

Globalization and its Impact on Indian Consumerism

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Abstract

Globalization is a phenomenon, which is in heated discussion around the globe between advocates and opponents of it. Those who support the process stated that there are several gains such as, jobs creation, transformation of work culture, technological transfer and thus increasing the wealth in many nations. But, there are many others who doubt that there is much gain for developing countries. The process of free global trade favors those in positions of power. There are widespread concerns regarding the impact of globalization on poor economies and the environment, as this concept becomes increasingly interdependent and interconnected. In this context, is it believable that trade among nations will really be fair? Europe and the United States are yet to open their markets to agricultural products from developing countries, despite the fact that those two countries have been advocating free trade. This appears to be a demonstration of western paternalism rather than true partnership.

The impact of globalization on the growth and income distribution, investment flow, generation of more employment, declining job security for workers and last but not the least on consumers by way of quality of products/ services is questionable one. Globalization of any economy provides consumers all over the world with an extensive range of products and services that were not easily available before. However, rights must always be protected and strongly asserted in this new market or it will pay a high price. To help consumers, face the challenges arising from globalization, governments should provide a strategic, structured legal framework, develop and implement consumer policies. While a few developing countries have enacted consumer protection legislation and national consumer policies but many countries are still without any structured consumer protection mechanism. Therefore, it is imperative that consumers form groups as a means of educating and protecting themselves, for demanding their respective governments towards consumer protection legislation through beneficial policies for the host countries.

Introduction

The term Globalization is a buzzword, which is being heatedly discussed all over the globe between advocates and opponents of it. Those who support globalization contend

that there are gains such as employment creation, wide market for goods and services and increasing wealth to the public in many nations. But there are many people who oppose the concept and doubt that it is fruitful only for developed countries. The process of globalization as free global trade favors those in position of power¹. There are widespread concerns regarding the impact of globalization on poor economies, as this concept becomes increasingly interdependent and interconnected. In this context, is it believable that trade between and among nations will really be fair?

Globalization is the driving force for change as it race into the next century and likely to continue changing the global socio-economic environment for all people, including Caribbean consumers². In the light of this, consumers must be organized in order to be in a position to influence international and regional commercial agreements shaping the current version of globalization. On the positive side of the globalization of the economy, it provides consumers all over the world with an extensive range of products and services, that were not easily available earlier. However, our rights must always be protected and strongly asserted in this new market otherwise it will pay a high price. To help consumers, it is needed to face the challenges arising out of globalization and governments should provide the legal framework and develop and implement consumer policies³. Therefore, it is imperative that consumers form groups as a means of educating and protecting themselves, for making demands on their respective governments for consumer protection legislation and policies.

Conceptual Framework

The globalization is manifested in the growth of world trade as a proportion of output. It is a process of interaction and integration among the customers, business organizations and governments of different countries through international trade, investment and transfer of technology. It is not a new phenomenon, since olden days trading was taken place across the nations. The technological developments during the past few decades have increased the cross-border trade, investment and migration and therefore the world has entered a qualitatively new phase in its economic development. In this context, Thomas Friedman commented that today globalization is "farther, faster, cheaper, and deeper". This current wave of globalization has been driven by policies that have opened economies domestically and internationally. At the same time, the governments have also negotiated dramatic reductions in barriers to international trade and have established international agreements to promote trade in goods, services, and investment. Taking advantage of the new opportunities in international markets, corporations have started their ventures outside the country⁴.

Some people argued that globalization allows poor countries and their citizens to develop economically and raise their standards of living, while opponents of globalization claimed that the creation of an unfettered international free market has benefited

multinational companies in the developed nations at the expense of local enterprises, cultures and common people. Therefore, resistance taken place against the globalization both at a popular and governmental level as people and governments try to manage the flow of capital, labor, goods and ideas that constitute the current wave of globalization. To find the right balance between benefits and costs associated with globalization, citizens of all nations need to understand how globalization works and the policy choices facing them and their societies⁵.

The impact of globalization is likely to have on the long-term possibilities of economic growth in developing countries. The economists viewed that the growth process of globalization takes off when the elite understand the opportunities of applying world-class technologies within their country. Thus, globalization is tending to make the technologies and the knowledge for this process to occur more readily available. The globalization is much less of a reality in the field of economic front.

Globalization - Boon or Hazard

In the year 1998, the Bharathiya Janatha Party had led the NDA's electoral campaign with a 'swadeshi' propaganda thrust and many of the NDA's voters had truly believed that unlike the previous regimes, the BJP-led government would not succumb to international pressures - particularly US Multinationals and protect the nation's economic and security interests⁶. The Finance ministers closely associated with neo-liberal economic programs - like Manmohan Singh and Chidambaram were defeated in the polls and there was an expectation that there would be a noticeable shift in direction. But the long-time critics of the BJP had already warned that the BJP was insincere in its commitment to 'swadeshi' and its turnaround in the Enron case was more likely to serve as a model for its future actions. Although neo-liberal forces were kept somewhat at bay in the BJP-led NDA's first term, a more comfortable majority in the second round has given the promoters of neo-liberalism in the coalition more confidence that they can get away with unpopular policies without much concern about political stability.

After that the every successive administration in the last decade has eventually succumbed to the pressures of globalization and suggests that regardless of how different political formations package their policies in advance of the elections and there is a powerful and very vocal lobby for globalization in India. This is because for some sections of Indian society and the Indian Diaspora, globalization has come as something of a bonanza. Another outcome of globalization has been a huge increase in salaries of senior managers, accountants, lawyers and public-relations personnel working for MNCs or their local competitors. For the IT-literate, job opportunities have been plentiful, and there are also opportunities to live and earn abroad. For the English-speaking upper middle-classes, this has come as a boon. With greater access to disposable income, the seduction of consumerism becomes hard to resist, and the demand for unrestricted globalization inevitably follows the attraction for new and ever more advanced consumer goods⁷. This

new and more prosperous class of Indian consumers associates (associate) India's progress with the availability of the latest automobile models and consumer goods. The local availability of imported European cosmetics and fashions, imported drinks and confectioneries - these have all become important to those who have sufficient disposable income to purchase such items.

Globalization has other champions too. Importers have a strong financial interest in a globalized economy, but so do exporters dependent on imported parts and machinery. Industrialists with interests in ports, shipping, international warehousing and other aspects of international trade and commerce may also see globalization as beneficial to their sectors of the economy. Indian industrialists who have so far failed to invest in research and development are losing the battle for market share and also becoming amenable to globalization in the fond hope of partnering with MNC that will enable them to stabilize or expand their sinking business ventures. But the greatest danger posed by unrestricted globalization is that it may exacerbate the problems of nagging poverty and uneven development, and create grave infra-structural mismatches. It is already evident that the Indian economy has become more dependent on imports, which has brought with it constant pressure on the value of the Rupee, leading to recursive bouts of high inflation⁸. On the whole, in spite of having merits and drawbacks of globalization, one cannot avoid the globalization phenomena due to the unique and specialized features of some economies on whom the need countries have to depend to reap the benefits of it.

Globalization and Technology

Take the argument that globalization brings in new technology. On a selective basis, globalization indeed brings in new technology and opposition to globalization is not tantamount to becoming technologically isolated from the rest of the world. But today, almost no advocate of globalization is calling for selectivity⁹. For instance, Coca-Cola and Pepsi were welcomed into the country even though they offered a little in terms of new technology. The cosmetic manufacturers and manufacturers of designer label clothes have also brought in a little new technology of any consequence. The same can be said of advertising companies and manufacturers of consumer non-durable goods like soap, detergent, toothpaste, cereals, etc.

On the other hand, some people offer a counter-argument for unrestricted globalization arguing that only if India liberalizes unconditionally; will it be able to attract high technology and capital investment in the areas it really wants? But the experiences of the last decade belie such claims. While it is true that INTEL, AMD and CISCO have all invested in India, the sum total of their investments has been minuscule in relation to their other investments abroad. Further, rather than bringing in new technology to India, they are actually sucking out technology from India. All their investment has been on divisions that either to develop software on demand, or to provide research assistance to their US

counterparts. None of them has set-up any manufacturing plants in India or signed any technology transfer agreements with any Indian company.

The advocates of globalization have often made the claim that globalization rather than destroying Indian industry, would instead accelerate the growth of new industry and cause India's economy to grow faster. But a detailed analysis of Foreign Direct Investment (FDI) in the last few years indicates that a sizeable portion of this investment has not gone into the creation of new productive capacities¹⁰. Much of the investment has simply gone into takeovers of existing Indian enterprises or towards speculative investments in the Indian stock market. If we consider the basic trade theories, viz., absolute advantage, theory, comparative advantage theory and others, which supported the international trade, the participated nations should not step-back due to the several criticisms on globalization.

'Efficiency' is in whose interest - the MNC or the Indian Consumer

Another oft-repeated argument in favor of globalization is that multinational companies are more "efficient". It would seem that the MNCs were more "efficient" - twice as much as the Indian companies. But if half or more of the MNCs profits were repatriated to their foreign parent or to foreign shareholders, the relative benefit to India would be nil¹¹. Further, if the MNC is actually "efficient" and is able to drive its more "inefficient" Indian competitors out of business, it could then raise prices over and beyond what the "inefficient" Indian companies charge to their consumers¹². This occurred not only in soft-drinks business, but also spread itself to pharmaceutical sector. Others have argued that the presence of multinationals would end corrupt practices that hurt the 'efficiency' of India's public sector companies. The power sector is one such area where there is a clamor for speedy privatization. There is also an assertion that globalization allows India to allocate scarce capital more efficiently because the Indian government could concentrate on areas that need special attention¹³. But a few seem to note that in this decade of globalization, the government has been steadily reducing its ability to be found vital social needs or infra structural needs.

Skewed Development : By-product of Indiscriminate Liberalization and Globalization

Critics of indiscriminate liberalization had warned that one of the biggest dangers of a totally liberalized economy would be the anarchic development of select geographical areas and the neglect of industrially unpopular areas. This has been reinforced in a report by Tushar Mohanti for the Economic Times Research Bureau¹⁴. The report pointed out that of all the industrial entrepreneurs' memorandum filed since the new economic policy came into being in June 1991 but only 10% have been implemented so far. In the case of implemented projects, only 10 per cent of the employment commitments were actually realized.

Another aspect of non-selective globalization is that a few select sectors - viz., consumer goods, automobiles, and software have attracted almost 90 per cent of all foreign investment. There has been very little investment in the production of advanced electronics, computer or telecom hardware, aircrafts, advanced industrial materials, capital goods, modern tools and equipment and robotics¹⁵. These are the areas, where India is completely depended on imports and is likely to fall further behind, rather than steer production in areas of cutting-edge technology, state governments have been falling over each other in giving MNCs more concessions to produce more of what India is already producing.

Globalization and Privatization

One of the most dangerous aspects of unqualified and unrestricted globalization is the privatization of key publicly held companies to MNCs at prices lower than what it would take to set-up a new company in that field. The predatory domination of the world's oil supply by a few western mega-monopolies is too well-known. Yet, in the recent past, the BJP-led government sold off shares in Gas Authority of India Ltd (GAIL) at a scandalously low price. Given the history of the BJP's previous sweetheart deals with ENRON, this giveaway is hardly surprising. But it sets an ominous precedent for the future. Will the euphoria that a section of the Indian population feels vis-a-vis liberalization and globalization blind them to such loot of vital and strategic assets? The benefits of unfair trade and colonial loot went as much to Britain's allies such as the US, Australia and Canada, and even to rival imperial powers such as Germany and Japan. Although the Indian situation today is not comparable to the situation in 1756 or 1858, the desire of the MNCs to gobble up strategic Indian assets is real and should not be dismissed lightly.

It is no accident that economic policy "experts" in these nations are the most aggressive champions of privatization and globalization. Selling off strategically vital companies could not only introduce monopoly pricing pressures on Indian consumers, it could also seriously jeopardize India's national sovereignty. As it is, much of India's defense needs are procured from abroad. By privatizing oil and gas companies and other vital infrastructure related companies - India's vital interests will be even more controlled by the foreign interests that could impinge on the ability of India to take the best decisions vis-a-vis protecting its sovereign rights and interests.

Apparently an important lesson from India's history has been lost on the present ruling coalition. Before the First World War, Gandhi too had believed that appeasing the British would bring India gains. He campaigned heavily in favor of the British war effort, but after the war, the British rather than make any new concessions towards independence tightened its colonial control. Gandhi's exercise in "partnership" ended-up as a futile exercise in self-delusion and the Freedom Movement lost precious and valuable years in the bargain¹⁶.

While no one is arguing for India to remain aloof from the process of technological up-gradation and modernization - it is unlikely that political and economic appeasement

in the guise of globalization will do the trick for India. Unless India adopts a stance of hard bargaining and selectivity in the manner it globalizes, globalization will take place on the terms of the world's most powerful nations - and is unlikely to bring widespread benefits for the Indian people. It is therefore, high time that the mantra of unrestrained globalization be questioned and challenged. The tall claims made by its advocates need to be carefully scrutinized without the prevailing neo-liberal bias¹⁷. The many failures, economic distortions and pitfalls of globalization need to be clearly exposed. Above all, India's economic policies need to be restructured to give an impetus to the local development of key technologies that play a crucial role in the modern economy and satisfy the most pressing needs of the vast majority of the Indian people.

Conclusion

Globalization becomes inevitable as it yields immense job opportunities and changes consumer lifestyle by making it more convenient, comfortable and luxurious. But the same globalization is resulting in filling only some pockets of the country. The rural and poor are gaining less through its process because of lack of social concern by the multinational companies. The fruits of globalization are not received equally by all communities of any nation. Further, MNCs pose a big challenge to the domestic industries, which are weak in terms of resources such as investment, technology, etc. This would yield another problem to the country and therefore, without a proper mechanism and frame work, the governments of under developed and developing countries should not be attracted towards the globalization process. The policies and regulations, required in terms of quality systems, infrastructure, etc. should be properly framed by the concerned to minimize the ill effects and maximize the benefits of the same.

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