

IMPACT OF MODERN GLOBALIZATION ON INDIAN AGRICULTURAL SECTOR



Research Paper—Commerce

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Globalization has many meanings depending on the context and on the person who is talking about. Though the precise definition of globalisation is still unavailable a few definitions are worth viewing, Guy Brainbant: says that the process of globalisation not only includes opening up of world trade, development of advanced means of communication, internationalisation of financial markets, growing importance of MNC's, population migrations and more generally increased mobility of persons, goods, capital, data and ideas but also infections, diseases and pollution. The term globalization refers to the integration of economies of the world through uninhibited trade and financial flows, as also through mutual exchange of technology and knowledge. Ideally, it also contains free inter-country movement of labour. In context to India, this implies opening up the economy to foreign direct investment by International Research Journal of Finance and Economics - Issue 5 (2006) 167 providing facilities to foreign companies to invest in different fields of economic activity in India, removing constraints and obstacles to the entry of MNCs in India, allowing Indian companies to enter into foreign collaborations and also encouraging them to set up joint ventures abroad; carrying out massive import liberalisation programs by switching over from quantitative restrictions to tariffs and import duties, therefore globalization has been identified with the policy reforms of 1991 in India. The Important Reform Measures (Step Towards Globalization)

Modern globalization

Globalization, since World War II, is largely the result of planning by economists, business interests, and politicians who recognized the costs associated with protectionism and declining international economic integration. Their work led to the Bretton Woods conference and the founding of several

international institutions intended to oversee the renewed processes of globalization, promoting growth and managing adverse consequences. These institutions include the International Bank for Reconstruction and Development (the World Bank), and the International Monetary Fund. Globalization has been facilitated by advances in technology which have reduced the costs of trade, and trade negotiation rounds, originally under the auspices of the General Agreement on Tariffs and Trade (GATT), which led to a series of agreements to remove restrictions on free trade. Since World War II, barriers to international trade have been considerably lowered through international agreements - GATT. Particular initiatives carried out as a result of GATT and the World Trade Organization (WTO), for which GATT is the foundation, have included:

Promotion of free trade:

- * Reduction or elimination of tariffs; creation of free trade zones with small or no tariffs
- * Reduced transportation costs, especially resulting from development of containerization for ocean shipping.
- * Reduction or elimination of capital controls
- * Reduction, elimination, or harmonization of subsidies for local businesses

Restriction of free trade:

- * Harmonization of intellectual property laws across the majority of states, with more restrictions.
- * Supranational recognition of intellectual property restrictions (e.g. patents granted by China would be recognized in the United States)

Cultural globalization, driven by communication technology and the worldwide marketing of Western cultural industries, was understood at first as a process of homogenization, as the global domination of American culture at the expense of traditional diversity. However, a contrasting trend soon became evident in the

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emergence of movements protesting against globalization and giving new momentum to the defense of local uniqueness, individuality, and identity. These movements used the same new technologies to pursue their own goals more efficiently and to appeal for support from world opinion.[8] The Uruguay Round (1984 to 1995) led to a treaty to create the WTO to mediate trade disputes and set up a uniform platform of trading. Other bilateral and multilateral trade agreements, including sections of Europe's Maastricht Treaty and the North American Free Trade Agreement (NAFTA) have also been signed in pursuit of the goal of reducing tariffs and barriers to trade. Global conflicts, such as the 9/11 terrorist attacks on the United States of America, is interrelated with globalization because it was primary source of the "war on terror", which had started the steady increase of the prices of oil and gas, due to the fact that most OPEC member countries were in the Arabian Peninsula.[9] World exports rose from 8.5% of gross world product in 1970 to 16.1% of gross world product in 2001

Impact of Globalization

The implications of globalization for a national economy are many. Globalization has intensified interdependence and competition between economies in the world market. These economic reforms have yielded the following significant benefits: Globalization in India had a favorable impact on the overall growth rate of the economy. This is major improvement given that India's growth rate in the 1970's was very low at 3% and GDP growth in countries like Brazil, Indonesia, Korea, and Mexico was more than twice that of India. Though India's average annual growth rate almost doubled in the eighties to 5.9%, it was still lower than the growth rate in China, Korea and Indonesia. The pick up in GDP growth has helped improve India's global position. Consequently India's position in the global economy has improved from the 8th position in 1991 to 4th place in 2001; when GDP is calculated on a purchasing power parity basis. During 1991-92 the first year of Rao's reforms program, The Indian economy grew by 0.9% only. However the Gross Domestic Product (GDP) growth accelerated to 5.3 % in 1992-93, and 6.2% 1993-94. A growth rate of above 8% was an achievement by the Indian economy during the year 2003-04. India's GDP growth rate can be seen from the following graph since independence India - a growing

economy

Structure of the Economy

Due to globalization not only the GDP has increased but also the direction of growth in the sectors has also been changed. Earlier the maximum part of the GDP in the economy was generated from the primary sector but now the service industry is devoting the maximum part of the GDP. The services sector remains the growth driver of the economy with a contribution of more than 57 per cent of GDP. India is ranked 18th among the world's leading exporters of services with a share of 1.3 per cent in world exports. The services sector is expected to benefit from the ongoing liberalization of the foreign investment regime into the sector. Software and the ITES-BPO sectors have recorded an exponential growth in recent years.

Comparison with Other Developing Countries

1• Consider global trade – India's share of world merchandise exports increased from .05% to .07% 2 over the past 20 years. Over the same period China's share has tripled to almost 4%. 3• India's share of global trade is similar to that of the Philippines an economy 6 times smaller 4 according to IMF estimates. 5• Over the past decade FDI flows into India have averaged around 0.5% of GDP against 5% for 6 China and 5.5% for Brazil. FDI inflows to China now exceed US \$ 50 billion annually. It is only 7 US \$ 4 billion in the case of India. 8 Indian Economy: Future Challenges 9 • Sustaining the growth momentum and achieving an annual average growth of 9-10 % in the next 10 five years. 11 • Simplifying procedures and relaxing entry barriers for business activities and Providing investor 12 friendly laws and tax system. 13 • Checking the growth of population; India is the second highest populated country in the world after China. However in terms of density India exceeds China as India's land area is almost half of 14 China's total land. Due to a high population growth, GNI per capita remains very poor. It was only 15 \$ 2880 in 2003 (World Bank figures). 16• Boosting agricultural growth through diversification and development of agro processing. 17 • Expanding industry fast, by at least 10% per year to integrate not only the surplus labour in 18 agriculture but also the unprecedented number of women and teenagers joining the labour force 19 every year. 20 • Developing world-class infrastructure for sustaining growth in all the sectors of the economy 21 • Allowing

foreign investment in more areas. 22 • Effecting fiscal consolidation and eliminating the revenue deficit through revenue enhancement and expenditure management. 23 • Some regard globalization as the spread of western culture and influence at the expense of local 24 culture. Protecting domestic culture is also a challenge. 25 • Global corporations are responsible for global warming, the depletion of natural resources, and the 26 production of harmful chemicals and the destruction of organic agriculture. 27 • The government should reduce its budget deficit through proper pricing mechanisms and better 28 direction of subsidies. It should develop infrastructure with what Finance Minister P Chidambaram 29 *International Research Journal of Finance and Economics - Issue 5 (2006)* 171

Impact of Globalisation on Indian Agricultural Sector

Agricultural sector is the mainstay of the rural Indian economy around which socio-economic privileges and deprivations revolve, and any change in its structure is likely to have a corresponding impact on the existing pattern of social equality. No strategy of economic reform can succeed without sustained and broad based agricultural development, which is critical for *raising living standards, * assuring food security, * generating buoyant market for expansion of industry and services, and * making substantial contribution to the national economic growth. Studies also show that the economic liberalization and reforms process have impacted on agricultural and rural sectors very much. According to [Bhalla97], of the three sectors of economy in India, the tertiary sector has diversified the fastest, the secondary sector the second fastest, while the primary sector, taken as whole, has scarcely diversified at all. Since agriculture continues to be a tradable sector, this economic liberalization and reform policy has far reaching effects on (i) agricultural exports and imports, (ii) investment in new technologies and on rural infrastructure (iii) patterns of agricultural growth, (iv) agriculture income and employment, (v) agricultural prices and (vi) food security [Bhalla93]. Reduction in Commercial Bank credit to agriculture, in lieu of this reforms process and recommendations of Khusrao Committee and Narasingham Committee, might lead to a fall in farm investment and impaired agricultural growth

[Panda96]. Infrastructure development requires public expenditure which is getting affected due to the new policies of fiscal compression. Liberalization of agriculture and open market operations will enhance competition in “resource use” and “marketing of agricultural production”, which will force the small and marginal farmers (who constitute 76.3% of total farmers) to resort to “distress sale” and seek for off-farm employment for supplementing income.

Marginalisation of Small farmers

A central issue in Agricultural Development is the necessity to increase productivity, employment, and income of poor segments of the agricultural population. Among the rural poor, the small farmers constitute a sizeable portion in the developing countries. Studies by FAO have shown that small farms constitute between 60-70% of total farms in developing countries and contribute around 30-35% to total agricultural output [Randhawa & Sundaram90]. Liberalisation era (1990-91) began in India when over 40% of rural households were landless or near landless, and over 96% of the owned holdings and 68.53% (over 2/3rd) of owned land belonged to the size groups (marginal, small and semi-medium). The decade of 1981-82 to 1991-92 seems to have witnessed a marked intensification of the marginalisation process - the percentage of small owners increased from 14.70% to 21.75%. Small farmers emerged as the size group with the largest share of 33.97% in the total land, which is just doubled during this decade. As regards the Large Farmers, they were 1 % of the total owners in 1990-91 but owned nearly 13.83% of the total land. An interesting, but speculative, inference is that the changing position of the large owners represents the other side of the marginalisation process, i.e., the presence, and possibly growing strength, of a small but dominant and influential group in agriculture. Analytical reports reveal that marginalisation process could gather further momentum in the years ahead to become an explosive source of economic and political turbulence, due to the features of prevailing policy-cum-market environment in the country.

Trend towards a greater casualisation (erratic and low-paid work) of the workforce that was witnessed in the 1980s appears to have continued in the 1990s. Low productivity and inability to absorb the growing labour

force make the agricultural sector in India witness to a pervasive process of marginalisation of rural people. This process is likely to get intensified in the coming years, raising formidable problems in achieving sustained development of rural areas and rural people [VMRao&Hanumappa99]. Both Information Technology, Genetic Engineering and Bio-Technology, which are the “drivers” of globalisation with their complementarities of liberalisation, privatisation and tighter Intellectual Properties Rights, are bound to create new risks of marginalisation and vulnerability. . Information Technology will facilitate dissemination of information on development, education, extension, husbandry, marketing, production, and research, to agricultural farmers.

Conclusion

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. 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. Agriculture being a “state subject” and a primary sector which accounts for about 27% of GDP, 65% of labour force, and 21 % of total exports, the Central Government implements agricultural resources development schemes under both central sector and centrally sponsored sector. These schemes generate voluminous information, both spatial and non-spatial, related to agricultural resources, using conventional, remote sensing and GPS technology.

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