Globalisation and the Indian Economy

Question 1.
What are Multi-National Corporations (MNCs)?
Answer:
A Multi-National Corporation (MNC) is a company that owns or controls production in more than one nation. The goods and services are produced globally. The production process is divided into small parts and spread out across the globe.

Question 2.
Explain 'what is investment? Give a few examples of investment.
Answer:
Investment is buying of an asset in the form of a factory, a machine, land and building, etc. (Physical assets) or shares (monetary assets) for the purpose of making or sharing profits of the enterprises concerned Common investments are: buying land, factories, machines for faster production, buying small local companies to expand production, cheap labour, skilled engineers, IT personnel, etc.

Question 3.
In which year did the government decide to remove barriers on foreign trade and investment in India? (2011 D)
Answer:
1991

Question 4.
Why is 'tax' on imports known as a trade barrier? (2011 OD)
Answer:
Tax on imports is known as a trade barrier because it increases the price of imported commodities. It is . called a barrier because some restriction has been set up.

Question 5.
Which organization lays stress on liberalization of foreign trade and foreign investment? (2014 D, 2012 OD)
Answer:
World Trade Organization (W.T.O).

Question 6.
Give one characteristic feature of a 'Special Economic Zone'?
Answer:
Special Economic Zones or SEZs are industrial zones set up by the government having word class facilities such as electricity, water, roads, transport, storage, recreational and educational facilities. Companies who set up production units in SEZs are exempted from taxes for an initial period of five years.

Question 7.
Name an important barrier on foreign trade. (2013 D)
Answer:
Tax on imports is an important barrier on foreign trade.

Question 8.
What is meant by "fair globalization'? (2013 OD)
Answer:
Fair globalization means globalization that would create opportunities for all and ensure that its benefits are shared better.

Question 9.
What do you understand by the term 'Foreign Direct Investment'? (2014 OD)
Answer:
FDI is the investment of foreign capital in the economic and productive activities of a country by foreign companies or MNCs with the aim of expanding capacity and production to earn profits.

Question 11.

What is meant by trade barrier? (2015 OD)

Answer:

Barriers or restrictions that are imposed by the government on free import and export activities are called trade barriers. Tax on imports is an example of a trade barrier because it increases the price of imported • commodities. The government can use a trade barrier like 'tax' to increase or decrease (regulate) foreign trade and to decide what kind of goods and how much of what should come into the country.

Question 12.

Differentiate between investment and foreign investment. (2016 D)

Answer:

The money that is spent to buy assets (land, building, machines and other equipments) is called investment, while the investment made by the MNCs is called foreign investment.

Question 13.

Why do MNCs set up their offices and factories in those regions where they get cheap labour and other resources? (2016 OD)

Answer:

MNCs set up offices and factories for products in regions where they can get cheap labour and other resources so that—

- the cost of production is low
- the MNCs can earn greater profits.

Question

Why had Indian government put barriers to foreign trade and foreign investment after independence? Explain. (2014 D)

Or

Why had the Indian government put barriers to foreign trade and foreign investments after independence? Analyse the reasons. (2016 OD)

Answer:

1 The Indian government after independence had put barriers to foreign trade and investment. This was done 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 develop and grow. Imports of only essential items such as machinery, fertilisers, petroleum etc. was allowed.

2 Another reason was to protect the Indian economy from foreign infiltration in industries affecting the economic growth of the country as planned. India wanted to move faster to catch up with the main industries in the world market and therefore had to keep an extra watch on its progress in international trade and give incentives to the more rapidly growing industries through fiscal tariff and other means.

Question 25.

How are MNCs able to cope with large demands from all over the iworld and control prices? (2014 OD)

Answer:

1 Large MNCs in developed countries place orders for production with small producers.

2 The MNCs sell these under their own brand names to the customers.

3 As they control the market with the huge demand, they are able to control prices.

Question 26.

"A wide ranging choice of goods are available in the Indian markets." Support the statement with examples in context of globalisation. (2016 D)

Answer:

Globalisation has led to integration of markets across countries. The Indian markets are now flooded with a wide ranging choice of goods. Import from other countries has led to an expanding choice of goods beyond what is domestically produced —

1 We have a wide variety of goods and services before us in the market.

2 The latest models of digital cameras, mobile phones and televisions made by leading manufacturers of the world like Sony, Samsung etc. are available in the market.

3 Every season, new models of automobiles can be seen on Indian roads. Today Indians are buying cars produced by nearly all the top companies in the world.

4 A similar explosion of brands can be seen for many other goods like footwear. For example, Adidas, Nike, Reebok, Puma and many more.