



## 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 (18<sup>th</sup> - 20<sup>th</sup> 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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