

# Globalisation & the Indian Economy

2016

## Very Short Answer Type Questions [1 Mark]

### Question 1.

Differentiate between investment and foreign investment.

#### Answer:

The money that is spent to buy assets such as land, building, machines etc. is called investment whereas investment made by a MNC to buy such assets is called foreign investment.

### Question 2.

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

#### Answer:

MNCs set up their offices and factories in those regions where they get cheap labour and other resources because they bring down the cost of production and ensure more profits for themselves.

### Question 3.

Due to what reason are the latest models of different items available within our reach?

#### Answer:

Globalisation

## Short Answer Type Questions [3 Marks]

### Question 4

'Barriers on foreign trade and foreign investment were removed to a large extent in India since 1991.' Justify the statement.

#### Answer:

In 1991, the Indian government decided that the time has come for Indian producers to

compete with producers around the world. It felt that foreign competition would improve the quality of goods produced by Indian producers within the country.

Thus, barriers on foreign trade and foreign investment were removed to a large extent. It meant goods could be imported or exported easily and foreign companies could set up factories and offices in India.



### Question 5.

“A wide ranging choice of goods are available in the Indian markets.” Support the statement with examples in context of globalisation.

#### Answer:

**The Indian market has been transformed in recent years. The consumers have a wide variety of goods and services to choose from, which were not available earlier.**

**For example:**

The latest models of mobile phones, television, digital cameras of leading manufacturers and other well known brands of the world are easily available in the markets.

New models of cars and automobiles are launched every season.

The top companies in the world have introduced their popular brands in India for various products like shirts, fruit juices, cosmetics, toys, furniture, stationery etc.

All this has been possible only due to globalisation.

### Question 6.

“Globalisation and greater competition among producers has been of advantageous to consumers.” Justify the statement with examples.

#### Answer:

**Globalisation and greater competition among producers has been of advantageous to consumers in the following ways:**

- Consumers in today's world have a wide variety of goods and services to choose from. The latest models of digital cameras, mobile phones and televisions made by the leading manufacturers are available to them.
- Consumers now enjoy better and improved quality at lower prices.
- It has resulted in higher standards of living.
- There has been a varying impact on producers and workers.
- Many top Indian companies have been able to establish themselves as multi-national corporations.
- Latest technology and production methods have raised production standards.

### Question 7.

Why had the Indian government put barriers to foreign trade and foreign investment after independence? Analyse the reasons.

#### Answer:

**The Indian government put barriers on foreign trade and foreign investment after independence because:**

- (a) It was considered necessary to protect the producers within the country from foreign competition.
- (b) In 1950s and 1960s, the industries were in nascent stage and competition from imports at that stage would not have allowed these industries to develop.
- (c) Therefore, India allowed the imports of only essential items like machinery, fertilizers, petroleum etc.

### Question 8.

Explain by giving examples how Multinational Corporations (MNCs) are spreading their products in different ways.

#### Answer:

**Multinational Corporations (MNCs) are spreading their production in different ways.**

**Some of them are:**

By buying local companies and, then expanding production. For example, Cargill Foods, a very large American MNC, purchased small Indian company, Parakh foods. Cargill Foods is, now, the largest producer of edible oil in India with a capacity making 5 million pouches daily. By placing orders for production with small producers. Garments, footwear, sports items are examples where production is carried out by small producers for large MNCs around the world.

By producing jointly with some of the local companies. It benefits the local company in two ways.

1. A MNC can provide money for additional investments.
2. A MNC can bring latest technology for production.

For example, Ford Motors set up a large plant near Chennai, in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks.

### Question 9.

How have our markets been transformed? Explain with examples.

#### Answer:

The advent of globalisation and the policy of liberalization have opened the market to the world players. It has given rise to wide choice of goods and services to the consumer. MNCs have played a vital role in the world market. Foreign trade and investment in the country has increased. It has also resulted in exchange of technology between countries. In recent times, technology in the areas of telecommunications, computers and internet has been changing rapidly.

Globalisation has also created new opportunities for companies providing services, particularly those involving in IT. Better job opportunities for people have given rise to migration.

Globalisation has also enabled some large Indian companies to emerge as multinationals. For example, Tata Motors, Infosys, Ranbaxy have expanded their operations around the world.

### Question 10.

How does foreign trade integrate the markets of different countries? Explain with examples.

#### Answer:

Foreign trade integrates the markets of different countries as:

- (a) It provides an opportunity for both producers and consumers to reach beyond the markets of their own country.
- (b) Producers now compete with markets located in other countries.
- (c) There is an expansion of choice of goods beyond the domestic market.
- (d) For example, during the Diwali season, buyers in India have the option of buying either Indian or Chinese decorative lights and bulbs. The Chinese manufacturers get the opportunity to expand their business.

### Question 11.

How do large companies manipulate the market? Explain with examples.

#### Answer:

The large companies manipulate the market in the following ways:

- Sometimes false information is passed on through media and other sources to attract consumers. For example, a company selling powder milk for babies as the most scientific product claiming it to be better than mother's milk which although was a false claim.
- Some food items were consumed in India for many years although it is very harmful for the health of people. But through attractive and convincing advertisements in media, it was able to control the market such as Maggie noodles manufactured by Nestle was found harmful after testing in India in May 2015.
- They may also hide the essential information about the product like expiry date, contents, terms and conditions etc. to keep the consumers in dark.
- Sometimes, the expired products are packed in a new packing and again released in the market.
- It has also been evident that artificial scarcity is created by the producers and the product is hoarded for sale in future at a high price. (any three)

### Question 12.

"Information and communication technology has played a major role in spreading out production of services across countries". Justify the statement with examples.

#### Answer:

Information and communication technology has played a major role in spreading out products and services across countries. In recent years, technology in the areas of telecommunication facilities (telegraph, telephone including mobile phone) are used to contact one another around the world.

For example, a news magazine published for London readers is to be designed and printed in India. The text is sent through the internet to Delhi office. Design of the magazine is also sent to Delhi from London office using telecommunication facilities. The design is done on a computer. After printing, the magazines are sent to London by air. The payment for the services from London to Delhi is done instantly through the internet (e-banking).

### Long Answer Type Questions [5 Marks]

### Question 13.

What is globalisation? Describe the role of Multinational Corporations (MNCs) in promoting globalisation process.

#### Answer:

Globalisation means integrating the economy of a country with the economies of other countries under conditions of free flow of trade and capital and movement of persons across borders.

MNCs play an important role in promoting globalisation process in the following ways:

- They serve as agents for the transfer of superior technology. They have provided advanced technology, manufacturing process and improved skills to underdeveloped countries.
- They help in the transfer of capital from countries where it is abundant to where it is scarce.
- They help in building up knowledge base and development of human resources, (id) They help in creating large scale employment opportunities by setting up their branches and subsidiaries.

- The operations of MNCs have a favourable effect on the balance of payments account of the host country.

#### Question 14.

What is trade? Explain the importance of international trade.

#### Answer:

The exchange of goods among people, states and countries is referred to as trade.

The international trade is important because:

- It helps in exchange of surplus goods with those of deficit countries through foreign trade.
- It helps in improving the quality of domestic goods.
- It contributes to the economic growth of the country by raising income level of the people and increasing foreign exchange reserves.
- It enables a country to import advanced technology of other countries to improve its own production.

#### Question 15.

Describe the impact of globalisation on Indian economy with examples.

#### Answer:

**The impact of globalisation on Indian economy is as follows:**

- It has created competition among producers, both local and foreign, which is advantageous to the consumers, particularly the well off. Now, there is a greater choice of goods before the consumers.
- It has enabled many Indian companies to become multi-national companies such as Tata Motors, Infosys and Ranbaxy.
- It has created new employment opportunities for companies providing services specially information technology. A lot of services such as data entry, accounting, administrative tasks are done cheaply in India and exported to other countries.
- New jobs are created in industries such as electronics, cell phones, automobiles and fast food.
- It had a negative impact on small manufacturers. Due to competition, some industries has been hit hard such as batteries, capacitors, plastic toys, vegetable oil etc. A number of units have shut down and a lot of workers, have become jobless.

#### Question 16.

Describe any five factors that promote the Multinational Corporations (MNCs) to set up their production units in a particular place.

#### Answer:

The factors that MNCs take into consideration to set up their production units in a particular place are:

- where it is close to the markets.
- where the skilled and unskilled labour at low costs is available.
- where the favourable government policies looking after their interest are , present.
- where the other factors of production such as raw materials, water, electricity and transport are available.
- where there are standard safety measures for assured production.

#### Question 17.

Describe the major problems created by the globalisation for a large number of small



producers and workers.

**Answer:**

The major problems created by the globalisation for a large number of small producers and workers are:

- The small producers or workers either have to compete or perish.
- Small scale industries like batteries, capacitors, plastic toys etc. have been hit hard due to global products and have suffered great losses in their businesses.
- Several small factory units are forced to shut down.
- Millions of workers have gone jobless and jobs are no longer secure.
- It has increased income inequalities among various countries.
- Unorganised sector has expanded. {any five}

**2015**

**Very Short Answer Type Questions [1 Mark]**

**Question 18.**

Why had the Indian Government put barriers to foreign trade and foreign investment after independence? State any one reason.

**Answer:**

To protect the producers within the country from foreign competition.

**Question 19.**

What is the meaning of investment?

**Answer:**

The money that is spent to buy assets such as land, building, machines and other equipments is called investment.

**Question 20.**

What is meant by trade barrier?

**Answer:**

It refers to the various restrictions which are used by the government of a country to increase or decrease foreign trade such as tax on imports.

**Question 21.**

Why did the Indian government remove barriers to a large extent on foreign trade and foreign investment?

**Answer:**

The Indian government realised that its domestic industries had established themselves and it was the proper time to face competition and improve the quality of production. So, barriers on foreign trade and investment were removed.

**Short Answer Type Questions [3 Marks]**

**Question 22.**

In recent years how our markets have been transformed? Explain with examples.

**Answer:**

The advent of globalisation and the policy of liberalization have opened the market to the world players. It has given rise to wide choice of goods and services to the consumer. MNCs have played a vital role in the world market. Foreign trade and investment in the country has increased. It has also resulted in exchange of technology between countries. In

recent times, technology in the areas of telecommunications, computers and internet has been changing rapidly.

Globalisation has also created new opportunities for companies providing services, particularly those involving in IT. Better job opportunities for people have given rise to migration.

Globalisation has also enabled some large Indian companies to emerge as multinationals. For example, Tata Motors, Infosys, Ranbaxy have expanded their operations around the world.

**Question 23.**

“Foreign trade integrates the markets in different countries.” Support the statement with arguments.

**Answer:**

Foreign trade integrates the markets of different countries as:

- (a) It provides an opportunity for both producers and consumers to reach beyond the markets of their own country.
- (b) Producers now compete with markets located in other countries.
- (c) There is an expansion of choice of goods beyond the domestic market.
- (d) For example, during the Diwali season, buyers in India have the option of buying either Indian or Chinese decorative lights and bulbs. The Chinese manufacturers get the opportunity to expand their business.

**Question 24.**

“Technology has stimulated the globalisation process.” Support the statement with examples.

**Answer:**

**Technology has stimulated the process of globalisation in the following ways:**

- Transportation technology has witnessed several improvements in past fifty years. This has made much faster delivery of goods across long distances possible at lower costs, such as use of containers have led to huge reduction in port handling costs and increased the speed with which exports can reach markets. Also, the cost of air transport has fallen. Ultimately, it has stimulated the globalisation process.
- Telecommunication has also shown remarkable development. Computers, internet, e-mail, voice-mail, etc. are used intensively to contact one another around the world.
- There has been a remarkable development in information and communication technology. It has enabled to access information instantly and communicate even in the remotest areas. Call centres use this to satisfy their customers abroad or provide outsourcing services from anywhere.

**Long Answer Type Questions [5 Marks]**

**Question 25.**

How are Multinational Corporations (MNCs) controlling and spreading their productions across the world? Explain.

**Answer:**

**The ways in which MNCs controlling and spreading their productions across the world are:**

- By directly setting up factories and offices for production.
- By setting up production jointly with some of the local companies of other countries.
- By buying up local companies and then expand production
- By placing orders for production with small producers of the countries such as



garments, footwear.

- By buying mass produced goods of domestic industries and, then sell it under their own brand name at much higher rates in foreign countries.

### Question 26.

How do the large companies manipulate the market? Explain with examples.

**Answer:**

**The large companies manipulate the market in the following ways:**

- Sometimes false information is passed on through media and other sources to attract consumers. For example, a company selling powder milk for babies as the most scientific product claiming it to be better than mother's milk which although was a false claim.
- Some food items were consumed in India for many years although it is very harmful for the health of people. But through attractive and convincing advertisements in media, it was able to control the market such as Maggie noddles manufactured by Nestle was found harmful after testing in India in May 2015.
- They may also hide the essential information about the product like expiry date, contents, terms and conditions etc. to keep the consumers in dark.
- Sometimes, the expired products are packed in a new packing and again released in the market.
- It has also been evident that artificial scarcity is created by the producers and the product is hoarded for sale in future at a high price

### Question 27.

"Globalisation and greater competition among producers has been advantageous to consumers." Support the statement with examples.

**Answer:**

**Globalisation and greater competition among producers has been of advantageous to consumers in the following ways:**

- Consumers in today's world have a wide variety of goods and services to choose from. The latest models of digital cameras, mobile phones and televisions made by the leading manufacturers are available to them.
- Consumers now enjoy better and improved quality at lower prices.
- It has resulted in higher standards of living.
- There has been a varying impact on producers and workers.
- Many top Indian companies have been able to establish themselves as multi-national corporations.
- Latest technology and production methods have raised production standards.

### Question 28.

"Fair globalisation would create opportunities for all and also ensure that benefits of globalisation are shared better." Support the statement.

**Answer:**

**The government can take the following steps to ensure better sharing benefits of fair globalisation.**

- The labour laws should be implemented properly and they should get their due rights.
- The small producers should be supported to improve their performance.
- It should use trade and investment barriers efficiently.
- It should negotiate at the WTO for fairer rules.





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

2014

### Short Answer Type Questions [3 Marks]

#### Question 29.

How has information and communication technology stimulated globalisation process?

Explain with examples.

#### Answer:

**Information and communication technology has stimulated the globalisation process as:**

- In recent years, technology in the areas of computers, telecommunication and internet has been changed rapidly.
- Telecommunication facilitates including telegraph, telephone, mobile phone, fax are used to contact one another around the world and to get information instantly and to communicate from remote areas.
- All this has been facilitated by satellite communication devices.
- Computers and internet have enabled people to obtain and share information on any subject.

#### Question 30.

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

#### Answer:

**The Indian government put barriers on foreign trade and foreign investment after independence because:**

- It was considered necessary to protect the producers within the country from foreign competition.
- In 1950s and 1960s, the industries were in nascent stage and competition from imports at that stage would not have allowed these industries to develop.
- Therefore, India allowed the imports of only essential items like machinery, fertilizers, petroleum etc.

#### Question 31.

Why have the barriers on foreign trade and foreign investment been removed to a large extent by the Indian government? Explain.

#### Answer:

In 1991, the Indian government decided that the time has come for Indian producers to compete with producers around the world. It felt that foreign competition would improve the quality of goods produced by Indian producers within the country.

Thus, barriers on foreign trade and foreign investment were removed to a large extent. It meant goods could be imported or exported easily and foreign companies could set up factories and offices in India.

#### Question 32.

How have markets been transformed in recent years? Explain with examples.

#### Answer:

The advent of globalisation and the policy of liberalization have opened the market to the world players. It has given rise to wide choice of goods and services to the consumer.



MNCs have played a vital role in the world market. Foreign trade and investment in the country has increased. It has also resulted in exchange of technology between countries. In recent times, technology in the areas of telecommunications, computers and internet has been changing rapidly.

Globalisation has also created new opportunities for companies providing services, particularly those involving in IT. Better job opportunities for people have given rise to migration.

Globalisation has also enabled some large Indian companies to emerge as multinationals. For example, Tata Motors, Infosys, Ranbaxy have expanded their operations around the world.

### Question 33

How are Multinational Corporations spreading their products? Explain with examples.

**Answer:**

**Multinational Corporations (MNCs) are spreading their production in different ways. Some of them are:**

- By buying local companies and, then expanding production. For example, Cargill Foods, a very large American MNC, purchased small Indian company, Parakh foods. Cargill Foods is, now, the largest producer of edible oil in India with a capacity making 5 million pouches daily.
- By placing orders for production with small producers. Garments, footwear, sports items are examples where production is carried out by small producers for large MNCs around the world.
- By producing jointly with some of the local companies. It benefits the local company in two ways.
  1. A MNC can provide money for additional investments.
  2. A MNC can bring latest technology for production.

For example, Ford Motors set up a large plant near Chennai, in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks.

### Question 34

How did 'Cargill Foods' become the largest producer of edible oils in India? Explain.

**Answer:**

Cargill Foods, a very large American MNC, bought Parakh foods, which had a large marketing network in many parts of India. It was a well-reputed company. It had four oil refineries, whose control passed to Cargill Foods. Cargill Foods is, now, the largest producer of edible oil in India, with a capacity of making 5 million pouches daily.

### Question 35.

Why did Ford Motors want to develop Ford India as a component supplying base for its other plants across the globe? Explain.

**Answer:**

**Ford Motors wanted to develop Ford India as a component supplying base for its other plants across the globe because:**

- Ford Motors was selling 27,000 cars in the Indian market and 24,000 cars were exported from India to South Africa, Mexico and Brazil. India was making components and know how to produce them, so they could be easily manufactured and sent across the globe.
- Sending components from India to other plants will reduce the time in manufacturing the components and the orders could be placed immediately.

- Same plants would not need to be set up at all locations.

### Question 36.

How does foreign trade connect the markets of different countries? Explain with example.

#### Answer:

**Foreign trade integrates the markets of different countries as:**

- It provides an opportunity for both producers and consumers to reach beyond the markets of their own country.
- Producers now compete with markets located in other countries.
- There is an expansion of choice of goods beyond the domestic market.
- For example, during the Diwali season, buyers in India have the option of buying either Indian or Chinese decorative lights and bulbs. The Chinese manufacturers get the opportunity to expand their business.

### Question 37.

“The impact of globalisation has not been visualised uniformly among producers and workers.” Support the statement with facts.

#### Answer:

Everyone has not benefitted from globalisation. While people with education, skill and wealth have made the best use of the opportunities offered by globalisation, the others have not shared the benefits. While producers have become MNCs, the workers are facing many problems.

Globalisation and competition among producers have changed the life of the workers. Most employers want to employ workers flexibly which means jobs are no longer secure. Earlier workers were employed permanently. Now, they employ the workers temporarily, when there is pressure of work, otherwise they are dismissed.

### Long Answer Type Questions [5 Marks]

### Question 38.

Explain the role of Multinational Corporations (MNCs) in the globalisation process.

#### Answer:

**MNCs play an important role in the process of globalisation as:**

- They not only bring their products to a country but also the new business policies and cultures.
- They also help in increasing competitiveness among the Indian companies.
- At present, most of us are able to use the latest models of cars and this could be possible only because of globalisation.
- The setting up of large number of MNCs develops broad outlook among the people of a country.
- MNCs have increased the choices of consumers at a very substantial price. This has further increase their standard of living.

### Question 39.

“Globalisation has been advantageous to both consumers as well as producers.” Support the statement with suitable examples.

#### Answer:

**Advantages of globalisation for consumers:**

- They have greater choice.



- Better quality of products are available for consumption due to competition.
- It has reduced the cost of goods and services considerably.

**Advantages of globalisation to producers:**

- They now have access to international markets for their **products**.
- They have easier access to foreign investment to enhance their production, (c)  
Collaboration with MNCs have added up their performance and profits.

**2013**

**Short Answer Type Questions [3 Marks]**

**Question 40.**

How do multinational companies manage to keep the cost of production of their goods low? Explain with examples.

**Answer:**

**The multinational companies manage to keep the cost of production of their goods low in the following ways:**

- They set up production jointly with some of the local companies of these countries. For example, Ford Motors spent 21700 crores to set up a large plant near Chennai in collaboration with Mahindra and Mahindra. In India, labour and transportation cost is very low which cuts down the cost of production.
- They buy up local companies and expand production. For example, Cargill Foods, a large American MNC bought Parakh Foods. The company got ready made infrastructure. As production increases, cost comes down.
- They place orders for production with small producers. They purchase garments, footwear, sports goods and sell them under their brand name.

**Question 41.**

How are local companies benefited by collaborating with multinational companies? Explain with examples.

**Answer:**

**The local companies are benefited by collaborating with multinational companies in the following ways:**

- They provide money to the local companies for additional investments like buying new machines to replace the old ones.
- They bring the latest technology for production.
- They may build new stores and office buildings, thus providing employees with modern surroundings.

**Question 42.**

Explain any three ways in which multinational companies are spreading their production.

**Answer:**

**Multinational Corporations (MNCs) are spreading their production in different ways. Some of them are:**

- By buying local companies and, then expanding production. For example, Cargill Foods, a very large American MNC, purchased small Indian company, Parakh foods. Cargill Foods is, now, the largest producer of edible oil in India with a capacity making 5



million pouches daily.

- By placing orders for production with small producers. Garments, footwear, sports items are examples where production is carried out by small producers for large MNCs around the world.
- By producing jointly with some of the local companies. It benefits the local company in two ways.

1. A MNC can provide money for additional investments.
2. A MNC can bring latest technology for production.

For example, Ford Motors set up a large plant near Chennai, in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks

#### **Question 43.**

What is foreign trade? How does it integrate markets? Explain with examples.

#### **Answer:**

Trade between two countries is called foreign trade. It may take place through sea, air or land. It creates an opportunity for the producers to reach beyond domestic markets.

#### **Foreign trade integrates the markets of different countries as:**

- It provides an opportunity for both producers and consumers to reach beyond the markets of their own country.
- Producers now compete with markets located in other countries.
- There is an expansion of choice of goods beyond the domestic market.
- For example, during the Diwali season, buyers in India have the option of buying either Indian or Chinese decorative lights and bulbs. The Chinese manufacturers get the opportunity to expand their business.

#### **Question 44.**

What is globalisation? How does globalisation help in interconnection among different countries? Explain with examples.

#### **Answer:**

Globalisation means integrating the economy of a country with the economies of other countries under conditions of free flow of trade, capital and movement of persons across borders.

#### **Globalisation interconnect different countries by:**

- Foreign trade. It leads to integration of markets across countries due to which the latest models of goods like digital cameras, mobile phones and televisions etc. are available in one country.
- Foreign investment. MNCs invest capital in different countries by
- jointly producing with local companies.
- buying the local companies.
- placing orders for production like garments footwear, sports goods etc. with small producers of other countries.

### **Long Answer Type Questions [5 Marks]**

#### **Question 45.**

How have our markets been transformed in recent years? Explain with examples.

#### **Answer:**

The advent of globalisation and the policy of liberalization have opened the market to the world players. It has given rise to wide choice of goods and services to the consumer.



MNCs have played a vital role in the world market. Foreign trade and investment in the country has increased. It has also resulted in exchange of technology between countries. In recent times, technology in the areas of telecommunications, computers and internet has been changing rapidly.

Globalisation has also created new opportunities for companies providing services, particularly those involving in IT. Better job opportunities for people have given rise to migration.

Globalisation has also enabled some large Indian companies to emerge as multinationals. For example, Tata Motors, Infosys, Ranbaxy have expanded their operations around the world.

#### Question 46.

How has improvement in technology stimulated the globalisation process? Explain.

**Answer:**

**The improvement in technology has stimulated the globalisation process as:**

- There has been many improvements in transport technology in the recent years that have enabled faster delivery of goods across the world.
- Development of information technology in the areas of telecommunication like internet has revolutionised the world.
- Use of telegraph, mobiles, fax have enabled faster and easier access to information anywhere at any point of time.
- All these developments have further decreased the cost of their operations favouring the consumers around the world.
- It has opened up horizons for further advancement, research and development of existing means.

#### Question 47.

How has globalisation benefited India? Explain with five examples.

**Answer:**

**The impact of globalisation on India are:**

- It has enabled some large Indian companies to emerge as MNCs such as Tata Motors, Infosys.
- It has also created new opportunities for companies providing services like information technology.
- Greater competition among producers has been of special advantage particularly to the well-off sections of consumers in the urban areas. They have greater choice and enjoy improved quality and lower prices for various products. Thus, they are enjoying a higher standard of living.
- In these industries and services, new jobs have been created and also the companies supplying raw materials to these industries have prospered.
- Several of the top Indian companies have been able to benefit from the increased competition. They have invested in new technology and production methods and raised the standard of their products. Some of them have gained from successful collaboration with foreign companies.

#### Question 48.

How is the Government of India trying to attract more foreign investment? Explain with examples.

**Answer:**

**The government of India is trying to attract more foreign investment in the following**



ways:

- Government has adopted the policy of liberalisation and lifted the trade barriers to allow foreign investment.
- In recent years, industrial zones called Special Economic Zones are being set up. These areas have world class facilities such as electricity, water, transport, education and recreational.
- The companies setting up production units in Special Economic Zones are exempted from various taxes and duties.
- The government also allowed flexibility in labour laws. The workers in the organised sector are protected by the government laws. The companies in Special Economic Zones instead could ignore many of the laws and engage workers flexibly for shorter periods, when there is a pressure of work.

2012

### Short Answer Type Questions [3 Marks]

#### Question 49.

How are MNCs spreading their production across countries? Explain with an example.

**Answer:**

**Multinational Corporations (MNCs) are spreading their production in different ways.**

**Some of them are:**

- By buying local companies and, then expanding production. For example, Cargill Foods, a very large American MNC, purchased small Indian company, Parakh foods. Cargill Foods is, now, the largest producer of edible oil in India with a capacity making 5 million pouches daily.
- By placing orders for production with small producers. Garments, footwear, sports items are examples where production is carried out by small producers for large MNCs around the world.
- By producing jointly with some of the local companies. It benefits the local company in two ways.
  1. A MNC can provide money for additional investments.
  2. A MNC can bring latest technology for production.

For example, Ford Motors set up a large plant near Chennai, in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks.

#### Question 50.

What would happen if Government of India puts heavy tax on import of Chinese toys?

Explain any three points.

**Answer:**

If Government of India puts heavy tax on import of Chinese toys, then

- (a) the Chinese toys will become expensive and may be people will not buy them and, thus, the Chinese toys will lose their market in India.
- (b) people in India, will buy local made goods (toys) and the local industries will get a boost and their sale will also go up.
- (c) as there would be greater demand of Indian goods, the Indian, manufacturers, then, will earn more profits and workers will get more employment.



### Question 51.

How has foreign trade been integrating markets of different countries in the world? Explain with examples.

#### Answer:

**Foreign trade integrates the markets of different countries as:**

- It provides an opportunity for both producers and consumers to reach beyond the markets of their own country.
- Producers now compete with markets located in other countries.
- There is an expansion of choice of goods beyond the domestic market.
- For example, during the Diwali season, buyers in India have the option of buying either Indian or Chinese decorative lights and bulbs. The Chinese manufacturers get the opportunity to expand their business.

### Question 52.

What is the main aim of World Trade Organisation? Explain its functions.

#### Answer:

The main aim of World Trade Organisation is to liberalise international trade. It says that all barriers to foreign trade and investment are harmful. There should be no barriers.

**The main functions of World Trade Organisation are:**

- It establishes rules regarding international trade and sees that they are obeyed.
- It provides a platform to member countries to decide future strategies related to trade.
- It administers the rules and processes related to dispute settlement.
- It ensures optimum utilisation of world resources. .
- It assists international organisations such as IMF and 1BPD for establishing coherence in Universal Economic Policy determination. \

### Question 53.

How has globalisation been advantageous to both the producers as well as the consumers in India? Explain.

#### Answer:

**Advantages of globalisation for consumers:**

- They have greater choice.
- Better quality of products are available for consumption due to competition.
- It has reduced the cost of goods and services considerably.

**Advantages of globalisation to producers:**

- They now have access to international markets for their products.
- They have easier access to foreign investment to enhance their production,
- Collaboration with MNCs have added up their performance and profits.

### Long Answer Type Questions [4/5 Marks]

### Question 54.

Explain four ways in which globalisation and pressure of competition has changed the lives of workers substantially.

#### Answer:

**Globalisation and pressure of competition has affected the workers in following ways:**





- Casual workers are hired on contract when demand is high and laid off when demand declines.
- There is no job security among workers.
- They have long working hours and work in the night shifts on a regular basis during peak seasons.
- They are not given any benefits of pension, overtime, medical leaves etc.

#### Question 55

“Information and communication technology has played a major role in spreading out products and services across countries.” Support the statement.

#### Answer:

Information and communication technology has played a major role in spreading out products and services across countries. In recent years, technology in the areas of telecommunication facilities (telegraph, telephone including mobile phone) are used to contact one another around the world.

For example, a news magazine published for London readers is to be designed and printed in India. The text is sent through the internet to Delhi office. Design of the magazine is also sent to Delhi from London office using telecommunication facilities. The design is done on a computer. After printing, the magazines are sent to London by air. The payment for the services from London to Delhi is done instantly through the internet (e-banking).

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### Short Answer Type Questions [3 Marks]

#### Question 56

Explain any three conditions that determine MNCs setting up production in other countries.

#### Answer:

**The factors that MNCs take into consideration to set up their production units in a particular place are:**

- where it is close to the markets.
- where the skilled and unskilled labour at low costs is available.
- where the favourable government policies looking after their interest are present.
- where the other factors of production such as raw materials, water, electricity and transport are available.
- where there are standard safety measures for assured production.

#### Question 57

Explain the role of government in- making globalisation fair.

#### Answer:

Government can play an important role in making globalisation fair in the following ways:

- Policies should be made in such a way that they protect the interests of not only the rich and prosperous producers but also the workers.
- Labour laws should be properly implemented favouring the workers so that their basic rights like sustainable wages, better working conditions, health etc. are not hampered.
- Efforts should be made to protect the small producers from international competition and prepare a stage for their survival.

#### Question 58.

What is the meaning of SEZ? Mention any two features of SEZ. SEZ meAnswer: Special



Economic Zones. These are designated areas in a region set up by the government to attract foreign companies to invest in their countries.

**Answer:**

**The features of Special Economic Zones are:**

- The companies who set up production units in these areas are exempted from paying taxes for an initial period of five years.
- These areas are provided with best infrastructural facilities like roads, water, transportation, communication, markets etc.

**Question 59.**

How do large companies often manipulate the markets? Explain with an example.

**Answer:**

**The large companies manipulate the market in the following ways:**

- Sometimes false information is passed on through media and other sources to attract consumers. For example, a company selling powder milk for babies as the most scientific product claiming it to be better than mother's milk which although was a false claim.
- Some food items were consumed in India for many years although it is very harmful for the health of people. But through attractive and convincing advertisements in media, it was able to control the market such as Maggie noodles manufactured by Nestle was found harmful after testing in India in May 2015.
- They may also hide the essential information about the product like expiry date, contents, terms and conditions etc. to keep the consumers in dark.
- Sometimes, the expired products are packed in a new packing and again released in the market.
- It has also been evident that artificial scarcity is created by the producers and the product is hoarded for sale in future at a high price.

**Question 60.**

Give the meaning of WTO. Mention any two shortcomings of WTO. Answer: WTO stands for World Trade Organisation which was started at the initiative of developed countries to liberalise international trade.

**Answer:**

**The shortcomings of WTO are:**

- It is dominated by the developed countries who manipulate its policies to favour their interest, thus ignoring the developing countries.
- It was supposed to allow free trade, but the developed countries have unfairly retained trade barriers whereas it forced the developing countries to remove the trade barriers.

**Question 61.**

Explain any three advantages of globalisation.

**Answer:**

**The advantages of globalisation are:**

- Resources of different countries are used for producing goods and services more efficiently.
- Consumers get much wider variety of goods to choose from.
- Consumers get the goods they want at most competitive prices.
- Companies get access to much wider markets. (any three)

### Question 62.

What is a trade barrier? Why did the Indian government put trade barriers after Independence? Explain.

#### Answer:

Trade barriers are the restrictions that are imposed by the government on free import and export activities so as to protect its producers and entrepreneurs.

**The Indian government put barriers on foreign trade and foreign investment after independence because:**

- It was considered necessary to protect the producers within the country from foreign competition.
- In 1950s and 1960s, the industries were in nascent stage and competition from imports at that stage would not have allowed these industries to develop.
- Therefore, India allowed the imports of only essential items like machinery, fertilizers, petroleum etc.

### Question 63.

Explain with three examples how top Indian companies have benefitted from globalisation.

#### Answer:

**The top Indian companies have benefitted from globalisation in the following ways:**

- They have been able to survive in the international competition.
- They have invested in newer technology and production methods and raised their production standards.
- They also have gained from successful collaborations with foreign companies.
- Many of them have emerged as multinationals themselves such as Tata Motors and Asian Paints.
- It has provided them new opportunities for expansion and value addition of their services. (any three)

### Question 64.

What are the harmful effects of MNCs to a host country? Give three examples.

#### Answer:

**The harmful impacts of MNCs to a host country are:**

- They can hamper the growth of local industries by giving them tough competition.
- They generally use capital intensive techniques which may not be suitable for a developing country like India, where unemployment is a big problem.
- They may misuse the environment of the host country by over exploiting its natural resources.

### Question 65.

What has been the impact of globalisation on India? Explain.

#### Answer:

**The impact of globalisation on Indian economy is as follows:**

- It has created competition among producers, both local and foreign, which is advantageous to the consumers, particularly the well off. Now, there is a greater choice of goods before the consumers.
- It has enabled many Indian companies to become multi-national companies such as Tata Motors, Infosys and Ranbaxy.
- It has created new employment opportunities for companies providing services



specialty information technology. A lot of services such as data entry, accounting, administrative tasks are done cheaply in India and exported to other countries.

- New jobs are created in industries such as electronics, cell phones, automobiles and fast food.
- It had a negative impact on small manufacturers. Due to competition, some industries have been hit hard such as batteries, capacitors, plastic toys, vegetable oil etc. A number of units have shut down and a lot of workers, have become jobless.

#### Question 66.

What are the benefits of foreign trade to producers and consumers?

**Answer:**

**The benefits of foreign trade to producers and consumers are:**

- It created an opportunity for the producers to reach beyond the domestic markets, i.e., markets of their own countries.
- It gave consumers a wider choice of good quality goods.
- It helps every country to make optimum utilisation of its natural resources.
- It integrates markets and allows international exchange of ideas.
- It brings in new technology and expertise. Producers use it for production and are able to compete in the international market. (any three)

#### Question 67.

Explain the role of information technology in globalisation.

**Answer:**

**Information and communication technology has stimulated the globalisation process as:**

- In recent years, technology in the areas of computers, telecommunication and internet has been changed rapidly.
- Telecommunication facilities including telegraph, telephone, mobile phone, fax are used to contact one another around the world and to get information instantly and to communicate from remote areas.
- All this has been facilitated by satellite communication devices.
- Computers and internet have enabled people to obtain and share information on any subject.

#### Question 68.

How has transportation technology stimulated the globalisation process? Explain with suitable examples.

**Answer:**

**Transportation technology has stimulated the globalisation process in the following ways:**

- Faster trains connecting every nook and corner of a country and faster planes that cover the distance within a few hours have enabled the faster delivery of goods.
- Improvements done in transportation technology in the past fifty years have also helped in the quick movement of goods. For example, containers carrying goods have led to huge reduction in port handling costs and an increased speed, with which exports can reach markets.
- Reduced cost of air transport has enabled much greater volumes of goods being transported by airlines.

### Very Short Answer Type Questions [1 Mark]

#### Question 69.

In which two different forms do we participate in the market?

#### Answer:

We participate in the market as producers and consumers.

#### Question 70.

What is multinational corporation?

#### Answer:

A multinational corporation is a company that owns or controls the production of its goods in more than one country.

#### Question 71.

Define the term investment.

#### Answer:

An investment is an asset or item that is purchased with the hope that it will generate income in future.

#### Question 72.

Give the meaning of globalisation.

#### Answer:

Globalisation means integrating the economy of a country with the economies of other countries under conditions of free flow of trade, capital and movement of persons across borders.

### Short Answer Type Question [3 Marks]

#### Question 73.

Explain how globalisation can be made fairer.

#### Answer:

**Globalisation can be made fairer in the following ways:**

- Policies should be made in such a way that they protect the interests of not only the rich and prosperous producers but also the workers.
- The government can negotiate with World Trade Organisation for fairer rules and can align with developing countries to stand against the domination of developed countries.
- Equal space should be provided to both developed and developing economies to explore the market and compete.

### Long Answer Type Questions [4/5 Marks]

#### Question 74.

Explain the role of technology in stimulating globalisation process.

#### Answer:

**The improvement in technology has stimulated the globalisation process as:**

- There has been many improvements in transport technology in the recent years that have enabled faster delivery of goods across the world.
- Development of information technology in the areas of telecommunication like internet



has revolutionised the world.

- Use of telegraph, mobiles, fax have enabled faster and easier access to information anywhere at any point of time.
- All these developments have further decreased the cost of their operations favouring the consumers around the world.
- It has opened up horizons for further advancement, research and development of existing means.

#### Question 75.

Explain any four ways by which MNCs exercise control on production.

**Answer:**

**Multinational Corporations (MNCs) exercise control on production in the following ways:**

- By setting up their factories or production units close to markets where they can get desired type of skilled or unskilled labour at low cost along with other factors of production.
- By collaborating with existing local companies of a country.
- By buying the local companies and then expand or control its production with the help of modern technology and capital.
- By placing orders to small producers and selling these products under their own brand name to the customers worldwide.

#### Question 76.

How is foreign trade inter-connecting the markets in different countries? Explain with examples.

**Answer:**

Foreign trade is the main channel which connects the markets of various countries.

**It leads to integration of markets across the countries in following ways:**

- It creates opportunities for the producers to reach beyond the domestic markets or the markets of their own countries such as Tata Motors and Ranbaxy of India have emerged as multinational corporations.
- Import of goods from various countries provides choice of goods for consumers beyond the goods that are produced domestically. Availability of foreign goods like television, mobiles etc. has increased the choice of the consumers.
- Producers of different countries compete with each other although they are thousands of miles away.
- It results in bringing down the prices of commodities which further leads to increase in production and supply. Thus, people have access to cheap products which were costlier earlier.

