).
 - Concurrently, **bolster domestic financial institutions like SIDBI and NABARD** to meet the funding needs of MSMEs.
 - This hybrid model ensures robust financial integration while retaining strategic monetary autonomy.
- **Focus on Balanced Urban-Rural Growth:** Promote economic decentralization by strengthening **Tier-II and Tier-III cities as manufacturing and innovation hubs**. Integrate these with global markets through initiatives like Smart Cities Mission and AMRUT.

- Enhance rural infrastructure via schemes like [BharatNet](#) to tap rural entrepreneurship for **global e-commerce platforms**.
- This mitigates regional disparities while balancing globalization with self-reliance.

Conclusion:

India's economic journey, from 2% in 1947 to 7.93% global share in 2023, hinges on balancing **self-reliance with globalization**. While globalization offers opportunities, challenges like **inequality, job losses, and cultural erosion persist**. India must promote domestic manufacturing, **build resilient supply chains, invest in R&D, and focus on skilling to harness global integration**. A balanced approach, prioritizing strategic autonomy and domestic development, is crucial for unlocking India's full potential in the globalized world.

Drishti Mains Question:

Examine the impact of globalization on India's economy, society, and cultural identity. Discuss what measures India should adopt to harness its benefits while mitigating its adverse effects.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. Which of the following has/have occurred in India after its liberalization of economic policies in 1991? (2017)

1. Share of agriculture in GDP increased enormously.
2. Share of India's exports in world trade increased.
3. FDI inflows increased.
4. India's foreign exchange reserves increased enormously.

Select the correct answer using the codes given below:

- (a) 1 and 4 only
- (b) 2, 3 and 4 only
- (c) 2 and 3 only
- (d) 1, 2, 3 and 4

Ans: (b)

Q. With reference to the Indian economy after the 1991 economic liberalization, consider the following statements:

1. Worker productivity (Rs. per worker at 2004-05 prices) increased in urban areas while it decreased in rural areas.
2. The percentage share of rural areas in the workforce steadily increased.
3. In rural areas, the growth in non-farm economy increased.
4. The growth rate in rural employment decreased.

Which of the statements given above is/are correct?

- (a) 1 and 2 only
- (b) 3 and 4 only

(c) 3 only

(d) 1, 2 and 4 only

Ans: (b)

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