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Major Issues & Challenges of Globalization in Automobile part Manufacturing Industries of India.

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Abstract:

The purpose of the paper is to discuss the upcoming issues & challenges due to globalization in automobile part manufacturing sector of India.

Since India is a developing nation with a huge demographic dividend we would like to find out various issues & it's related challenges of this sector due to the impact of globalization & what are the measures to be taken to tackle these challenges & how.

Introduction:

Globalization is a process of interaction between two economies of the world

. When we talk about globalization for India, its objective and implementation becomes different. The reason is the culture, demography, educational standard, acceptance for innovation etc. Globalization in relation to India has been a two way process. The global forces had a considerable impact on India at all levels of its life.

In the year 1991, when the Indian economy undergone significant shifts in policies. This new model for the economy was termed as LPG or Liberalization, Privatization and Globalization. The objective of this model was to make the economy of India the fastest developing economy. This term 'Globalization' can be described through four major parameters;

1. Free flow of goods and services between two economies due to reduction in trade barriers.
2. Opening a new direction for flow of capital and investments among two economies.
3. Easy flow of technology from one country to another.
4. Movement of workforce among countries.

Objectives:

1. To analyse the impact of the aforesaid four factors of globalization in India and its consequences on automobile parts manufacturing sector.
2. To suggest actions to overcome the challenges.

The issues and Challenges:

Issues in India related to free flow of goods and services between two economies due to reduction in trade barriers.

Free trade is supposed to reduce barriers between nations but the Washington's post story says “The problem is that the big G20 countries added more than 1200 restrictive export and import since 2008: impacting India's trade.

Issues in India related to Opening a new direction for flow of capital and investments among two economies.

Despite India offering a large domestic market, rule of law, low labor costs, and a well working democracy, its performance in attracting FDI flows has been far from satisfactory. A restrictive FDI regime, high import tariffs, Non liberalisation in exit barriers for firms, stringent labor laws, poor quality infrastructure, High corporate tax rate , centralized decision-making processes, and a very limited scale of export processing zones along with requirement of reforms in Indian financial sector make India an unattractive investment location.

Issues in India related to Easy flow of technology from one country to another: when one compares India's techno-economic performance with some of the advanced countries or even other fast progressing developing countries, one finds that there are much to be done.

S&T policies in India have complex connections with economic competitiveness, societal development, national security and even with foreign policy. The government policies must comprise of steps to encourage scientific-technical research to best exploit the S&T gains for the desired social, economic, political goals. However, technology diffusion demands that government in our country should gradually become facilitators than controllers of technology. This can only bring a paradigm shift in the ways of technology development and exchanges, thus calling for a serious review of S&T policy in our country is very much required at this step.

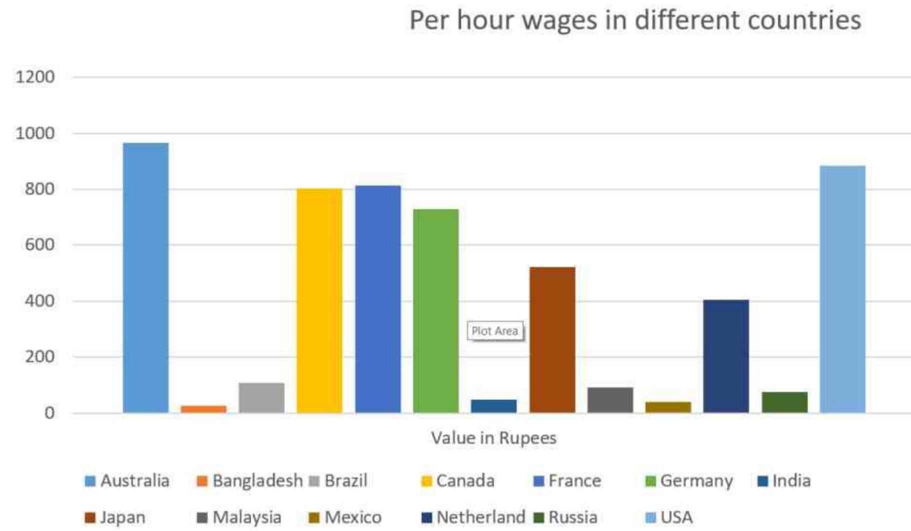
We not only have to achieve the right mix of traditional and modern S&T knowledge for the rural India, but we also have to fine-tune the technology policies and implementation methods to optimize our existing technology strengths as well as create new core strengths in critical and enabling technologies for maximum benefit to Indian R&D and Indian technology needs. Otherwise we run the risk of converting our valuable asset of young population into a loss or a liability.

Issues in India related to Movement of workforce among countries: Firstly, free movement of labour depends on the economies in question due to different wage structures of different nations. As an example, in wages in different part of different countries:

Problem in easy movement of labour :-

For understanding this problem of easy movement let us see the per hour minimum wages in different countries:

Countries	Per hour minimum wages	Respective currencies	Value in Rupees
Australia	18.93	Australian dollar	967
Bangladesh	31	Taka	26
Brazil	5.67	Brazil Real	108
Canada	15	Canadian Dollar	804
France	10.03	Euro	813
Germany	9	Euro	730
India	48.5	Rupees	49
Japan	803	Japanese yen	522
Malaysia	5.28	Ringgit	91
Mexico	11	Mexico peso	41
Netherland	5	Euro	406
Russia	70.5	Russian rubble	75
USA	12	USD	950



· Above data says that there are tremendous difference between rates of hourly wages among various countries. Hence, in a country like India where hourly wages is very less, we cannot expect movement of trained work force from higher paid wages countries to lower paid wages countries and in such cases movement of labours can only be one way. This is also not happening for India because of less technical advancement of our country, but with focus on easy flow of technology in our country as discussed earlier, globalization could be beneficial for the working people of our country for generating more employment.

· Though translational organizations investing in installing plants in other countries provide employment for the people in those countries for getting them out of poverty but instead of India being a labour oriented country due to less knowledge of automation, IOT, and other technologies we are unable to take advantage out of it and the advanced countries are selling their technology to us and also pushing their technocrats in our country for running & installation of their technology.

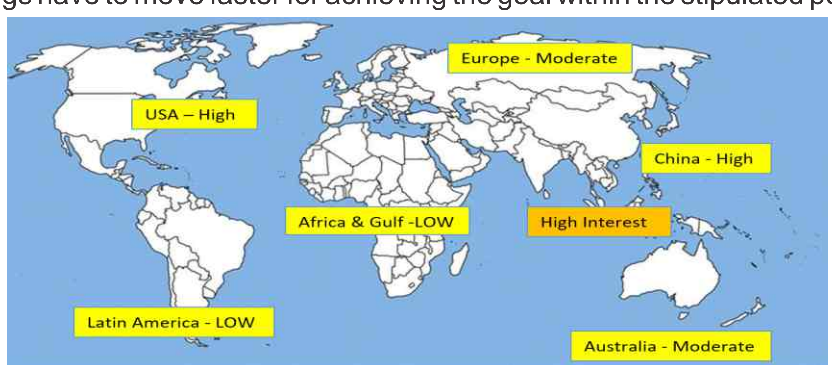
Challenges of Globalisation

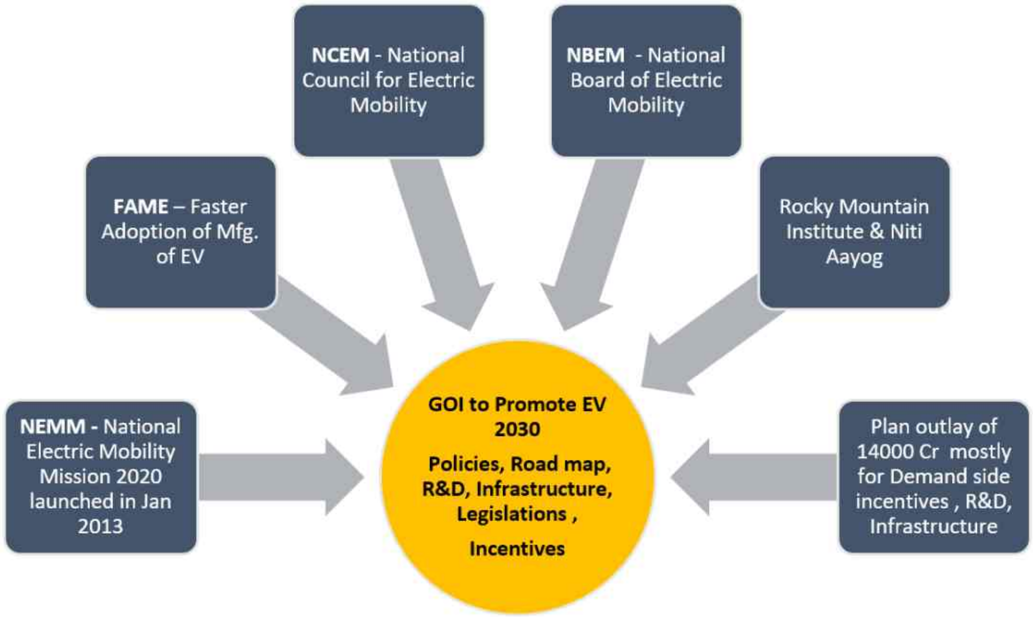
Now let us discuss specifically technology related two major challenges of globalisation in automobile parts manufacturing sector in our country

1.E Mobility:-

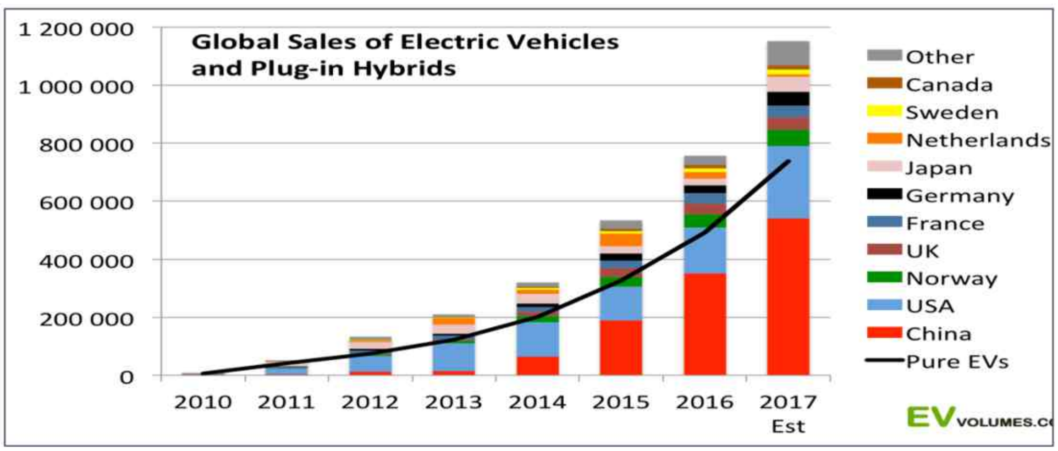
While discussing on this we need to see the penetration of EV across the globe (Fig-1). Thus, immediate proper emphasis on E vehicles should be given to capture this opportunity. If we talk about E mobility, Govt. Of India's Energy Security department is the main driver. With the aim to promote EV, Govt. Has decided to make policies, road map, R&D , infrastructure, legislations, incentives to promote EV in 2030 with the help of various govt. Agencies as shown in (Fig-2). For this all the Govt agencies are required to work cohesively to make it a success but things have to move faster for achieving the goal within the stipulated period.

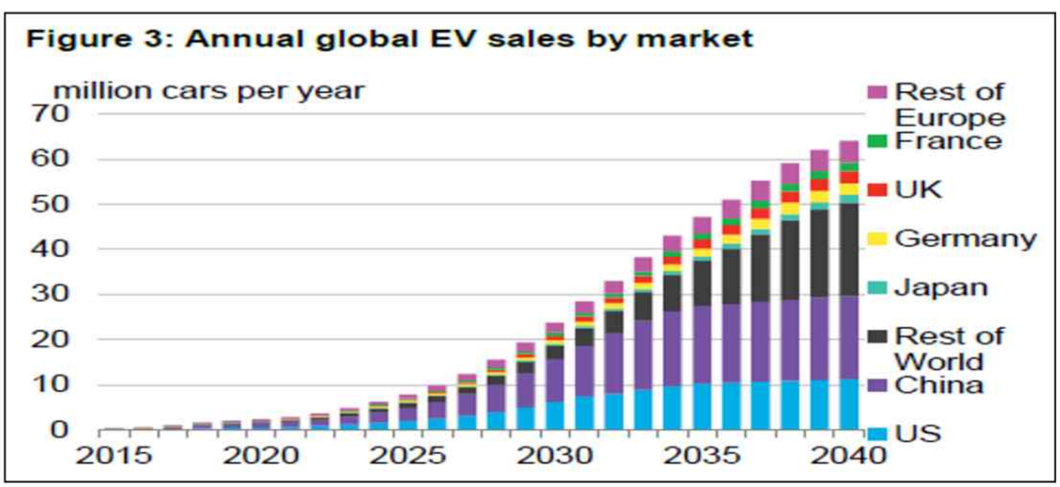
Penetration of EVs across Globe





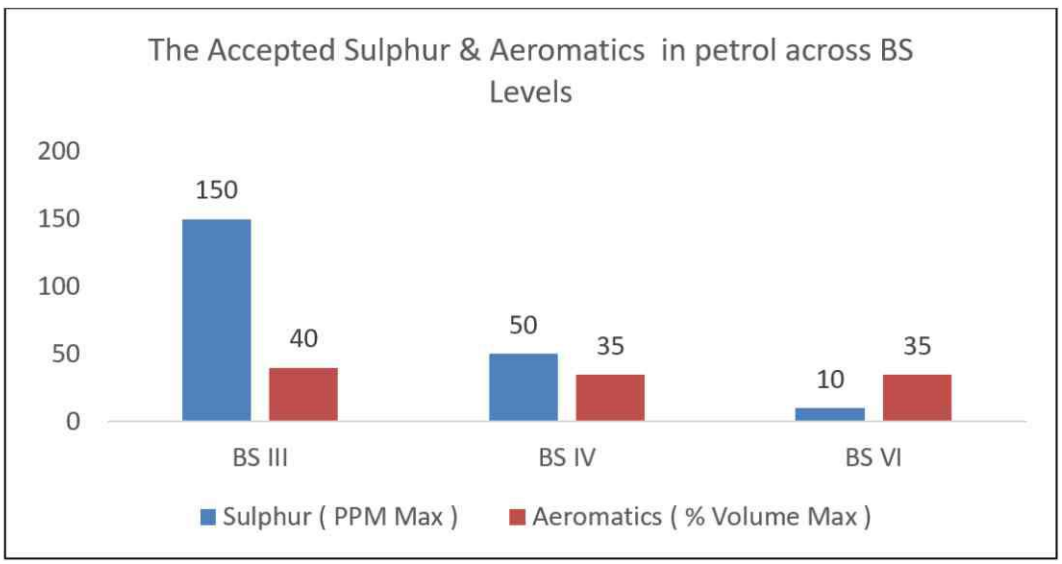
If we see the trend of last 7 years (Fig-3), by 2040, 54% of global car sale and 33% of global car population will be electric.
Trends & Statistics – Globally Last 7 years…





2. Challenges in Switching to BS VI norms:

The move from BS-IV to BS-VI will primarily require fuel to have significantly lower Sulphur content. Presently, the Sulphur content in BS-IV petrol and diesel is 50 parts per million (ppm). BS VI-grade fuels, however, are to have a Sulphur content of 10ppm.



For Automobile 4 WH Vehicle Manufacturer

· High level of technology up-gradation in automobile sector.
· Research & Development in Diesel Filter technology & catalytic reduction technology.
· Less transformation lead time to adopt changes from BS IV to VI which compromise Product Quality & Product Safety
· For a 1.5 lit diesel engine, the transformation is expected to cost around Rs.75, 000 depending on the existing injection parameters.
· The decision will make cars, sports utility vehicles (SUVs), trucks, buses and auto parts more expensive.
· For 2 wheelers upgradation to BS VI standards, the industry will have to adopt Electronic fuel Injection (EFI) system which will cost around Rs.5,000/- extra for a mid- size motor cycle.

Conclusion:

This paper describes the issues, challenges and effects of Globalisation in automobile die casting industry and what are measures to be taken in a country like India to embrace globalisation.

Globalisation has created divisive economic resentments. Non-core countries like India face significant impacts due to globalisation in relation to core countries. India should establish a domestic political consensus to accept the neo-liberal model of globalisation. We must develop interest on both core and non-core sides of geo political divide. Though during last two decades trade has grown remarkably due to globalisation, completely transforming the global economy but it has also some distributional consequences. With opening up of trade the demand and supply of goods and services shifts in all the economics. As a consequence local market respond and price charges. Thus imports & exports have knock-on effects on all prices including those in non-traded sectors. In India for some group of people has a negative effects on wages and employment with a positive effect with increased availabilities of products of lower manufacturing cost countries giving an opportunity of availability of products in India leading to unemployment in India.

We have also seen globalisation became a major driver of income inequalities, Due to rate of minimum wages of different countries around the globe. Thus it is important for a country like us to make policies related to unemployment benefits and some social securities by redistribute the gains from some of the sectors benefitted from globalisation.

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