

Globalisation and the Indian Economy

Fastrack Revision

- ▶ Globalisation is the increasing interaction of people, states or countries through the growth of international flow of money, ideas and culture. It is the process of integration of social and cultural aspects.
- ▶ Multinational Corporations (MNCs) play an important role in promoting globalisation. More and more goods and services, foreign investments and technology are moving between countries of the world.
- ▶ Countries are also connected with each other through movement of people. People usually move from one country to another in search of better income, better jobs or better education.
- ▶ The Indian economy has witnessed transformation post the economic reforms due to the measures adopted to promote globalisation.
- ▶ The transformation in Indian economy can be attributed to the following causes:
 - ▶ **Production across Countries:** With the emergence of MNCs, production has spread across countries.
 - ▶ **Interlinking Production across Countries:** MNCs are characterised by the very fact that their offices and factories operate in different parts of the world and the production is interlinked across countries. This is done by the following methods:
 - Foreign Direct Investment (FDI)
 - By entering into Partnership/Joint Venture
 - Buying out Local Companies/Mergers/Takeover
 - By giving orders/contracts to the local companies for supplies
 - ▶ **Foreign Trade and Integration of Markets:** Foreign trade creates opportunity for producers to reach beyond the domestic markets and compete in markets located in other countries of the world. Foreign trade leads to integration of markets.
- ▶ Many factors have enabled globalisation. Some of them are discussed ahead:
 - ▶ Rapid improvement in technology has been one major factor that has stimulated the globalisation process.
 - ▶ Liberalisation of foreign trade and foreign investment policy has also contributed towards globalisation.

Knowledge BOOSTER



As on July 2016, nearly 164 countries were the members of World Trade Organisation.

- ▶ World Trade Organisation (WTO) is an organisation which aims to liberalise international trade. Started at the initiative of the developed countries, WTO establishes rules regarding international trade and sees that these rules are obeyed.
- ▶ At present, Central and State Governments in India are taking special steps to attract foreign companies to invest in India. For this, Special Economic Zones (SEZs) are being set up which have world class facilities of electricity, telecommunication, broadband internet, roads, transport, storage and recreational facilities to attract investment from MNCs and other companies.
- ▶ The impact of globalisation can be felt on all sections of Indian society. The consumers enjoy improved quality and lower prices for a wide variety of products. But the effect on producers and workers has not been positive in all aspects.
- ▶ Globalisation has posed major challenges for small producers of items like batteries, capacitors, plastic toys, tyres, dairy products and vegetable oil. Many of these units have been shut down due to intense competition from imported goods which are available at low prices, rendering many workers jobless.
- ▶ Fair globalisation creates opportunities for all and also ensures that the benefits of globalisation are shared better. For this, the government must protect the interests of all the people in the country and it should ensure that the labour laws are properly implemented and the workers get their rights.
- ▶ Rapid improvement in technology and liberalisation of foreign trade have been major factors that have enabled globalisation process.





Practice Exercise



Multiple Choice Questions

- Q 1. is the increasing interaction of people, states or countries through the growth of international flow of money, ideas and cultures.
- Liberalisation
 - Globalisation
 - Privatisation
 - All of the above
- Q 2. Company that owns and controls production in many countries of the world is called
- Multinational company
 - Domestic company
 - Both a. and b.
 - None of the above
- Q 3. The reason due to which multinational companies set up their branches in other countries is:
- cheap labour and resources
 - welfare motive
 - to generate employment
 - to generate income
- Q 4. Globalisation will result in:
- more competition among producers
 - less competition among producers
 - no change in competition among producers
 - None of the above
- Q 5. Till which time period, production was organised within the countries?
- Middle of twentieth century
 - End of twentieth century
 - Starting of twentieth century
 - Till nineteenth century

Knowledge BOOSTER

Until the mid of 20th century, the goods were produced and organised within a country. Colonial countries such as India exported raw materials and foodstuff to mainly Britain and imported finished products.

- Q 6. Why did the Indian government liberalise trade regulations in 1991? (CBSE 2023)
- Government wanted foreign exchange equivalent to Indian Currency.
 - Government wanted to maintain good relations with Western Countries.
 - Government wanted Indian producers to compete in the World Market.
 - Government wanted to provide socio-economic justice to all.

- Q 7. An important factor causing globalisation is:
- more income
 - expansion of markets
 - technological developments
 - urbanisation
- Q 8. Choose the reason for which MNCs are attracted to India for investments.
- India has educated English speaking people
 - India has skilled professionals
 - India has lot of natural resources
 - All of the above
- Q 9. MNCs set up their units in Eastern Europe because of
- cheap labour
 - closeness to the markets in US and Europe
 - highly skilled engineers
 - All of the above
- Q 10. MNCs set up units in different countries:
- through foreign direct investment
 - by entering into joint ventures
 - through mergers
 - All of the above
- Q 11. The most common route for investments by MNCs in countries around the world is to: (NCERT)
- set up new factories
 - buy existing local companies
 - form partnerships with local companies
 - None of the above
- Q 12. Large MNCs in developed countries place orders for production with small producers which include:
- garments
 - footwear
 - sports
 - All of these
- Q 13. Which of the following statement is not correct about a multinational company?
- It set up new factories for production
 - It may buy existing local companies to expand its business
 - It forms partnership with local companies
 - It does not have new technology and large huge money with it
- Q 14. Which one of the following companies is not a multinational company? (NCERT)
- Tata Motor
 - Reliance India Ltd.
 - Ranbaxy
 - Infosys

Knowledge BOOSTER

Globalisation has enabled some large Indian companies to emerge as multinationals themselves. For example, Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners (nuts and bolts) are some Indian companies which are spreading their operations worldwide.

Q 15. Which of the following attributes are not determined by MNCs?

- a. Price, quality, delivery and raw material
- b. Price, labour conditions, quality, delivery
- c. Delivery and price only
- d. Raw material and transport cost

Q 16. Cargill Foods, in very large MNCs, is the largest producer of edible oil in India. Which one of these countries does it belong to? (CBSE 2023)

- a. India
- b. France
- c. Great Britain
- d. United States of America

Q 17. What is foreign investment?

- a. Investment made by the foreign government
- b. Investment made by the foreign banks
- c. Investment made by the MNCs
- d. Investment made by the IMF and World Bank

Q 18. An organisation whose aim is to liberate international trade is:

- a. World Bank
- b. International Monetary Fund (IMF)
- c. World Trade Organisation (WTO)
- d. United Nations Organisation (UNO)

Q 19. Ford Motors has production units spread over countries of the world.

- a. 25 b. 26 c. 27 d. 28

Knowledge BOOSTER



Ford Motors is an American company and is one of the world's largest automobile manufacturers.

Q 20. Chinese toys are popular in India because of:

- a. cheap prices b. new designs
- c. Both a. and b. d. None of these

Q 21. 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

Q 22. Why did the Indian Government restricted foreign trade after independence?

- a. To protect domestic producers
- b. To increase competition
- c. To know the international level of quality
- d. All of the above

Q 23. When did the Indian Government introduced a policy of liberalisation known as 'New Economic Policy'?

- a. 1980 b. 2000 c. 1994 d. 1991

Q 24. Removing trade barriers or restrictions set by the government is known as:

- a. Liberalisation b. Globalisation
- c. Both a. and b. d. Privatisation

Q 25. As on July 2016, nearly countries were members of World Trade Organisation.

- a. 162 b. 163 c. 164 d. 165

Q 26. countries dominate WTO.

- a. Developed b. Under developed
- c. Both a. and b. d. None of these

Q 27. With what objective was World Trade Organisation (WTO) set up?

- a. To liberalise International trade
- b. To allow free trade for all
- c. To establish rules regarding International trade
- d. All of the above

Q 28. What is the idea behind the development of Special Economic Zones (SEZs) in India?

- a. To boost Indian industries
- b. To solve the problem of unemployment
- c. To produce handicrafts
- d. To attract foreign investment

Q 29. Globalisation will continue in the future in India in order to:

- a. provide a large amount of employment
- b. increase the mobility of labour
- c. Both a. and b.
- d. None of the above

Q 30. 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
- d. None of the above

Q 31. Choose the correct statement about factors of globalisation in India.

- (i) Improvement in transportation technology.
- (ii) Liberalisation of foreign trade and foreign investment.
- (iii) Favourable rules of WTO towards India in comparison to developed countries.

Choose the correct options from the codes given below: (CBSE 2020)

- a. (i) and (ii) b. (i) and (iii)
- c. (ii) and (iii) d. Only (iii)

Q 32. A situation in which all the countries reap the benefits of foreign trades equally is known as:

- a. Internationalisation b. Fair globalisation
- c. Liberalisation d. Equal globalisation

Q 33. To check the free flow of Chinese goods in the Indian markets, what the Indian Government can do?

- a. Ban trade with China b. Impose tax on Imports
- c. Impose tax on exports d. Complain to UNO

Q 34. Read the given statements in context of 'globalisation' and choose the correct option.

(CBSE SQP 2020)

- a. It is the only way for economic development of the country
- b. Interlinks only production based activities in dispersed locations in the world
- c. It has always given only positive results in all the countries
- d. Leads to spread of technology, cultures and diseases from a region to another

Q 35. Under liberal policy, there has been removal of:

- a. restrictions
- b. trade
- c. Both a. and b.
- d. license

Q 36. The money spent on buying assets such as land, building, machinery, etc is known as:

- a. Capital
- b. Rent
- c. Investment
- d. Production

Q 37. Improvement in transport has helped in promotion of:

- a. Globalisation
- b. liberalisation
- c. Privatisation
- d. None of these

Q 38. Enabling producers of one country to sell their goods in other countries is known as:

- a. Globalisation
- b. Trade
- c. Foreign trade
- d. International trade

Q 39. Match column I with column II and choose the correct options:

Column I	Column II
A. China	1. Skilled engineers
B. Eastern Europe	2. Cheap manufacturing location
C. India	3. Close to the markets in US and Europe

- | | |
|----------|----------|
| A B C | A B C |
| a. 2 3 1 | b. 3 2 1 |
| c. 1 3 2 | d. 2 3 1 |

Q 40. Identify the incorrect option:

Column I (Key terms)	Column II (Meanings)
1. Globalisation	A. Integration between economies
2. Liberalisation	B. Removing trade barriers
3. Tax barrier	C. Reduce the cost of production
4. Foreign Investment	D. Investment by multinationals

- a. 1-A b. 2-B c. 3-C d. 4-D

Q 41. Read the source given below and answer the question that follow:

The early phase of globalisation involved export of raw material from colonial countries such as India and import of finished goods from industrially developed European countries and the USA.

Select the option that leads to the change in the economy in 20th century.

- a. Human Development Index
- b. World Trade Organisation
- c. Multinational Corporation
- d. Information and Communication Technology

Q 42. Read the source given and answer the question that follow:

World Trade Organisation (WTO) is one such organisation whose aim is to liberalise international trade. Started at the initiative of the developed countries, WTO establishes rules regarding international trade and sees that these rules are obeyed. At present 164 countries of the world are currently members of the WTO.

Find the incorrect option about WTO.

- a. WTO was the national organisation that varies from country-to-country
- b. 160 countries of the world were members of WTO
- c. WTO is supposed to allow free trade for all
- d. 164 member countries were the part of WTO on 29 July, 2016

Q 43. Arrange the following in the correct sequence:

- (i) A news magazine published for London readers is to be designed and printed in Delhi.
- (ii) The designing is done on a computer. After printing, the magazines are sent by air to London.
- (iii) The payment of money for designing and printing from a bank in London to a bank in Delhi is done instantly through the Internet (E-banking).
- (iv) The text of the magazines is sent through Internet to the Delhi office. The designer in Delhi office get orders on how to design the magazine from the office in London using telecommunication facilities.

- a. (iii). (iv). (i). (ii)
- b. (i). (iv). (ii). (iii)
- c. (iv). (i). (ii). (iii)
- d. (ii). (iv). (iii). (i)

Q 44. The process of rapid integration or interconnection between countries through movement of goods and services, investments and technology between countries is called as (CBSE SQP 2023-24)

- a. Privatisation
- b. Globalisation
- c. Liberalisation
- d. Competition

Q 45. Evaluate the impacts of opening foreign trade on the global economy by identifying the appropriate statements among the following options:

- (i) The choice of goods in the markets increase.
- (ii) Producers from two countries closely compete against each other despite the distance between their locations.
- (iii) Foreign trade thus results in connecting the markets or integration of markets in different countries.
- (iv) The quality of the product is always good.

(CBSE SQP 2023-24)

- a. Statements (i) and (ii) are appropriate.
- b. Statements (i), (ii) and (iii) are appropriate.
- c. All the statements are appropriate.
- d. Only statement (iv) is appropriate.

Q 46. Read the following statements carefully and choose the correct answer:

Statement (I): Globalisation leads to increased competition in international and domestic market.

Statement (II): Globalisation also makes the consumer better off as they have a wider variety of goods to choose at lower prices.

Options:

- a. Statement (I) is correct and (II) is incorrect
- b. Statement (I) is incorrect and (II) is correct
- c. Both statements are incorrect
- d. Both statements are correct

Q 47. Read the following statements carefully and choose the correct answer:

Statement (I): A tax on imports makes the market for imported goods lucrative in terms of earning higher profits.

Statement (II): Taxes are imposed to ensure smooth trade between nations and higher tax revenues for the governments of the countries.

- a. Statement (I) is correct and (II) is incorrect
- b. Statement (I) is incorrect and (II) is correct
- c. Both statements are incorrect
- d. Both statements are correct

Assertion & Reason Type Questions

Directions (Q.Nos. 48-51): In the following questions given below, there are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the correct option:

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).
- b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).
- c. Assertion (A) is true, but Reason (R) is false.
- d. Assertion (A) is false, but Reason (R) is true.

Q 48. Assertion (A): Global production has a complex structure.

Reason (R): Production of one good may take place in different parts of the world. For instance, an equipment may be formed by combining components produced in different countries.



TIP

Globalisation leads to connectivity of different countries and goods and services can be transported across the world. Goods and components produced in different parts of the world can be used for production in any country.

Q 49. Assertion (A): Local businesses may set up joint production process with MNCs and earn higher profits.

Reason (R): MNCs can provide money for additional investments, like buying new machines for faster production.



TIP

At times, MNCs set up production jointly with some of the local companies of the host countries. The benefit to the local company from such joint production is two-fold as MNCs can provide for additional investments and can bring in newer technology of production that result in fast-paced production.

Q 50. Assertion (A): Foreign trade and foreign investment result in disintegration of production across countries.

Reason (R): MNCs boost up the production processes in domestic country.



TIP

The result of greater foreign investment and greater foreign trade has been greater integration of production and markets across countries. When MNCs conduct joint business processes with local companies, the benefit to local companies is massive as they receive investment, funds and exposure to different production techniques.

Q 51. Assertion (A): Rapid improvement in technology has been one major factor that has stimulated the globalisation process.

Reason (R): Developing countries are likely to become at par with developed countries in terms of technological development due to globalisation.



TIP

Since globalisation leads to movement of goods, services, people and technology across nations, developing countries are likely to become at par with developed countries in terms of technological development.

Answers

1. (b) 2. (a) 3. (a) 4. (a) 5. (a)
6. (a) 7. (c) 8. (d) 9. (b) 10. (d)
11. (b) 12. (d) 13. (d) 14. (b) 15. (b)
16. (d) 17. (c) 18. (c) 19. (b) 20. (c)
21. (b) 22. (a) 23. (d) 24. (a) 25. (c)
26. (a) 27. (d) 28. (d) 29. (c) 30. (b)
31. (a) 32. (b) 33. (b) 34. (d) 35. (a)
36. (c) 37. (a) 38. (c) 39. (a) 40. (c)
41. (c) 42. (a) 43. (b) 44. (b) 45. (b)
46. (d) 47. (c) 48. (a) 49. (a) 50. (d)
51. (b)



Source Based Questions

Source 1

Read the source given below and answer the questions that follow by choosing the most appropriate option:

Ford Motors, an American company, is one of the world's largest automobile manufacturers with production spread over 26 countries of the world. Ford Motors came to India in 1995 and spent ₹ 1700 crore to set up a large plant near Chennai. This was done in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks. By the year 2004, Ford Motors was selling 27,000 cars in the Indian markets, while 24,000 cars were exported from India to South Africa, Mexico and Brazil. The company wanted to develop Ford India as a component supplying base for its other plants across the globe.

(CBSE SQP 2020)

- Q 1. The passage given above relates to which of the following options?**
- Increased employment
 - Foreign investment
 - Foreign collaboration
 - International competition
- Q 2. According to the given passage, Ford Motors can be termed as a Multinational Company based on which of the following options?**
- Production of different types of automobiles
 - Largest automobile manufacturer in the world
 - Because of large scale exports of cars across globe
 - Industrial and commercial ventures across globe

Q 3. By setting up their production plants in India, Ford Motors wanted to:

- collaborate with a leading Indian Automobile company
- satisfy the demands of American, African and Indian markets
- tap the benefits of low-cost production and a large market
- take over small automobile manufacturing units in India

Q 4. 'Ford Motors' wish to develop Ford India as a component supplying base for its other plants across the globe is an evidence of:

- promoting local industries of India
- merging trade from different countries
- supplying jobs to factory workers in India
- Interlinking of production across countries

Answers

1. (b) 2. (d) 3. (c) 4. (d)

Source 2

Read the source given below and answer the questions that follow by choosing the most appropriate option:

In general, MNCs 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. In addition, MNCs might look for government policies that look after their interests. A large MNC, producing industrial equipment, designs its products in research centres in the United States and then has the components manufactured in China. These are then shipped to Mexico and Eastern Europe where the products are assembled and the finished products are sold all over the world. Meanwhile, the company's customer care is carried out through call centres located in India.

- Q 1. According to the passage, what is an MNC?**
- A company that owns or controls production in more than one nation
 - A company that owns or controls production in China
 - A company that owns or controls production in India
 - All of the above
- Q 2. What was the main channel connecting distant countries? Choose the correct option:**
- Food stuff
 - Imported finished goods
 - Trade
 - Raw materials
- Q 3. According to the given passage, which of the following countries provide the advantage of being a cheap manufacturing location?**
- | | |
|----------|-----------|
| a. China | b. Mexico |
| c. USA | d. India |

Q 4. Which of the following statements is not a feature of an MNC?

- a. MNCs set up production jointly with some of the international companies of other countries
- b. MNCs can provide money for additional investments, like buying new machines for faster production
- c. MNCs might bring with them the latest technology for production
- d. All of the above

Q 5. Which condition is required to set up a factory by an MNC in a country?

- a. Closeness of market
- b. Availability of skilled and unskilled labour
- c. Favourable government policies
- d. All of the above

Q 6. The money that is spent to buy assets such as land, building, machines and equipment is known as:

- a. Cost of production
- b. Investment
- c. Cost of final goods and services
- d. None of the above

Answers

1. (a) 2. (c) 3. (a) 4. (a) 5. (d) 6. (b)

Source 3

Read the source given below and answer the questions that follow:

For a long time, foreign trade has been the main channel connecting countries. In history, you would have read about the trade routes connecting India and South Asia to markets both in the East and West and the extensive trade that took place along these routes. Also, you would remember that it was trading interests which attracted various trading companies such as the East India Company to India. What then is the basic function of foreign trade?

To put it simply, foreign trade creates an opportunity for the producers to reach beyond the domestic markets, *i.e.*, markets of their own countries. 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. 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.

Q 1. Why had the foreign trade been the main channel connecting countries?

Ans. The foreign trade had been the main channel connecting countries due to the following reasons:

- (i) There were trade routes connecting India and South Asia to markets both in the East and West.
- (ii) There was extensive trade that took place along these routes and it was trading interests which

attracted the trading companies such as the East India Company to India.

Q 2. What are the basic functions of foreign trade? Explain any two.

Ans. The basic functions of foreign trade are as follows:

- (i) Foreign trade creates an opportunity for the producers to reach beyond the domestic markets.
- (ii) Producers can sell their products not only in markets located within the country but they can also compete in markets located in other countries of the world.
- (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. (Any two)



Very Short Answer Type Questions

Q 1. What, according to you, can be the negative aspect of globalisation?

Ans. Globalisation affects the environment of the less developed countries adversely which is its negative aspect.

Q 2. Which companies are referred to as multinational companies?

Ans. Companies that own and control production in many countries of the world are called multinational companies.

Q 3. Differentiate between multinational corporations and domestic companies. (CBSE 2019)

Ans. Multinational corporations operate in two or more countries while domestic companies restrict their operations to a single country.

Q 4. Why are MNCs setting up their customer care centers in India?

Ans. MNCs are setting up their customer care centers in India due to the availability of cheap skilled labour and to earn profits by lowering the operational cost.

Q 5. The MNCs of a country set up a production jointly with the local company of other country. Give your answer with any two reasons.

Ans. The benefits of this joint production to the local company are:

- (i) MNCs can provide money for additional investment.
- (ii) MNC might bring latest technology for production.

Q 6. Where do MNCs prefer to set up their offices and factories?

Ans. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources so as to attain maximum profit from their business.

Q 7. "Globalisation enabled the national companies to emerge as Multinational Companies (MNCs)". Substantiate your answer with any two reasons.

Ans. Globalisation has enabled the national companies to emerge as Multinational Companies (MNCs) in the following ways:

- (i) New opportunities have been provided to the companies.
- (ii) It helped in collaboration with foreign companies.

Q 8. Name some Indian companies which are now emerging as multinational corporations.

Ans. Tata Motors, Infosys, Ranbaxy, Asian Paints and Sundaram Fasteners are some Indian companies which are spreading their operations worldwide and thus are emerging as multinational corporations.

Q 9. What is the basic function of foreign trade?

(CBSE 2017)

Ans. Foreign trade helps in the integration of markets in different countries which is its basic function.

Knowledge BOOSTER

Foreign trade creates an opportunity for the producers to reach beyond their domestic markets and they are able to export their products as well as sell them in different countries.

Q 10. Define the term 'investment'.

Ans. Investment refers to the money that is spent to buy assets such as land, building, machines and other equipments and is made with the hope that these assets will earn profits.

Q 11. Distinguish between investment and foreign investment.

(CBSE 2019)

Ans. When land, assets or buildings are purchased and kept hold of, they are considered as investments whereas when MNCs invest money or finances in a project of another company in another country, it is considered as foreign investment.

Q 12. Which is the most common route for investment by MNCs in countries around the world?

Ans. The most common route for investment by MNCs in countries around the world is to buy up local companies and to expand production by controlling the means.

Q 13. Why had the Indian Government put barriers to foreign trade and foreign investment after independence?

Ans. Indian Government had put barriers to foreign trade and foreign investment after independence to protect the producers within the country from foreign investment.

Q 14. Define the term 'liberalisation'.

(CBSE 2017)

Ans. Liberalisation refers to the removal of partial or complete loosening of the restrictions set by the government on foreign investment and trade.

Q 15. What is the main aim of World Trade Organisation?

Ans. World Trade Organisation aims to liberalise international trade through the removal of tariff and non-tariff barriers and providing greater market access to all member countries.

Q 16. Differentiate between fixed and floating exchange rate.

(CBSE 2023)

Ans. Difference between fixed and floating exchange rate are:

S. No.	Basis of Difference	Fixed Exchange Rate	Floating Exchange Rate
(i)	Deciding Authority	Fixed rate is determined by the Central Government.	Flexible rate is determined by demand and supply forces.
(ii)	Impact on Currency	Currency is devalued and if any changes take place in the currency, it is revalued.	Currency appreciates and depreciates in a flexible change rate.



Short Answer Type Questions

Q 1. What is globalisation? Describe the role of MNCs in promoting globalisation process.

(CBSE 2016)

Ans. Globalisation means opening up the economy to facilitate its integration with the world economy.

MNCs are playing an important role in the globalisation process in the following manner:

- (i) They help in production of goods and services, investment and advancement in technology at a lower cost.
- (ii) They also bring good management practices to achieve efficiency in managing big companies.
- (iii) Most regions of the world are now in close contact with each other than they were a few decades back.

Q 2. Mention the features of Multinational Corporation.

Ans. The features of a Multinational Corporation are as follows:

- (i) Production is organised in increasingly complex ways.
- (ii) These companies own or control production in more than one nation.
- (iii) These companies have a large infrastructure.
- (iv) The production process is divided into small parts and spread out across the globe.

Q 3. Explain by giving examples that MNCs are spreading their production in different ways.

(CBSE 2016)

Ans. MNCs are spreading their production in the following different ways:

- (i) By setting up factories and offices for production in the domestic company. The money that the MNCs spent on their establishment is referred to as 'Foreign Direct Investment'.
- (ii) By setting up production jointly with local companies.
- (iii) By buying the local companies and then expanding production. For example, the Cargill Foods, a very large American MNC has bought over small Indian companies such as Parakh Foods. Parakh Foods had built a large marketing network in various parts of India where its brand was well-reputed.
- (iv) By placing orders for production with small producers of the domestic countries. For example, garments, footwear, sports items, etc.



TIP

Students should mention about the partnership with local companies.

Q 4. Describe the impact of flexibility in the labour laws on the workers in India. (CBSE 2023)

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 given fair wages. This forces them to lead a very hard and highly insecure life.

Q 5. 'In a matter of years, Indian markets have been transformed with wide ranging choice of goods.' Support the statement with examples. (CBSE 2017)

OR

How are our markets transformed in recent year? Explain with examples. (CBSE 2022 Term-2)

Ans. A wide range of goods have become available in the Indian markets as a result of globalisation. This statement can be supported using the following examples:

- (i) Globalisation has led to large scale integration of markets around the world. Goods and services provided by different countries are available in Indian markets thus providing various choices to consumers in India.
- (ii) Investments by MNCs in industries such as cell phones, automobiles, electronics, etc. have made the latest variety of various goods available very easily.
- (iii) Better quality products from various countries around the world are available at affordable prices for Indians to purchase from their own local markets within the country. This has affected the demands for other services as well.

Q 6. How can the Government of India play a major role to make globalisation more fair? Explain with examples. (CBSE 2019)

Ans. Government of India can play a major role to make globalisation more fair in the following ways:

- (i) Government policies must protect the interests not only of the rich and powerful, but of all the people in the country.
- (ii) Government can ensure that labour laws are properly implemented and the workers get their rights.
- (iii) Government can support small producers to improve their performance till they become strong enough to compete.
- (iv) If necessary, the government can use trade and investment barriers and can negotiate at the WTO for fairer rules.
- (v) Government can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

Q 7. Why had the Indian Government put barriers to foreign trade and foreign investments after independence? Analyse the reasons. (CBSE 2016)

Ans. Trade barriers were put up by the Indian Government after independence due to the following reasons:

- (i) To protect domestic producers from foreign competition.
- (ii) To make the country self-reliant in all the sectors.
- (iii) To safeguard the freedom of the country.

Q 8. Why did the Government of India remove trade barriers? Explain the reasons.

Ans. Due to the following reasons, the Government of India removed trade barriers:

- (i) India was facing a serious economic crisis in 1990-91 because of slow economic growth, inefficient public enterprises, high inflation and rising fiscal deficit.
- (ii) The Government of India had decided that the time had come for Indian producers to compete with producers around the globe.
- (iii) The decision to remove trade barriers was advised by powerful international organisations like IMF, WTO, etc.

Q 9. Describe any three steps taken by the Central and State Governments to attract foreign investment in India. (CBSE 2019)

Ans. The steps taken by the Central and State Governments to attract foreign investment in India are:

- (i) The government has set up industrial zones called Special Economic Zones (SEZs) which provide world class facilities such as electricity, water, roads, transport, storage, recreational and educational facilities.

- (ii) The government has also allowed flexibility in labour laws to attract foreign investment.
- (iii) Companies setting up production units in SEZs do not have to pay taxes for an initial period of five years.
- (iv) Companies can employ workers flexibly for short periods in case of intense work pressure which helps to reduce the cost of labour for the companies.

Q 10. Differentiate between foreign trade and foreign investment.

Ans. Difference between foreign trade and foreign investment are:

S. No.	Basis of Difference	Foreign Trade	Foreign Investment
(i)	Concept	Foreign trade means <u>the buying and selling of goods and services between two or more countries.</u>	Foreign investment means <u>'direct investment' by foreign companies in other countries.</u>
(ii)	Effect	It results in <u>connecting the markets or integration of markets in different countries.</u>	It <u>promotes the process of industrialisation.</u>

Q 11. What are Special Economic Zones? Why have they been set up?

Ans. Special Economic Zones or SEZs are industrial zones which possess world class facilities like water, electricity, roads and transport, recreation, etc.

SEZs have been set up for the following reasons:

- (i) They have been set up to attract foreign companies to invest more in India.
- (ii) Companies with production units in the SEZs enjoy tax holidays for a specified initial period of time.

Q 12. Assess any three advantages of globalisation.

(CBSE 2019)

Ans. The policy of globalisation has provided a big boost to foreign direct investment in developing countries, in the following manner:

- (i) Due to the policy of globalisation and privatisation, the condition of infrastructure has improved considerably. At present, many private companies are providing better services to the consumers.
- (ii) The private sector is free to import raw material and technology from other countries. Globalisation has enabled some large Indian

companies to emerge as multinationals themselves e.g. Tata Motors (automobiles), Infosys (IT), etc.

- (iii) Globalisation has also created new opportunities for companies providing services, particularly those involving information and communication technologies.

Q 13. How has improvement in technology stimulated the globalisation process? Explain with three examples.

OR

'Technology has stimulated the globalisation process.' Support the statement with examples.

(CBSE 2015)

OR

'Technology is the vital force in the modern form of globalisation.' Explain the statement with suitable examples.

(CBSE 2022 Term-2)

OR

How is information technology connected with globalisation? Explain.

(CBSE 2023)

Ans. Rapid improvement in technology has been playing a key role in encouraging the globalisation process. This can be supported with the help of the following examples:

- (i) Improvement in transportation technology e.g., using containers for storing goods has made possible faster delivery of goods across long distances at lower costs.
- (ii) There have been rapid developments in information and communication technology, e.g. computer, Internet, etc. They have made easy access to any person or place around the world.
- (iii) Technology has helped to communicate from remote areas. One can obtain and share information through internet.
- (iv) Telecommunication facilities (telegraph, telephone including mobile phones, fax, etc.) are used to contact and access information. Electronic mail (e-mail) and talk (voice mail) can be done across the world at negligible costs.
- (v) Information technology has played a major role in spreading out production of services across countries.

Thus, it can be said that technology has stimulated the globalisation process and serves as the vital force in the modern form of globalisation.

Q 14. Assess the advantages of multinational corporations.

(CBSE 2019)

Ans. The advantages of multinational corporations are as follows:

- (i) The Multinational Corporations or the MNCs help to solve the problem of capital and foreign investments of the underdeveloped and the developing countries.
- (ii) MNCs can be helpful in solving the problem of foreign exchange of the underdeveloped and the developing countries. In 90s, India had faced a huge shortage of foreign exchange, but with the entry of MNCs, today it has got surplus foreign exchange reserves.
- (iii) The MNCs help in the integration of world markets. With the entry of MNCs, even the small countries have opened up their domestic markets for other countries.

COMMON ERROR

Sometimes, students write the features of MNCs instead of writing the advantages.

Q 15. Examine any three conditions which should be taken care of by Multinational Companies to set up their production units. (CBSE 2017)

Ans. The conditions which should be taken care of by Multinational Companies before setting up their production units are as follows:

- (i) Availability of cheap and abundant labour.
- (ii) Availability of raw material.
- (iii) Closeness to markets.
- (iv) Favourable government policies.
- (v) Assurance to other factors of production.

Q 16. How do Multinational Companies (MNCs) manage to keep the cost of production of their goods low? Explain with examples.

Ans. MNCs manage to keep the cost of production of their goods low in the following ways:

- (i) By setting up their offices and factories in countries where they can get cheap labour, land and other resources. For example, India has highly skilled engineers who are willing to work at very competitive wages. This is one of the reasons why IT sector of India is attracting MNCs.
- (ii) By buying the local companies and then expand its production with the help of modern technology.
- (iii) By placing orders for small producers and sell these products under their own brand name to the customers worldwide.

Q 17. How has globalisation affected the life of Indians? Explain with examples. (CBSE 2019)

Ans. Globalisation has affected the life of Indians in the following ways:

- (i) It has led to an increase in foreign investment in India.

- (ii) It has created new opportunities for Indian companies particularly by providing services like IT.
- (iii) It has increased the competition among companies which has led to improvement of quality and reduction in prices of the products. For example, Tata Motors, Infosys, etc.
- (iv) It has resulted in greater cultural exchange because of greater movement of the people which further has helped the tourism sector in India.



TIP

Write answers by quoting examples of top Indian companies.



Long Answer Type Questions

Q 1. What is globalisation? How can government ensure fair globalisation to its people? Give two points.

Ans. Globalisation is the unification or integration of the domestic economy with the world economy through trade, capital and technology flow.

The government can ensure fair globalisation to its people by the following ways:

- (i) Ensuring that the labour laws of the country are followed so that workers are not exploited.
- (ii) Supporting small producers to improve their performance so that they remain viable in the face of competition from MNCs.
- (iii) Negotiating with WTO for fairer rules aligning with other developing countries for better trade terms.
- (iv) Protecting the interests, not only of the rich and powerful but all the people in the country through its policies.

Q 2. How has liberalisation of trade and investment policies helped the globalisation process?

Ans. Liberalisation of trade and investment has helped the globalisation process in the following manner:

- (i) Liberalisation gives industries the freedom to expand themselves according to the market. It supports the process of globalisation.
- (ii) Liberalisation of investment helps to start new businesses all over the world which is a part of globalisation.
- (iii) Under the policy of liberalisation, the Indian government has removed various restrictions from the import and export of goods and services.
- (iv) The process of liberalisation has brought new technology in India which has promoted globalisation.

- (v) Information and communication technology has played a major role in spreading out production and services across countries.

Q 3. 'Globalisation has been advantageous to consumers as well as to producers'. Support the statement with suitable examples.


OR

How can consumers and producers be benefited by foreign trade? Explain with examples. (CBSE 2018)

Ans. The given statement can be supported with the help of the following examples:

- (i) The policy of liberalisation and globalisation has provided a big boost to foreign direct investment in developing countries.
- (ii) Due to the policy of globalisation and privatisation, the condition of infrastructure has improved considerably. At present, many private companies are providing better services to the consumers.
- (iii) The private sector is free to import raw material and technology from other countries.
- (iv) Globalisation has also created new opportunities for companies providing services, particularly those involving information and communication technologies.
- (v) The Indian consumers are getting a variety of quality products at cheaper rates.

Knowledge BOOSTER

 Globalisation has enabled some large Indian companies to emerge as multinationals themselves, e.g. Tata Motors (automobiles), Infosys (IT), etc.

Q 4. Describe the major problems created by the globalisation for a large number of small producers and workers.

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

- (i) It may lead to widening of income inequalities among various countries.
- (ii) Workers, jobs are no longer secure as imports from outside country can take over their work.
- (iii) Small manufacturers have been hit hard due to severe competition as they can't afford huge machines and advanced technology.
- (iv) Several units have been shut down making the most of the workers jobless.
- (v) Workers are denied from their fair share of benefits due to strong market competition.
- (vi) Globalisation leads to expansion of the organised sector.

Q 5. Why do Multinational Corporations (MNCs) set up their offices and factories in certain areas only? Explain any five reasons. (CBSE 2019)

Ans. MNCs set up their offices and factories in certain areas only due to the following reasons:

- (i) MNCs get cheap labour when they set up their offices and factories in these areas.
- (ii) In order to set up a large industry or a company to have far more productivity, MNCs need more labour and it will be just their benefit to get cheap labour.
- (iii) MNCs can cut-off the rate of transportation to an extent when they select areas with high level of resources.
- (iv) MNCs can easily set up plants by selecting an area which is full of natural resources.
- (v) MNCs can provide their products to their consumers more efficiently and with more profit by cutting the costs involved while setting up their plants.



TIP

Discuss about the availability of raw material, skilled and unskilled labour, etc. to gain marks.

Q 6. How are MNCs controlling and spreading their production across the world? (CBSE 2015)

OR

How do MNCs interlink production across countries?

Explain with examples. (CBSE 2017, 2022 Term-2)

Ans. MNCs are controlling and spreading their production across the world in the following ways:

- (i) MNCs set up their production units in those areas where skilled and unskilled labour is easily available at low cost which increases the rate of production.
- (ii) MNCs set up their units near to the market to have easier distribution.
- (iii) MNCs set up production jointly with some of the local companies. Sometimes, they buy local companies and expand their production.
- (iv) MNCs choose such areas to set up their production units where there is availability of required facilities.
- (v) MNCs place orders for production with small producers and provide them money for their requirements. They provide the local companies with their latest technology to achieve better and speedy production.

Q 7. 'Foreign trade integrates the markets in different countries'. Support the statement with arguments.

OR

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

(CBSE 2018)

Ans. Foreign trade has been integrating markets of different countries in the following ways:

- (i) The import and export between the countries takes place on the basis of the fact that which commodity is in shortage in either of the countries.



- (ii) In general, with the opening of trade, goods travel from one market to another. Choice of goods in the market rises. Prices of similar goods in the two markets tend to become equal.
- (iii) Through foreign trade, producers in the two countries now closely compete against each other, even though they are separated by thousands of miles.
- (iv) Foreign trade creates an opportunity for the producers to reach beyond the domestic markets.
- (v) More and more goods and services, investments and technology are moving between countries.

Hence, foreign trade makes the countries interdependent on each other and helps in integration of markets across the countries.

COMMON ERROR

Students write only about Indian producers. Here, it is essential to explain the producers' point of view.

Q 8. What is WTO? Mention its major aims and its limitations.

OR

Write a note on World Trade Organisation.

Ans. The WTO is an organisation which deals with the rules of trade among the nations.

Aims of the WTO are as follows:

- (i) The major aim of the WTO is to conduct international trade among countries of the world in an open, uniform and non-discriminatory manner.
- (ii) It also handles trade disputes.
- (iii) It provides technical assistance and training to the developing and the underdeveloped economies.
- (iv) It forms rules and regulations which all the members have to adopt for the smooth running of trade.

Limitations of the WTO are as follows:

- (i) Developed countries have unfairly retained trade barriers whereas WTO has forced the developing countries to remove trade barriers.
- (ii) The trade reform process is incomplete in various countries.

Q 9. How does World Trade Organisation facilitate free trade for all countries? Analyse with examples.

Ans. World Trade Organisation facilitates free trade for all countries in the following ways:

- (i) Through the removal of tariff and non-tariff barriers, international trade is facilitated.
- (ii) WTO provides greater market access to all the member countries and not just the powerful ones.
- (iii) It promotes free and fair trade through multilateral talks and negotiations.
- (iv) Countries can set up a free trade agreement that applies only to goods traded within the

group i.e., discriminating against goods from outside.

- (v) Free trade is facilitated through agreements signed by most of the world's trading nations.

Q 10. Explain any five facilities available in the special economic zones developed by the Central and State Governments to attract foreign investment.

(CBSE 2019)

Ans. The five facilities available in the special economic zones developed by the Central and State Governments to attract foreign investment are:

- (i) Special Economic Zones are to have world class facilities such as electricity, water, roads, transport, etc.
- (ii) Recreational and educational facilities are provided by the government.
- (iii) Government has allowed flexibility in labour laws to attract foreign investment.
- (iv) Companies setting up production units in the SEZs do not have to pay taxes for an initial period.
- (v) Instead of hiring workers on a regular basis, companies hire workers flexibly for short period in case there is intense pressure of work.

Q 11. 'The impact of globalisation has not been uniform.' Explain with examples. (CBSE 2020, 2022 Term-2)

Ans. The given statement can be understood through the following examples:

- (i) MNCs have been benefited by industries like automobiles, electronics, soft drinks, communication, transportation and hospitality in which employment has increased.
- (ii) Local companies that supply things such as raw materials, etc. to the industries have become prosperous.
- (iii) Globalisation has increased competition and destroyed income sources for other industries and individual craftsmen as their products are unable to compete with goods made by machines in terms of quality and prices.
- (iv) Consumers have benefited with availability of better quality of goods at lesser prices.
- (v) Most of the Indian industries and companies have benefited immensely and have been emerged as MNCs themselves.

Q 12. Assess the impact of globalisation on India and its people. (CBSE SQP 2022 Term-2)

Ans. Globalisation has the following impact on India and its people:

- (i) Globalisation has resulted in more choices for the consumers and has improved the standard of living of the people.
- (ii) MNCs have increased their investments in industries such as cell-phones, automobiles, electronics, soft drinks, etc. due to which new jobs have been created.
- (iii) Some local companies that supply raw materials to MNCs have benefited while some

have been able to invest in newer technology and production methods.

(iv) Globalisation has enabled some large companies such as Tata Motors, Infosys to emerge as multi national companies.

(v) There is stiff competition for local producers and manufacturers.

(vi) Globalisation has led to expansion of unorganised sector, new opportunities for IT sector and flexibility in labour laws.



Chapter Test

Multiple Choice Questions

Q 1. 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
- d. None of the above

Q 2. Which one of the following is a major benefit of joint production between a local company and a multinational company?

- a. MNC can bring latest technology in the production
- b. MNC can control the increase in the price
- c. MNC can buy the local company
- d. MNC can sell the products under their brand name

Q 3. What is the idea behind the development of Special Economic Zones (SEZs) in India?

- a. To boost Indian industries
- b. To solve the problem of unemployment
- c. To produce handicrafts
- d. To attract foreign investment

Q 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

Q 5. Choose the correct statement about factors of globalisation in India.

- (i) Improvement in transportation technology.
- (ii) Liberalisation of foreign trade and foreign investment.
- (iii) Favourable rules of WTO towards India in comparison to developed countries.

Choose the correct options from the codes given below:

- a. (i) and (ii)
- b. (i) and (iii)
- c. (ii) and (iii)
- d. Only (iii)

Assertion and Reason Type Questions

Directions (Q.Nos. 6-8): In the following questions given below, there are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the correct option:

- a. Both Assertion (A) and Reason (R) are true and Reason (R) is the correct explanation of Assertion (A).

b. Both Assertion (A) and Reason (R) are true, but Reason (R) is not the correct explanation of Assertion (A).

- c. Assertion (A) is true, but Reason (R) is false.
- d. Assertion (A) is false, but Reason (R) is true.

Q 6. Assertion (A): MNCs can exert a strong influence on production at distant locations.

Reason (R): MNCs set up partnerships with local companies, use local companies for supplies, compete with the local companies or buy them up.

Q 7. Assertion (A): Foreign trade creates an opportunity for the producers to reach beyond the domestic market.

Reason (R): Foreign trade expands the choice of goods beyond what is domestically produced.

Q 8. Assertion (A): A tax on imports makes the market for imported goods lucrative in terms of earning higher profits.

Reason (R): Governments impose taxes to regulate the amount and quality of goods that enter a nation and to protect the domestic industry from foreign competition.

Source Based Questions

Q 9. Read the sources given below and answer the questions that follow:

Source A:

Several of the top Indian companies have been able to benefit from the increased competition. They have invested in newer technology and production methods and raised their production standards. Some have gained from successful collaborations with foreign companies.

Moreover, globalisation has enabled some large Indian companies to emerge as multinationals themselves! Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners (nuts and bolts) are some Indian companies which are spreading their operations worldwide.

Globalisation has also created new opportunities for companies providing services, particularly those involving IT. The Indian company producing a magazine for the London based company and call centres are some examples. Besides, a host of services such as data entry, accounting, administrative tasks, engineering are now being done cheaply in countries such as India and are exported to the developed countries.

Source B:

Since globalisation is now a reality, the question is how to make globalisation more 'fair'? Fair globalisation would create opportunities for all and also ensure that the benefits of globalisation are shared better.

The government can play a major role in making this possible. Its policies must protect the interests, not only of the rich and the powerful, but all the people in the country. You have read about some of the possible steps that the government can take. For instance, the government can ensure that labour laws are properly implemented and the workers get their rights. It can support small producers to improve their performance till the time they become strong enough to compete. If necessary, the government can use trade and investment barriers. It can 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.

In the past few years, massive campaigns and representation by people's organisations have influenced important decisions relating to trade and investments at the WTO. This has demonstrated that people also can play an important role in the struggle for fair globalisation.

Source C:

Ravi did not expect that he would have to face a crisis in such a short period of his life as industrialist. Ravi took a loan from the bank to start his own company producing capacitors in 1992 in Hosur, an industrial town in Tamil Nadu. Capacitors are used in many electronic home appliances including tube lights, television, etc. Within three years, he was able to expand production and had 20 workers working under him.

His struggle to run his company started when the government removed restrictions on imports of capacitors as per its agreement at WTO in 2001. His main clients, the television companies, used to buy different components including capacitors in bulk for the manufacture of television sets. However, competition from the MNC brands forced the Indian television companies to move into assembling activities for MNCs. Even when some of them bought capacitors they would prefer to import as the price of the imported item was half the price charged by people like Ravi.

Ravi now produces less than half the capacitors that he produced in the year 2000 and has only

seven workers working for him. Many of Ravi's friends in the same business in Hyderabad and Chennai have closed their units.

Batteries, capacitors, plastics, toys, tyres, dairy products and vegetable oil are some example of industries where the small manufacturers have been hit hard due to competition. Several of the units have shut down rendering many workers jobless. The small industries in India employ the largest number of workers (20 million) in the country, next only to agriculture.

Source A:

- (i) Which large Indian companies have emerged as multinationals themselves?

Source B:

- (ii) How can people play an important role in the struggle for fair globalisation?

Source C:

- (iii) Which small manufacturers have been hit hard due to competition?

Very Short Answer Type Questions

Q 10. Why had the Indian government after independence put barriers to foreign trade and foreign investment?

Q 11. How can the globalisation be made more fair? What will be its effects?

Q 12. What is the benefit of joint production between a local company and an MNC?

Short Answer Type Questions

Q 13. What steps have been taken by the government to attract foreign investment?

Q 14. How have our markets been transformed in recent years?

Q 15. 'Technology has stimulated the globalisation process'. Support the statement with examples.

Q 16. 'Globalisation has been advantageous to consumers as well as to producers.' Support the statement with suitable examples.

Long Answer Type Questions

Q 17. Explain the ways in which competition has affected workers, Indian exporters and foreign MNCs in the garments industry.

Q 18. Define the term liberalisation. Explain the reasons why the Indian Government started the policy of liberalisation in 1991?