Globalisation and the Indian Economy

Syllabus

Globalisation. What is globalisation (through some simple examples); How India is being globalised and why; Development strategy prior to 1991. State control of industries: Textile goods as an example for elaboration; Economic reforms of 1991; Strategies adopted in Reform measures (easing of capital flows; migration, investment flows); Different perspectives on globalisation and its impact on different sectors; Political impact of globalisation.

Facts that Matter

1. Today we have wide choice of goods and services before us. There is explosion of brands. It is a recent phenomenon and in a matter of years our markets have been transformed.
2. Until the middle of the 20th century, production was largely organised within the countries. What crossed the boundaries was mainly the raw materials, foodstuff and finished products. Colonies such as India exported raw materials and foodstuff and imported finished goods. Trade was the main channel connecting distant countries.
3. Emergence of MNCs proved to be of immense importance.
4. These MNCs operate in many countries of the world.
5. They set up their offices and factories where they can get cheap labour and other facilities. This is done so that the cost of production is low and the MNCs can earn greater profits.
6. The money that is spent to buy assets such as land, building, machines and other equipment is called **investment** and the investment made by MNCs is called **foreign investment.**
7. Local companies get benefitted by these MNCs. They provide money for the additional investments like bringing new machines for faster production.
8. MNCs are playing major role in the globalisation process. Foreign investment in the countries has been rising. Foreign trade between the countries has also been rising. It has led to substantial trade in goods and also services. It has also led to greater integration of production and markets across countries.
9. MNCs are spreading their production by setting up partnerships with local companies, by closely competing with local companies or buying them and by using local companies for supply. As a result, production in these widely dispersed locations is getting interlinked.
10. MNCs set up their production units in those areas which are quite close to the market. They prefer such areas where there is skilled and unskilled labour available at low costs.

In addition, the MNCs select such countries where the local governments properly look after the interests of the MNCs. Sometimes the MNCs set up production jointly with the local companies of the selected countries.

11. Foreign trade started through various trade routes, connecting India and South Asia to markets both in the East and West. Trading interests also attracted various trading companies such as East India Company to India.
12. Foreign trade gives opportunity to producers to sell their goods in other countries of the world. For the ordinary consumers, foreign trade proves very useful because the best brands of different articles are produced all over the world. Their choice of goods expands manifolds. Producers can sell their product not only in markets located within the country but can also compete in markets located in other countries of the world. For the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced. This is how markets are integrated through foreign trade. For example, Japanese electronic items are imported to India, and have proved to be a tough competition for less-technologically-advanced companies here.
13. **Globalisation** has made possible the interconnection between countries. As a result of globalisation, the different countries of the world become economically interdependent on each other.
14. Rapid improvement in technology has been one major factor that has stirred globalisation process. Due to technology there has been improvements in various fields. Such as transport technology, information and communication technology etc.
15. **Trade barrier** means restrictions imposed on import and export of goods. It is called so because some restrictions have been set up. The trade barriers provide protection to domestic goods from foreign competition. The government can use barriers to increase or decrease (regulate) foreign trade and to decide what kind of goods and services and how much of each should come into the country.
16. The Indian government, after independence had put barriers to foreign trade and foreign investment. This was considered essential to protect the producers within the country from foreign competition.
17. But in the 1990s, the government wished to remove these barriers because it felt that domestic producers were ready to compete with foreign industries. It felt that foreign competition would in fact improve the quality of goods produced by Indian industries. Thus, the government decided that the time had come for Indian producers to compete with producers around the globe.
18. Liberalisation of foreign trade and foreign investment policy has proved to be a boon for India. This has led to a deeper integration of national economies into one conglomerate whole.
19. **World Trade Organisation (WTO)** is an organisation whose aim is to liberalise international trade. It helps to remove trade barriers and create a free environment for foreign trade. It establishes rules regarding international trade and sees that these rules are obeyed.
20. Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed nations have unfairly retained trade barriers. On the other hand, WTO rules have forced the developing countries to remove trade barriers.

21. Globalisation has both positive and negative impacts on India. On the one hand, it has created new jobs in certain industries, on the other hand it has perished small producers.
22. The central and state governments in India are taking some special steps to attract foreign companies to invest in India. For this, special economic zones are being set up. SEZs are to have world class facilities like electricity, water, road transport, storage, recreational and educational facilities. The industries setting up their production units in the SEZs are exempted from paying taxes for initial five years.
23. Some relaxation in rules aiming to protect the workers was given to the companies investing in India. For instance, instead of hiring workers on regular basis, companies hire workers flexibly for short period during the peak period. This was done to reduce the cost of labour for the company.
24. **Fair Globalisation** would create opportunities for all and also ensure that the benefits of globalisation are shared better. The government can play a vital role in making of fair globalisation. Its policies should protect the interests of both rich as well as poor. The government should ensure that labour laws are properly implemented and the workers get their rights.
25. Small producers should be given due support by the government to improve their performance till the time they become strong enough to compete.
26. In the past few years, massive campaigns and representation by people's organisations have influenced important decisions relating to trade and investments at WTO. This shows that even people can also play an important role in the struggle for fair globalisation.

Words that Matter

1. **Globalisation:** Integrating an economy with the world economy.
2. **Liberalisation:** Removing trade barriers between countries.
3. **MNCs:** Multinational Corporations.
4. **Investment:** The money that is spent to buy assets like buildings, machines and equipment.
5. **WTO:** World Trade Organisation which aims to liberalise international trade.
6. **Trade barriers:** Rules and regulations that regulate foreign trade.
7. **Flexibility:** Giving relaxation in trade and labour laws.
8. **SEZs:** Special Economic Zones are those industrial zones which have been set up by the government of India to attract foreign companies to invest in the country.

NCERT TEXTBOOK QUESTIONS SOLVED

Q1. What do you understand by globalisation? Explain in your own words.

Ans. Globalisation is the process of rapid integration or interconnection between countries. Globalisation means integrating an economy with the world economy. As a result of globalisation, the different countries of the world become economically interdependent on each other. This term is also often used to refer to economic globalisation: the integration of national economies into the international economy through trade, foreign direct investments, capital flows, migration and the spread of technology.

Q2. What were the reasons for putting barriers to foreign trade and foreign investment by the Indian government? Why did it wish to remove these barriers?

Ans. Reasons for putting barriers to foreign trade and foreign investment by the Indian Government:

(*a*) To protect the domestic producers within the country from foreign competition.

(*b*) The competition from importers would have crippled the new-born industries of India. In such a situation, imports of only such commodities were allowed which were quite necessary such as machinery, fertilisers, petroleum etc.

(*c*) During 1950s and 1960s, competition from imports was giving a death blow to growing industries in India. Hence, India allowed imports of only essential goods.

Later in the 1990s, the government wished to remove these barriers because it felt that domestic producers were ready to compete with foreign industries. It felt that foreign competition would in fact improve the quality of goods produced by Indian industries. This decision was also supported by powerful international organisations. Thus, the government decided that the time had come for Indian producers to compete with producers around the globe.

Q3. How would flexibility in labour laws help companies?

Ans. Flexibility in labour laws would help to reduce the cost of labour for the company.

Q4. What are the various ways in which MNCs set up or control production in other countries?

Ans. Various ways in which MNCs control production in other countries:

(*i*) By setting up partnerships with local companies — At Times MNCS set up production jointly with some of the local companies. The benefit to the local company of such joint production is two bold. First MNCS can provide ϕ money for additional investments, the like buying new machines for faster production. Second, MNCS might bring with them the latest technology for production.

(*ii*) By closely competing with local companies or buying them up. The most common route for MNC investments is to buy up local companies and to expand production. With their huge wealth they can easily do so.

(*iii*) By using local companies for supply—Large MNCs in developed countries place orders for production with small producers. E.g. garments, footwear, sports item etc. The products are supplied to MNCs which then sell these under their own brand names to the customers. These large MNCs have great power to determine price, quality, delivery and labour conditions for these distant producers.

Q5. Why do developed countries want developing countries to liberalise their trade and investment? What do you think should the developing countries demand in return?

Ans. Developed countries want developing countries to liberalise their trade and investment because then the MNCs belonging to the developed countries can set up factories in less expensive developing nations, and thereby increase profits, with lower manufacturing costs and high sale price.

In my opinion, the developing countries should demand, in return, for some manner of protection of domestic producers against competition from imports. Also, charges should be levied on MNCs looking to set base in developing nations.

Q6. "The impact of globalisation has not been uniform." Explain this statement.

Ans. (*i*) Globalisation has been proved beneficial for the top Indian companies but so far workers are concerned, globalisation has perished them.

(*ii*) The top Indian companies have invested in newer technology and production methods and raised their production standards. Some have gained from successful collaborations with foreign companies. Globalisation has enabled some large Indian companies to emerge as multinationals themselves. For examples: Tata Motors (Automobiles), Infosys (IT), etc.

(*iii*) But for a large number of small producers and workers globalisation has posed great problems. They have been hit hard due to competition. Several units have shut down rendering many workers jobless.

Thus, we can say that the impact of globalisation has not been uniform.

Q7. How has liberalisation of trade and investment policies helped the globalisation process?

Ans. (*i*) Liberalisation of trade and investment policies has helped the globalisation process by making foreign trade and foreign investment easier.

(*ii*) This has led to a deeper integration of national economies into one conglomerate whole.

(*iii*) Now goods could be imported and exported easily. Foreign companies could set up factories and offices in India.

Q8. How does foreign trade lead to integration of markets across countries? Explain with an example other than those given here.

Ans. (*i*) Foreign trade gives opportunity to producers to sell their goods in other countries of the world. Producers can sell their produce not only in markets located within the country but can also compete in markets located in other countries of the world.

(*ii*) For the ordinary consumers, the foreign trade proves very useful because the best brands of different articles are produced all over the world. Their choice of goods expands manifolds.

(*iii*) For the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.

(*iv*) Foreign trade gives opportunity to producers in the two countries closely compete against each other even though they are far away from each other.

This is how markets are integrated through foreign trade. For example, Japanese electronic items are imported to India, and have proved to be a tough competition for less-technologically-advanced companies here.

Q9. Globalisation will continue in the future. Can you imagine what the world would be like twenty years from now? Give reasons for your answer.

Ans. Globalisation will continue in the future. Twenty years from now, the world will be more globally connected and integrated into one international economy, if this process continues on a fair and equitable basis. Trade and capital flows will increase alongside the mobility of labour. This will occur because liberalisation will get augmented and MNCs will converge with other companies producing the same goods.

Q10. Supposing you find two people arguing: One is saying globalisation has hurt our country's development. The other is telling, globalisation is helping India develop. How would you respond to these arguments?

Ans. Both the arguments are right to some extent. Globalisation has hurt our country's development as well as helped our country develop. In other words, we can say that globalisation has positive as well as negative impact on our country's development.

Positive impact of the globalisation on India

(*i*) Availability of variety of products which enabled the consumers to have greater choice and enjoy improved quality and lower prices for several products.

(*ii*) This led to higher standard of living.

(*iii*) Increase in foreign direct investment.

(*iv*) Creation of new jobs in certain industries.

(*v*) Top Indian companies have been benefited by investing in new technology and production methods along with successful collaborations with foreign companies.

(*vi*) Globalisation has enabled some large Indian company to emerge as multinationals themselves. For example, Tata Motors, Infosys, Ranbaxy etc.

(*vii*) Enabled some large Indian companies to emerge as multinationals.

(*viii*) Created new opportunities for companies providing services, particularly those involving IT.

Negative impact of the globalisation on India

(*i*) Small producers failed to compete and got perished. Rising competition has led to shutting down of many units. Many workers became jobless. For instance, batteries, capacitors, plastics, toys, dairy products and vegetable oil are the examples of the industries which have been hit hard due to hard competition.

(*ii*) Globalisation and pressure of competition have substantially changed the lives of workers. Faced with growing competition most employers these days prefer to employ workers 'flexibly'. This means that workers' jobs are no longer secure.

Q11. Fill in the blanks.

Indian buyers have a greater choice of goods than they did two decades back. This is closely associated with the process of (*a*) .... Markets in India are selling goods produced in many other countries. This means there is increasing (*b*) .... with other countries. Moreover, the rising number of brands that we see in the markets might be produced by MNCs in India. MNCs are investing in India because (*c*) .... While consumers have more choices in the market, the effect of rising (*d*) .... and (*e*) .... has meant greater (*f*) .... among the producers.

Ans. (*a*) globalisation (*b*) trade (*c*) production costs here are cheaper (*d*) demand (*e*) purchasing power (*f*) competition.

Q12. Match the following:

(*i*) MNCs buy at cheap rates from small producers	(*a*) Automobiles

(*ii*) Quotas and taxes on imports are used to regulate trade	(*b*) Garments, footwear, sports items
(*iii*) Indian companies who have invested abroad	(*c*) Call centres
(*iv*) IT has helped in spreading of production of services	(*d*) Tata Motors, Infosys, Ranbaxy
(*v*) Several MNCs have invested in setting up factories in India for production	(*e*) Trade barriers

Ans. (*i*)—(*b*) (*ii*)—(*e*) (*iii*)—(*d*) (*iv*)—(*c*) (*v*)—(*a*).

Q13. Choose the most appropriate option.

(*i*) The past two decades of globalisation has seen rapid movements in
(*a*) goods, services and people between countries.
(*b*) goods, services and investments between countries.
(*c*) goods, investments and people between countries.

(*ii*) The most common route for investments by MNCs in countries around the world is to
(*a*) set up new factories.
(*b*) buy existing local companies.
(*c*) form partnerships with local companies.

(*iii*) Globalisation has led to improvement in living conditions
(*a*) of all the people
(*b*) of people in the developed countries
(*c*) of workers in the developing countries
(*d*) None of the above

Ans. (*i*)—(*a*) (*ii*)—(*b*) (*iii*)—(*c*).

Additional Activity/Project

(I) **Take some branded products that we use everyday (soaps, toothpaste, garments, electronic goods, etc.). Check which of these are produced by MNCs.**

Ans. Do yourself.

(II) **Take any Indian industry or service of your choice. Collect information and photographs from newspapers, magazine clippings, books, television, internet, interviews with people on the following aspects of the industry.**

(*i*) Various producers/companies in the industry
(*ii*) Is the product exported to other countries?
(*iii*) Are there MNCs among the producers?
(*iv*) Competition in the industry
(*v*) Conditions of work in the industry
(*vi*) Has there been any major change in the industry in the past fifteen years?
(*vii*) Problems that people in the industry face.

Ans. Do yourself.

MORE QUESTIONS SOLVED

I. MULTIPLE CHOICE QUESTIONS

Choose the correct option:

1. A company that owns or controls production in more than one nation is called ……… .

(*a*) Foreign company (*b*) Multi National Company
(*c*) International company (*d*) Local company

2. What are the investments made by MNCs called?

(*a*) Foreign investments (*b*) International investments
(*c*) Multi National investments (*d*) None of these

3. It creates an opportunity for the producers to reach beyond the domestic markets. What does it refer to?

(*a*) Technology (*b*) Investments
(*c*) Trade barriers (*d*) Globalisation

4. Why did the government decide to remove barriers on foreign trade and foreign competitors?

(*a*) Because the government wanted to earn the foreign exchange.
(*b*) Because the government felt that the time had come for Indian producers to compete with producers in the world market.
(*c*) Because the government wanted to maintain good relations with other countries.
(*d*) All of the above.

5. How many countries are currently the members of the World Trade Organisations?

(*a*) 140 countries (*b*) 145 countries
(*c*) 159 countries (*d*) 149 countries

6. What was the idea behind developing Special Economic Zones (SEZs) in India?

(*a*) To attract foreign companies to invest in India
(*b*) To earn foreign exchange
(*c*) To make India financially stable
(*d*) To make India a developed country

7. What is the full form of WTO?

(*a*) World Transactions Organisation
(*b*) Wealth Trade Organisation
(*c*) World Trade Organisation
(*d*) None of the above

8. Which one of the following is not an MNC?

(*a*) Reebok Shoes (*b*) Tata Motors
(*c*) SAIL (*d*) Infosys

9. The international organisation formed for the liberalisation of trade is ……… .

(*a*) World Trade Organisation (*b*) United Nations Organisation
(*c*) World Trade Centre (*d*) Multi-national Corporation

10. The most important factor that has stimulated globalisation is ....
(*a*) population explosion (*b*) spread of education
(*c*) urbanisation (*d*) rapid improvement in technology

11. What is the term 'investment' mean?
(*a*) Money spent on buying clothes
(*b*) Money spent on buying land, building, machines, etc.
(*c*) Money spent on buying a car
(*d*) Money spent on buying furniture

12. WTO is dominated by countries like ....
(*a*) U.S. and U.K. (*b*) China and France
(*c*) India and Japan (*d*) Ireland and Germany

13. Ranbaxy is a multinational company which is associated with ....
(*a*) automobiles (*b*) nuts and bolts
(*c*) medicines (*d*) information technology

Ans. 1—(*b*) 2—(*a*) 3—(*d*) 4—(*d*) 5—(*d*) 6—(*a*)
7—(*c*) 8—(*c*) 9—(*a*) 10—(*d*) 11—(*b*) 12—(*a*)
13—(*c*)

II. VERY SHORT ANSWER TYPE QUESTIONS

Q1. Why had the Indian Government put barrier to foreign trade and foreign investment after independence? State any one reason. (CBSE 2015)

Ans. The Indian government, after Independence, had put barriers to foreign trade and foreign investment because this was considered necessary to protect the producers within the country from foreign competition.

Q2. Until the middle of the twentieth century, production was largely organised within countries. What crossed the boundaries of these countries?

Ans. There were raw materials, food stuff and finished products.

Q3. What was the main channel connecting countries in the past?

Ans. Foreign trade was the main channel connecting countries in the past.

Q4. What is an MNC?

Ans. An MNC (Multi-National Corporation) is a company that owns and controls production in more than one nation.

Q5. Where do MNCs set up offices and factories for production?

Ans. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources.

Q6. Why do MNCs set up offices and factories in regions where they can get cheap labour and other resources?

Ans. MNCs do this so that the cost of production is low and they can earn greater profits.

Q7. In what way does China provide advantage to the MNCs?

Ans. China provides the advantage of being a cheap manufacturing location.

Q8. How are Mexico and Eastern Europe useful for the MNCs?

Ans. In these two countries are close to the markets in the US and Europe.

Q9. Why are MNCs attracted to India?

Ans. India has high skilled engineers who can understand the technical aspects of production. It also has educated English speaking youth who can provide customer care services.

Q10. What do you mean by foreign investment?

Ans. Investment made by MNCs is called foreign investment.

Q11. What is the most common route for MNC investments?

Ans. The most common route for MNC investments is to buy up local companies and then to expand production.

Q12. Give examples of industries where production is carried out by small producers around the world.

Ans. Garments, footwear, sports items.

Q13. What do you know about Ford Motors?

Ans. It is an American company. It is one of the world's largest automobile manufactures with production spread over 26 countries of the world.

Q14. How much did Ford Motors invest in India?

Ans. Ford Motors came to India in 1995 and spend ₹ 1700 crore to set up a large plant near Chennai.

Q15. What is basic function of foreign trade?

Ans. Foreign trade creates an opportunity for the producers to reach beyond the domestic markets, *i.e.*, markets of their own countries.

Q16. Why are Chennai toys more popular in the Indian markets?

Ans. Chennai toys are more popular in the Indian markets because of the cheaper prices and new designs.

Q17. What has been the major factor that has stimulated the globalisation process?

Ans. Rapid improvement in technology has been the major factor that has stimulated the globalisation process.

Q18. For which purpose can government use trade barriers?

Ans. Government can use trade barriers to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each, should come into the country.

Q19. The Indian government removed barriers on foreign trade and foreign investment to a large extent. What does this mean?

Ans. This means that goods could be imported and exported easily and also foreign companies could set up factories and offices here.

Q20. How does liberalisation of trade benefit businesses?

Ans. With liberalisation of trade, business are allowed to make decisions freely about what they wish to import or export.

Q21. What is the aim of World Trade Organisation (WTO)?

Ans. Its aim is to liberalise international trade.

Q22. Why is fair globalisation essential?

Ans. Fair globalisation would create opportunities for all, and also ensure that the benefits of globalisation are shared better.

III. SHORT ANSWER TYPE QUESTIONS

Q1. In recent years how our markets have been transformed? Explain with examples. (CBSE 2015)

Ans. Until the middle of the twentieth century, production was largely organised within countries. What crossed the boundaries of these countries were raw materials, food stuffs and finished goods. Trade was the main channel connecting distant countries. But with the emergence of multinational corporations (MNCs), things have been changed. These MNCs are spreading their production and interacting with local producers in various countries across the globe.

Foreign trade integrates markets. It creates an opportunity for the producers to reach beyond the domestic markets. Producers can sell their produce not only in markets located within the country but can also compete in markets located in other countries. Similarly, for the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.

Q2. How is information technology connected with globalisation? (HOTS)

Ans. Information and communication technology is closely connected with globalisation. In recent times, technology in the areas of telecommunications, computers, internet has been changing rapidly.

(*i*) **Telecommunications** facilities such as telegraph, telephone including mobiles, fax have brought the world closer. Now people can contact around the world easily. These developments are used to access the information instantly and communicate in the remote areas.

(*ii*) **Computer and internet** have entered in almost all the fields. Internet allows one to share information on almost everything. We can send instant e-mail and talk through voice-mail across the world at almost negligible cost.

Q3. "Globalisation and competition among producers has been of advantage to the consumers." Give arguments in support of this statement. (CBSE 2009)

Ans. (*i*) There is greater choice available to the consumers in goods.

(*ii*) The quality of goods has been improved.

(*iii*) Prices of goods are lower.

(*iv*) Consumers are now able to enjoy a better life.

Q4. Analyse one good and one bad effect of globalisation on India. (CBSE 2009)

Ans. One good effect of globalisation on India:

Globalisation has resulted in greater competition among producers—both local and foreign. As a result, quality of the products has been improved. At the same time prices of goods have been lowered.

One bad effect of globalisation on India:

For a large number of small producers and workers globalisation has posed a great problem. The small producers failed to compete and got perished. Several units have shut down rendering many workers jobless.

Q5. How are local companies benefitted by joining hands with MNCs for production?

Ans. At times, MNCs set up production jointly with some local companies. The benefit to the local companies of such joint production is two-fold.

(*i*) MNCs can provide money for additional investments, like buying new machines for faster production.

(*ii*) MNCs might bring with them the latest technology for production.

Q6. What is the impact of globalisation on the well-off sections in the urban areas of India?

Ans. Due to globalisation there is greater choice before the people belonging to well-off sections. They now enjoy improved quality and lower prices for several products. As a result, these people today, enjoy much higher standards of living than was possible earlier.

Q7. What is WTO? Why it has been formed?

Ans. World Trade Organisation (WTO) is an organisation whose aim is to liberalise international trade. It was set up in early 1995. It helps to remove trade barriers and create a free environment for foreign trade. It establishes rules regarding international trade and sees that these rules are obeyed. 149 countries are at present members of the WTO.

Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed nations have unfairly retained trade barriers. On the other hand, WTO rules have forced the developing countries to remove trade barriers.

Q8. What is the impact of flexible labour laws on workers?

Ans. Flexibility in labour laws has badly affected the workers. MNCs employ them on a temporary basis in order to cut costs. They do not pay throughout the year. During peak seasons, workers are made to work for long hours and in night shifts. They are also not given fair wages. This forces them to lead a very hard and highly insecured life.

Q9. What is a tariff? Why is it imposed on goods? [V. Imp.]

Ans. A tariff is a tax imposed on goods when they are moved across a political boundary. Mostly, they are imposed on imported commodities.

Tariffs are imposed on goods

(*i*) To protect infant industries of the home country.

(*ii*) To prevent the dumping of foreign countries.

(*iii*) A source of revenue.

Q10. What role can the government play in order to ensure a fair globalisation?

Or

Explain how globalisation can be made fairer. [CBSE 2010(F)]

Ans. The government can play a major role in ensuring a fair globalisation in India:

(*i*) Its policies must protect the interests, not only of the rich and the powerful, but all the people in the country.

(*ii*) The government can ensure that labour laws are properly implemented and workers get their rights.

(*iii*) It can support small producers to improve their performance till the time they become strong enough to compete.

(*iv*) If necessary, the government can use trade and investment barriers.

(*v*) It can negotiate at the WTO for 'fairer rules'.

(*vi*) It can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

Q11. How are MNCs spreading their production across countries? Explain with an example. (AI CBSE 2012)

Ans. See NCERT Textbook Q4.

Q12. What would happen of Government of India parts heavy tax on import of Chinese toys? Explain any three points. (AI CBSE 2012)

Ans. (*i*) Those who wish to import Chinese toys would have to pay tax on this.

(*ii*) Because of the tax, buyers will have to pay a higher price on imported toys.

(*iii*) Chinese toys would no longer be so cheap in the Indian markets and imports from China will automatically reduce.

(*iv*) Indian toy makers will prosper.

Q13. "Information and communication technology has played a major role in spreading out products and services across countries." Support the statement. (CBSE 2012)

Ans. (*i*) In recent times, technology in the areas of telecommunications, computers, internet has been changing rapidly

(*ii*) Telecommunication facilities are used to contact one another around the world, to access information instantly, and to communicate from remote areas. This has been facilitated by satellite communication devices.

(*iii*) Computers have now entered almost every field of activity. Through the use of internet, one can communicate across the world at negligible costs.

(*iv*) These devices help us in various ways, transfer of money across the countries has become easy. We can place order for a variety of things through the phone or the internet, and goods are delivered at our home.

Q14. Explain any three steps taken by the Indian Government to attract foreign investment. [AICBSE 2013(C)]

Ans. In the recent years, the Indian Government has taken special steps to attract foreign companies to invest in India:

(*i*) The government has set up industrial zones called special Economic Zones (SEZs). SEZs provide world class facilities – electricity, water, roads, transport, storage recreational and educational facilities.

(*ii*) Companies who set up production units in the SEZs do not have to pay taxes for an initial period of five years.

(*iii*) The government has also allowed flexibility in the labour laws to attract foreign investment. The companies can now lower workers 'flexibly' for short period when there is intense pressure of work. This is done to reduce the cost of labour for the companies.

Q15. How do Multinational companies (MNCs) control production? Explain any three points. [AI CBSE 2008(C), 2009, 2010, 2011]

Ans. See NCERT Textbook Q4.

Q16. What are the benefits of foreign trade?

Ans. Benefits of foreign trade are:

(*i*) With the opening of trade, goods travel from one market to another.

(*ii*) Choice of goods in markets rises.

(*iii*) Prices of similar goods in two markets tend to become equal.

(*iv*) Producers in the two countries now closely compete against each other even though they are separated by thousands of miles.

Q17. Differentiate between foreign trade and foreign investment. **(HOTS)**

Ans.

Foreign Trade	Foreign Investment
(*i*) Foreign trade implies exchange of goods and services across nations.	(*i*) Foreign investment means transfer of capital from one nation to another.
(*ii*) Foreign trade connects markets in different countries.	(*ii*) Foreign investment products the process of industrialisation.

Q18. Explain how the developing countries which are members of the WTO suffer due to trade barriers. **(HOTS)**

Ans. The developing countries suffer due to trade barriers. WTO is supposed to allow free trade for all in practice. But the developed countries have unfairly retained trade barriers.

(*i*) WTO rules have forced the developing countries to remove trade barriers.

(*ii*) Farmers in most developed countries receive money from their respective government for production. Due to this massive money, they are able to sell their farm products at abnormally low prices.

(*iii*) Developed countries are asking governments of developing countries to stop supporting their farmers, but they are doing it themselves.

IV. LONG ANSWER TYPE QUESTIONS

Q1. How are multinational corporations (MNCs) controlling and spreading their productions across the world? Explain. (CBSE 2015)

Ans. Multinational Corporations (MNCs) usually set up production where it is close to the markets, where there is skilled and unskilled labour available at low costs and where the availability of other factors of production is assured. MNCs also might look for government policies that look after their interests.

Having assured themselves of these conditions, MNCs set up factories and offices for production. At times they set up production jointly with some of the local companies of these countries. They provide money to these local companies for additional investments like buying new machines for faster production. They also buy up local companies and then expand production. MNCs with huge wealth can quite easily do so.

There is another way in which MNCs control production. Large MNCs in developed countries place orders for production with small producers. The products are supplied to MNCs, which then, sell these under their own brand names to the customers. Thus, we see that there are a variety of ways in which the MNCs are spreading their production and interacting with local producers in various countries across the globe.

Q2. 'Rapid improvement in technology has been one major factor that has stimulated the globalisation process. Explain. [CBSE 2008(F)]

Or

Explain the role of technology in stimulating globalisation process. (CBSE 2010)

Ans. Rapid improvement in technology has been one major factor that has stimulated the globalisation process. For instance, the past fifty years have seen several improvements in transportation technology. This has made much faster delivery of goods across long distances possible at lower costs.

Even more remarkable have been the developments in information and communication technology. In the recent times, technology in the areas of telecommunication, computers, Internet has been changing rapidly. Telecommunication facilities (Telegraph, telephone including mobile phones, fax) are used to contact one another around the world, to access information instantly, and to communicate from remote areas. This has been facilitated by satellite communication devices. Computers have now entered almost every field of activity. Internet allows us to send instant electronic mail (*e*-mail) and talk (voice-mail) across the world at negligible costs.

Q3. Why is 'tax' on imports known as trade barrier? Why did the Indian government impose barriers to foreign trade and foreign investments after independence? Give three reasons. (CBSE 2008)

Ans. Trade barrier means restrictions imposed on import and export of goods. It is called so because some restrictions have been set up. The trade barriers provide protection to domestic goods from foreign competition. The government can use barriers to increase or decrease (regulate) foreign trade and to decide what kind of goods and services and how much of each should come into the country.

Reasons for putting barriers to foreign trade and foreign investment by the Indian Government were:

(*i*) To protect the domestic producers within the country from foreign competition.

(*ii*) The competition from importers would have crippled the new-born industries of India. In such a situation, imports of only such commodities were allowed which were quite necessary such as machinery, fertilisers, petroleum etc.

(*iii*) During 1950s and 1960s, competition from imports was giving a death blow to growing industries in India. Hence, India allowed imports of only essential goods.

Q4. Explain with examples how the opening up of foreign trade results in connecting the markets in different countries. (CBSE 2011)

Or

How does foreign trade play an important role in integrating the markets across the countries? Explain. [CBSE 2009(F), 2010, AI CBSE 2011, 2012]

Ans. See NCERT Textbook Q8.

Q5. What is liberalisation? What steps were taken by the government to liberate the Indian economy? (CBSE 2012)

Ans. Removing barriers or restrictions set by the government is known as liberalisation:

(*i*) The Indian government, after Independence, had put barriers to foreign trade and foreign investment. This was considered necessary to protect the producers within the country from foreign competition. Industries were just coming up in the 1950s and 1960s and competition from imports at that stage would not have allowed these industries to come up. Thus, India allowed imports of only essential items.

(*ii*) In 1991, the government decided that the time had come for Indian producers to compete with producers around the globe. It felt that competition would improve the performance of producers within the country. Since they would have to improve their quality.

(*iii*) Barriers on foreign trade and foreign investment were removed to a large extent. Now, goods could be imported and exported easily and also foreign companies could set up factories and officers here.

(*iv*) With libralisations of trade, businesses are allowed to make decisions freely about what they wish to import or export.

Q6. Explain the meaning of the term 'globalisation'. State any two factors that have helped in the process of globalisation. (HOTS)

Ans. Globalisation refers to the integration between countries through foreign trade and foreign investments by multinational companies.

- It means integrating our economy with world economy.
- Under globalisation a country becomes economically interdependent at the global or international level.
- This happens at various levels.
- Producers from other countries can come and sell their goods and services in India.
- Similarly, Indian goods and services can be sold in other countries.

Two factors that have enabled Globalisation:

(*i*) Information Technology — Telecommunication facilities like mobile, internet fax have helped us at negligible cost. Now a new magazine published for London readers can be designed and printed in Delhi.

(*ii*) Liberalisation of foreign trade and foreign investment – In India, trade barriers that were imposed after independence to protect producers' interests in the country from foreign competition were removed after 1991. Businessmen were allowed to import or export freely.

Q7. What are the factors that multinational companies take into account before setting up a factory in different countries?

Ans. Before setting up a company or a factory an MNC takes into account the following things.

(*i*) **Availability of cheap labour and other resources:** MNC's set up offices and factories for production in various regions of the world where cheap labour and other resources are available in order to earn greater profit. For example: MNC may spread its production activities to the following countries – USA for designing a product, China for manufacturing components etc. By doing so it is able to reduce the cost of production.

(*ii*) **Favourable government policy:** If the government policies are favourable it helps MNCs. For example: Flexibility of labour laws will reduce cost of production. MNCs are able to hire worker on casual and contractual wages for a short period instead of a regular basis. This reduces the cost of labour for the company and increases its margin of profit.

Q8. Describe with an example the role of multinational corporations in the process of globalisation. (HOTS)

Ans. MNCs have played a major role in the process of globalisation.

(*i*) MNCs are in search for locations around the world that are favourable for their production activities.

(*ii*) Foreign investment and foreign trade has increased.

(*iii*) A large part of the foreign trade is controlled by the MNCs.

(*iv*) MNCs are engaged in translocating capital, technology, people, goods and services across different nations of the world. This is how globalisation is promoted.

It can be further illustrated with the help of an example – Production of cars by Ford Motors in India would lead to interlinking of production. Ford Motors will produce various car components in India. Some other components may be produced elsewhere on the globe. Components produced in India will be shipped to Ford factories outside India. Components and other resources will be shipped to India for automobiles to be produced in India. All these processes will result in the interlinking of production.

Q9. What is SEZ? The setting of SEZ has been opposed by some people in India. Why? Explain.

Ans. In recent years, central and state governments in India are taking special steps to attract foreign companies to invest in India. So Special Industrial Zones are being set up. They are also called Special Economic Zones. They have world class facilities – like electricity, water, transport, recreational and educational facilities. Companies that set up production units SEZs do not have to pay taxes for an initial period of five years.

SEZs work against the economic interest of certain sections of society, hence, they are opposed by some people:–

(*i*) SEZs can be set up only after acquiring land from the farmers and they are not left with any source of livelihood.

(*ii*) Labour does not get the protections of labour law in SEZs.

V. VALUE BASED QUESTIONS

Q1. Information and communication technology or IT has stimulated the globalisation process. How would it influence the country like India where people still depend on agriculture and believe in their customs and traditions?

Ans. Rapid improvement in technology has been one major factor that has stimulated the globalisation process. For instances, the past fifty years have seen several improvements in transportation technology. This has made much faster delivery of goods across long distances possible at lower costs.

Even more remarkable have been the developments in information and communica-tion technology. In the recent times, technology in the areas of telecommunication, computers, Internet has been changing rapidly. Telecommunication facilities (Telegraph, telephone including mobile phones, fax) are used to contact one another around the world, to access information instantly, and to communicate from remote areas. This has been facilitated by satellite communication devices. Computers have now entered almost every field of activity. Internet allows us to send instant electronic mail (*e*-mail) and talk (voice-mail) across the world at negligible costs.

Q2. What values worked behind the restrictions on foreign trade in India after independence?

Ans. After India became independent, the Indian government put barriers to foreign trade and foreign investment. The values that worked behind this are:

(*i*) It was essential at that time to protect the producers within the country from foreign competition. Industries were just coming up in the 1950s and 1960s, and competition from imports at that stage would not have allowed these industries to emerge.

(*ii*) Since industries were newly born during that period, it was necessary to make their foundation strong by providing them opportunities to flourish first within the country, then across the country.

(*iii*) The restrictions on foreign trade for a certain period proved to be a boon for domestic producers in the sense that they became self-sufficient. This self-sufficiency made them able to face competitions.

TEST YOUR SKILLS

1. Why are the taxes called 'trade barriers'? Why does the Government of India put barriers to foreign trade and foreign investment?
2. What is liberalisation? What are its features?
3. Name some Indian companies that emerged as MNCs?
4. What do you mean by fair globalisation?
5. How do the local companies start to gain by setting up production jointly with the MNCs? Why do MNCs sometimes buy up local companies?
6. How and why was trade barrier used? What changes took place in 1991?
7. What is the impact of the globalisation in India? What are the different factors which have facilitated globalisation?