Globalization and the Indian Economy

Check Point 01

Q. 1. Write the names of any two industries where MNCs have increased their investment.

Answer:

• Automobiles

• Telecommunication

• Fast food chains

Multi-National Corporations are large companies established in a particular country and has offices, markets and produces and sells its products in many countries. MNCs increase and decrease their investment based on the demand for their commodities in the global market. In recent times, the demand for automobiles (especially cars), communication devices like mobiles and fast food chains have the greatest demand thus encouraging the firms to invest more on these sectors.

Q. 2. Write the names of any two Indian MNCs.

Answer:

• Larsen and Toubro (L&T)

• Aditya Birla group

• Infosys

Multi-National Corporations are large companies established in a particular country and has offices, markets and produces and sells its products in many countries. Indian MNCs are those companies that have their headquarters and origin in India. They are Indian companies that have their markets globally.

Q. 3. Name any two modes of linking production across countries.

Answer: MNCs generally link the production across countries by three methods. It can be stated as-

• Producing jointly with local companies

• Purchasing local companies

• Placing orders with local companies

Multi-National Corporations are large companies established in a particular country and has offices, markets and produces and sells its products in many countries. They try to integrate and control the production across countries where close markets, low labour and high profits are earned. They control the market to maintain their economic and social power and their marketing network.

Q. 4. What is the name of the Indian company that was taken over by the US Company Cargill Foods?

Answer: US Company Cargill Foods has taken over a small Indian company- Parakh Foods.

One of the important ways through which MNCs expand their production is by taking over the well-performing local companies and using their name and reputation. In this case, Cargill Foods purchased Parakh Foods that had a very good reputation and marketing network. This would give Cargill Foods the advantage of their status.

Q. 5: Which products are supplied by local companies and sold by MNCs as its brand?

Answer: Garments, footwear and sport items are generally produced locally but are mostly sold by MNCs under their brand name.

An important method by which MNCs gain control over the local companies is to place the orders for their products locally. This will reduce their cost of production and also reduce the risk of local competition. These products are sold to MNCs which sell them under their own brands.

Self Assessment

Q. 1. What does Cargill Food India Limited produce?

Answer: Cargill Food creates and maintains connections across the global food system with the motto 'to help the world thrive'. They are the world's one of the leading traders of grains and oilseeds including wheat, corn, barley, pulses, vegetable oil and animal nutrition products. Besides this, they also have global market for edible oils, fats and flours under many brands like Nature Fresh, Leonardo Olive Oil, Rath and Sunflower and many more.

Q. 2. Which international organisation look after the liberalisation of foreign trade?

Answer: World Trade Organisation is the important international organisation that looks after the liberalisation of foreign trade. Trade liberalisation requires the countries to remove their existing barriers and restrictions by removing taxes, tariffs and quotas on the imported and exported goods. The objective of WTO is to ensure free trade practices globally.

Q. 3. Give one example of an MNC in India and an Indian MNC.

Answer: Multi-National Corporations functioning in India are large companies established in a particular country and has offices, markets and produces and sells its products in many countries. Its origin can be in any country, but may have their agencies in all the countries.

E.g. - Microsoft (U.S), Nestle (Switzerland)

Indian MNCs are those companies that have both their headquarters and origin in India. They are Indian companies that have their market globally.

E.g. – Infosys, Aditya Birla group

Q. 4: Name the group of countries which dominate the WTO.

Answer: World Trade Organisation is an important international organisation that looks after the liberalisation of foreign trade. It was established in 1995 for the regulation of foreign trade and to ensure free trade practices. But WTO is being dominated by the developed countries. They have retained and maintained their trade barriers while developing countries are being forced to liberalise their markets. This has resulted in many debates especially in case of agricultural goods.

Q.5. What are the characteristics of an MNC?

Answer: Multi-National Corporations are large companies established in a particular country and has offices, markets and produces and sells its products in many countries. The main characteristics of MNCs are:

• **Large size:** MNCs are huge organisations that own and control huge resources in terms of capital, technology, people and information. They have large physical and financial assets and bulky sales. They are very mammoth organisations whose monthly budget may even surpass the annual budget of countries.

• **Multi-country operations:** MNCs operate in many different countries. They have a very vast marketing network. Their assets may be diversified in many countries. Thus they carry out their production, marketing and sales in many countries, even in all the continents• Unified control: Even though MNCs have branches in different parts of the world, their marketing, sales and other important decisions will be taken in the headquarters in the home country. Even though each of their office may have decision making bodies, their important decisions will be taken by the central headquarters.

• **Sophisticated technology and professional management:** MNCs always have highly sophisticated and advanced techniques and technology for production. The develops newer cost-reducing methods of production through consistent spending in research and development. Also, they employ the most efficient and professional staffs to handle the organisation. Thus they reap huge profits.

• **Mighty organisations:** Mostly MNCs are very powerful organisations who try to retain their economic and political powers through consistent mergers and acquisitions. They even may have some degree of monopoly due to economic and technical advantage.

Q. 6 How an investment by an MNC benefits the home country?

Answer: Multi-National Corporations are large companies established in a particular country and has offices, markets and produces and sells its products in many countries. The main benefits of MNC to the home country are:

• **Additional investment:** MNCs can be beneficial to the home country as the huge firms with many resources may bring in their additional share of investment. This is particularly beneficial to the developing countries that have scarcity in resources.

• **New and advanced technology:** MNCs bring in with them the latest technology as an investment to the home country. MNCs always have new and advanced technology for operations which can be used by the home countries to increase their production.

• **Increased employment opportunities:** MNCs always bring in with them bulk of employment opportunities. They require qualified and professional employees for the management of their regional offices in the home country. It also increases employment in allied sectors like transportation, IT and other industries. They also generate a lot of other jobs in sectors like footwear and garments when they place orders for the products with the local industries. This increases the employment opportunities in the home country.

Q. 7. State the basic functions of foreign trade.

Answer: Foreign trade or international trade is the exchange of goods and services between countries. It is an important component of the economy. The basic function of international trade is the integration of the markets in different countries. It will give lot of opportunities and openings for the domestic producers and consumers to reach out beyond the domestic market. Producers can sell their commodities to buyers from around the world. Consumers also have the choice to select commodities produced beyond the domestic markets. The prices tend to be equal in both the markets gradually. Thus, foreign trade widens the markets for both produces and consumers and helps in connecting the markets world-wide.

Q. 8. What are trade barriers?

Answer: Trade barriers are restrictions imposed on foreign trade to control and regulate the trade in some or all commodities. It does not ensure free trading of commodities. Government may setup trade barriers to reduce the trade in some foreign commodities in the domestic market. Mostly trade barriers are set up to reduce the volume of imports to the country. Imports are the commodities and services that are brought for sale to the home country. Import taxes is an important form of trade barrier.

Q. 9. How many countries of the world are currently the members of WTO?

Answer: World Trade Organisation is an important international organisation that looks after the liberalisation of foreign trade. It was established in 1995 for the regulation of foreign trade and ensure free trade practices. It is the largest international organisation in the world. Currently WTO has 164 member states. Afghanistan was the last country to become its member on 29 July 2016.

Q. 10. What are the challenges posed by globalisation?

Answer: Globalisation is the interconnection between counties through the expansion of foreign trade and foreign investment. It is the process of integrating the home country with the foreign countries through the movement of goods, services, investment, technology and people. Some of the challenges posed by globalisation are:

• **Challenges to small traders:** Because of the growing competition from the MNCs, small companies who are unable to withstand the increased competition are shutting down their companies. The unchecked imports of the goods without any restrictions and the aggressive advertising strategies taken by the MNCs has resulted in the closure of many small, domestic industries leading to large unemployment.

• **Uncertain jobs:** Globalisation has resulted in jobless growth. Government has allowed flexibility of labour to attract foreign investment. With the increasing competition in the market, MNCs placing orders for their products in the domestic countries are forcing the domestic producers to employ workers on a temporary basis to reduce their cost of production. Thus, they need not pay them for the whole year and can employ additional workers only during the peak seasons of demand. This results in uncertainty in jobs.

• **Inequality:** Globalisation has resulted in rising inequalities in income and wealth distribution. This has resulted in a rural – urban divide where many of the poor are excluded from the advantages and benefits of globalisation. Because of the strong demand for various essential goods due to increased competition, many poorer sections are adversely affected. This increases the income inequality between the rich and the poor.

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Q. 12. Explain any three methods of controlling production across countries by MNCs.

Answer: Multi-National Corporations are large companies established in a particular country and has offices, markets and produces and sells its products in many countries. They try to integrate and control the production across countries where close markets, low labour and high profits are earned. They control the market to maintain their economic and social power and their marketing network. MNCs generally link the production across countries by three methods. It can be explained as-

• **Produce jointly with local companies-** MNCs may set up their production jointly with some local companies of the home country. This benefits the local companies in two ways. MNCs provide them the monetary help they need by additional investment. They also provide them with the latest upgraded technology and equipment for production.

• **Purchase local companies-** This is the most common method through which MNCs expand their production. Because of the huge amount of wealth and assets they own, they can purchase the finest local companies. MNCs can purchase well-performing local companies and expand their production taking advantage of the local company's reputation and name.

E.g. - An American MNC Cargill Foods had purchased an Indian company Parakh Foods that had a large marketing network and high reputation. Thus, Cargill Foods can expand its production.

• **Place orders for products locally-** MNCs may use this method to control the local production. MNCs may place orders for their commodities with the local producers of developing countries. This will reduce their cost of production and also reduce the risk of local competition. MNCs sell these products under their own brand name. MNCs have the authority to determine the price, quality, labour conditions and delivery of these products. It is commonly found in the garments, footwear and sports industries.

Q. 13. What is the impact of globalisation on the richer section of the society in the urban areas?

Answer: Globalisation is the interconnection between counties through the expansion of foreign trade and foreign investment. It is the process of integrating the home country with the foreign countries through the movement of goods, services, investment, technology and people.

Globalisation has resulted in greater competition among the producers. Producers in the home countries compete with the foreign produces and products thus improving the quality of the goods and services produced. This has serious implications especially to the richer sections of people in the urban areas. This greater competition has resulted in the improved standards of the products produced at lower price. This increased quality of products at lower prices has raised their standard of living significantly.

MNCs are also investing immensely in sectors like automobiles, communications and others industries. This has improved the choices of buyers, thus increasing the welfare of the richer sections of the society in urban areas.

Q. 14. Explain the impact of flexible labour law on workers.

Answer: Globalisation is the interconnection between counties through the expansion of foreign trade and foreign investment. It is the process of integrating the home country with the foreign countries through the movement of goods, services, investment, technology and people. Flexibility in labour laws is an important impact of globalisation.

Government is providing many incentives for the MNCs to attract foreign companies. In the organised sector, the rights of the workers are protected. But MNCs are allowed to overlook many of these rules. One such incentive provided to the MNCs is flexibility in labour laws. According to this, the companies are allowed to hire workers for short periods of time when the pressure of work is more, rather than hiring them on a regular basis. This is a way to reduce the cost of production for the companies. With the increasing competition in the market, MNCs placing orders for their products in the domestic countries are forcing the domestic producers to employ workers on a temporary basis to reduce their cost of production. Thus, they need not pay them for the whole year and can employ additional workers only during the peak seasons of demand. Also, workers are made to work overtime, but they are paid less. This results in uncertainty in jobs.

Q. 15. Briefly describe how IT helps in making globalisation successful.

Answer: Globalisation is the interconnection between counties through the expansion of foreign trade and foreign investment. It is the process of integrating the home country with the foreign countries through the movement of goods, services, investment, technology and people. Information and Communication Technology (IT) is an important driving force for the success of globalisation.

Telecommunication facilities, especially the internet has significantly contributed to the success of globalisation. The development of services like e-banking has increased the pace in which transactions are carried out around the world. Today, the world is just a click away. IT has facilitated and improved communication, lowered the cost of transportation thus helping to transport goods to other countries cheaply and has ensured more co-operation among firms through increased networking. It has contributed to the development of advanced technology of production and their transmission throughout the world.

The development of financial and logistic services is the main carrier of an improved globalised world. The establishment of call centres and other allied services in other countries has also contributed to growth in service sector. Sophisticated technologies helps in instant communication throughout the world thus making globalisation a success story.

Q. 16. Explain three conditions that helps the MNCs to set up a production unit in another country.

Answer: Multi-National Corporations are large companies established in a particular country and has offices, markets and produces and sells its products in many countries. There are many aspects that MNCs consider while starting a production unit in a foreign country. Some of these conditions are:

• **Closeness to market:** An important factor that MNCs consider before establishing their production centres is the proximity to market. They must be able to sell the commodities produced in the market without any difficulties, especially in the case of perishable commodities. They must have easy access to markets and consumers for effectively selling their products.

• **Low cost of labour:** MNCs will establish their production centres in places where the cost of labour is less. They must have the economic situation in which they are able to recruit both highly skilled works and unskilled workers at a lower wage rate. This forces MNCs to establish their production units in developing countries where people are ready to work at lower wage rates.

• **Availability of factors of production:** MNCs will establish their production units in places where other factors of production are easily available. Availability of raw materials for production is a very crucial concern. MNCs generally set up their production units close to raw material hubs if they are heavy and bulky. Transportation facility is also an important factor for easy access to markets and raw material hubs. It is the mode by which production centres and consumers are connected. They must also consider the availability of land resources, power and the development of capital markets for raising funds.

• **Government policies:** MNCs establish their production units in places where the government policies are favourable. If strict legislations and huge taxes are being imposed by the government, MNCs will be reluctant to establish their production centres. Generally, the governments will offer them incentives for attracting foreign capital and investment.

Q. 17. 'Globalisation can't be successful without liberalisation.' How?

Answer: Globalisation is the interconnection between counties through the expansion of foreign trade and foreign investment. It is the process of integrating the home country with the foreign countries through the movement of goods, services, investment, technology and people. Globalisation is the driving force of the 21th century.

Globalisation became a success only because of liberalisation of the economy. Liberalisation is the removal of all the barriers and restrictions set by the government. Government uses barriers to decide on the quantity of imports and exports in the economy. But the barriers restricted the flow of investment and commodities to the domestic market. The removal of these barriers has resulted in the inflow of huge investment and the establishment of many new companies by MNCs. It has expanded the markets and widened the choice of consumes. Integrating the home economy with foreign economies on the one hand, but imposing many restrictions on MNCs on the other would have only restrictive impacts on the economy.

Thus, globalisation would have been an utter failure if the economy was restricted and controlled by many rules and regulations. Liberalisation of both trade and investment has thus enabled globalisation.

Q. 18. 'International trade is the measure of any country's economic wealth.' Explain.

Answer: Foreign trade or international trade is the exchange of goods and services between countries. It is an important component of the economy. International trade can be stated as the measure of any country's economic wealth.

International trade helps in the integration of the markets in different countries. It gives a lot of opportunities and openings for the domestic producers and consumers to reach out beyond the domestic market. Producers can sell their commodities to buyers from around the wold. Consumers also have the choice to select commodities produced beyond the domestic markets. The prices tend to be equal in both the markets gradually. Thus, foreign trade widens the markets for both produces and consumers and helps in connecting the markets world-wide.

International trade improves the quality of the commodities produced in the home country. With the increasing foreign competition, producers of the home country would be forced to improve the production techniques and adopt advanced technologies for production. This will help in the production of more sophisticated commodities in the home market.

International trade also brings in significant foreign exchange earnings through exports. Exports are the commodities produced in the home countries that are sold in foreign markets. This will bring in foreign earnings to the country and will improve the economic position of the home country. Improved trade will also result in higher foreign investment in the home country.

Thus, international trade can be rightly considered as an ‘engine of growth’.

Q. 19. Explain three ways in which pressure of competition due to globalisation has significantly changed the life of Indian workers.

Answer: Globalisation is the interconnection between counties through the expansion of foreign trade and foreign investment. It is the process of integrating the home country with the foreign countries through the movement of goods, services, investment, technology and people. Globalisation has created many employment opportunities for both skilled and unskilled workers in many sectors like transportation, IT and other service sectors. But the extreme integration of the economy and the pressure of competition has negatively affected the workers with a higher intensity. Some of the challenges faced by them are:

• **Challenges to small traders:** Because of the growing competition from the MNCs, small companies who are unable to withstand the increased competition are shutting down their companies. The unchecked imports of the goods without any restrictions and the aggressive advertising strategies taken by the MNCs has resulted in the closure of many small, domestic industries leading to large unemployment. The import of cheap, highly advertised commodities has created brand domination in many sectors. This has rendered many workers unemployed. Batteries, plastics, toys, tyres and foodstuff are some industries where the small manufacturers are worst hit.

• **Uncertainty in jobs:** Government is providing many incentives for the MNCs to attract foreign companies. In the organised sector, the rights of the workers are protected. But MNCs are allowed to overlook many of these rules. One such incentive provided to the MNCs is flexibility in labour laws. According to this, the companies are allowed to hire workers for short periods of time when the pressure of work is more, rather than hiring them on regular basis. This is a way to reduce the cost of production for the companies. With the increasing competition in the market, MNCs placing orders for their products in the domestic countries are forcing the domestic producers to employ workers on a temporary basis to reduce their cost of production. Thus, they need not pay them for the whole year and can employ additional workers only during the peak seasons of demand. Also, workers are made to work overtime, but they are paid less. This results in uncertainty in jobs.

• **Unemployment:** Globalisation has resulted in jobless growth. The employment opportunity created through globalisation is not sufficient enough to absorb the entire Indian workforce. On the top, the technology revolution brought about by globalisation has rendered many unemployed. Many jobs earlier performed by human labour is now replaced by machines. The replacement of human labour by machines has increased the unemployment level in the economy.

Q. 20. How do local companies get two-fold production benefits through MNCs?

Answer: Multi-National Corporations are large companies established in a particular country and has offices, markets and produces and sells its products in many countries. There are many aspects that MNCs consider while starting a production unit in a foreign country. MNCs work long with local companies to expand production by producing jointly with local companies, purchasing local companies and placing orders with local companies. This has two-fold production benefits to the local companies. They are:

• **Additional investment:** MNCs can be beneficial to the home country as the huge firms with many resources may bring in their additional share of investment. This is particularly beneficial to the local firms in developing countries that have scarcity in resources. This increases the quantity of resources available to the local firms to expand their production. This additional resources can be used for expanding their production potential.

• **New and advanced technology:** MNCs have highly sophisticated and advanced techniques and technology for production. They will always develop newer cost-reducing methods of production through consistent spending in research and development. Thus, MNCs bring in with them the latest technology as an investment to the home country. It can be utilised by the home countries to increase their production. The improved techniques can also contribute to the development of new technology in other organisations. Thus it will result in a technology transfer.

Q. 21. 'Large companies with huge wealth, power and reach can manipulate the market in various ways.' Justify the statement with suitable examples.

Answer: Multi-National Corporations are large companies established in a particular country and has offices, markets and produces and sells its products in many countries. They are large companies with huge wealth, power and reach who can manipulate the market in various ways.

• **Brand intimacy:** MNCs can create a sense of brand intimacy in the minds of the public though heavy advertisements. With the heavy advertisement expenditure and an attracting tagline, they can capture the market easily than companies having less resources. Advertising has created a sense of brand loyalty in the minds of people related to many products. They are not willing to substitute other products in its place. Thus MNCs can manipulate the market.

E.g. – Even though many brands of toothpastes are available in the market, mostly everyone will buy highly advertised brands. No one will bother to buy other local brands.

• **Imaginary diversity:** MNCs can create an assumption in the minds of the people about the characteristic differences in their products. With the heavy publicity, they can create an imaginary differentiation in their products, even though the inherent characteristic of their product may be the same relative to other products in the market. This is the main way by which MNCs manipulate their buyers.

E.g. – It can be found in the branding and marketing of soft drinks. They may have similar taste, colour and composition, but are sold under different brands.

• **Artificial demand:** MNCs try and create artificial demand for a commodity. Artificial demand is created by cutting down the supply of a product that is in high demand. This will increase the price of the product which can be again re-introduced at a higher price. They may also re-introduce the same product stating additional specifications in the new model.

E.g. – This is largely found in the telecommunication and mobile industry where artificial demand is created by controlling the supply and new specifications are added each day.

Q. 22. Explain the good and bad effects of globalisation in Indian industry.

Answer: Globalisation is the interconnection between counties through the expansion of foreign trade and foreign investment. It is the process of integrating the home country with the foreign countries through the movement of goods, services, investment, technology and people. India has been a globalised economy since 1991 after the country faced an economic crisis in the pre-1991 period. After this 27 years of globalisation, the economy has experienced both ups and downs because of this increased integration of the country with other countries.

Some of the advantages that are the result of globalisation are:

• **Production of standardised, high quality products and services:** Globalisation has resulted in greater competition among the producers. Producers in the home countries compete with the foreign producers and products thus improving the quality of the goods and services produced. This greater competition has resulted in the improved standards of the products produced at a lower price. This increased quality of products at lower prices has raised their standard of living significantly.

• **Improved choice for buyers:** MNCs are investing immensely in sectors like automobiles, communications and others industries. This has improved the choices of buyers. Consumers also have the choice to select commodities produced beyond the domestic markets through international trade.

• **Increased employment opportunities:** Globalisation always brings in bulk of employment opportunities. MNCs will require qualified and professional employees for the management of their regional offices. It will also increase employment in allied sectors like transportation, IT and other industries. They will also generate a lot of other jobs in sectors like footwear and garments when they place orders for the products with the local industries. This increases the employment opportunities for both skilled and unskilled labour.

• **Additional investment:** Globalisation beneficial as the huge MNCs with many resources will bring in their additional share of investment. This is particularly beneficial to the local firms in a developing country like India that has scarcity in resources. This will increase the quantity of resources available to the local firms to expand their production.

Just like a coin, globalisation has also its other side. Even though the economy has highly benefitted through globalisation, it has also resulted in many issues. The extreme integration of the economy and the pressure of competition has posed many challenges. Some of them are:

• **Challenges to small traders:** Because of the growing competition through globalisation from the MNCs, small companies who are unable to withstand the increased competition are shutting down their companies. The unchecked imports of the goods without any restrictions and the aggressive advertising strategies taken by the MNCs has resulted in the closure of many small, domestic industries leading to large unemployment. The import of cheap, highly advertised commodities has created brand domination in many sectors. This has rendered many workers unemployed. Batteries, plastics, toys, tyres and foodstuff are some industries where the small manufacturers are worst hit.

• **Uncertainty in jobs:** Government is providing many incentives for the MNCs to attract foreign companies. In the organised sector, the rights of the workers are protected. But MNCs are allowed to overlook many of these rules. One such incentive provided to the MNCs is flexibility in labour laws. According to this, the companies are allowed to hire workers for short periods of time when the pressure of work is more, rather than hiring them on regular basis. This results in uncertainty in jobs.

• **Unemployment:** Globalisation has resulted in jobless growth. The employment opportunity created through globalisation is not sufficient enough to absorb the entire Indian workforce. On the top, the technology revolution brought about by globalisation has rendered many unemployed. Many jobs earlier performed by human labour is now replaced by machines. The replacement of human labour by machines has increased the unemployment level in the economy.

It can never be said that globalisation should be totally evaded in the economy. But government and other authorities should ensure a fair scheme in which the benefits of the globalisation reaches everyone. This equity is yet to be achieved.

Q. 23. In what way are MNCs different from national companies? Explain by giving thee reasons.

Answer: In today's globalised world, we can find the operation of a variety of business firms in the economy. In today's mixed economic world, many companies co-exist together. They can be MNCs and national companies. MNCs differ from national companies in many aspects. Some of them are:

• **Establishment and operations:** Multi-National Corporations are large companies established in a particular country and has offices, markets and produces and sells its products in many countries. National companies are firms that operate within the boundaries of a particular country. MNCs have regional offices in different parts of the world. National companies are concentrated within a country. MNCs have to control production in different parts of the country while national companies need to control its production activities within the particular country.

• **Resources:** MNCs have a huge customer base across nations that cater to the requirements of people in different parts of the world. They acquire more resources by purchasing local companies, producing along with local companies or placing orders with local companies. Thus, they have more resources under their command. In contrast, national companies have their customer base across the nation and produce and sell the commodities needed by the nation's population using its own country's products and resources.

• **Technology and management:** MNCs will always have highly sophisticated and advanced techniques and technology for production. They will always develop newer cost-reducing methods of production through consistent spending in research and development. Also, they employ the most efficient and professional staffs to handle the organisation and reap huge profits. In contrast, national companies will not have such advanced and sophisticated techniques of production. They mostly take into account the cultural and social background of the country and produce accordingly. Thus, their main aim is to satisfy the needs of the population rather than reaping profits.

Both MNCs and national companies are required for the efficient functioning of the economy. While the latter does not have a big role in globalisation, the former is the forerunner of globalisation in the country.

Q. 24. Explain the whole process in which an MNC works?

Answer: Multi-National Corporations are large companies established in a particular country and has offices, markets and produces and sells its products in many countries. MNCs are huge organisations that own and control huge resources in terms of capital, technology, people and information. They have large physical and financial assets and bulky sales.

MNCs operate in many different countries. They have a very vast marketing network. Their assets may be diversified in many countries. Thus they carry out their production, marketing and sales in many countries, even in all the continents. Even though they have branches in different parts of the world, their marketing, sales and other important decisions will be taken in the headquarters in the home country. Even though each office may have decision making bodies, their important decisions will be taken by the central headquarters.

MNCs will always have highly sophisticated and advanced techniques and technology for production. The will always develop newer cost-reducing methods of production through consistent spending in research and development. Also, they employ the most efficient and professional staffs to handle the organisation. Thus they reap huge profits. There are many aspects that MNCs consider while starting a production unit in a foreign country. Some of these conditions are closeness to market, low cost of labour, availability of factors of production, government policies, etc.

Q. 25 What do you understand by 'fairer rules'? How far it is beneficial for all. State some important points.

Answer: Globalisation is the reality of the 21st century. Globalisation is the interconnection between counties through the expansion of foreign trade and foreign investment.

It has created many positive impacts in the economy. It has resulted in the production of more standardised products, generation of more employment opportunities, improved the choice of buyers, created additional investment and has contributed to technology transfer. But it has adversely affected the lives of small traders by closing down the local companies. It has also contributed to wide-spread unemployment, uncertainty in jobs and has created huge disparity in income distribution. Such a situation demands for a fair globalisation and enacting fairer rules.

Globalisation can be fair only when its benefits are being distributed to every section of the society. Some of the guidelines that can be followed for the implementation of fairer rules are:

- Government can implement policies to ensure that the interest of both the richer sections and the poorer sections of the society are safeguarded. Government can implement rules for fairer distribution of income. Richer sections can be taxed more and the income can be re-distributed.
- Government must ensure that the interest of workers in both organised and unorganised sectors are protected. Strict labour laws must be enforced to reduce the uncertainty in jobs while being employed in MNCs.
- Government must make sure that the small, local produces are not eliminated from the market because of the excessive competition. They must be protected from the excessive imports of foreign goods and services. Thus the government can ensure the protection of such industries from unfair foreign competition till they are strong enough to face the market.
- WTO is the major international organisation that is supervising and regulating the functioning of the economy in the globalised world. But WTO is being dominated and controlled by the developed countries. The government can integrate with other developing countries facing the same problem and raise their issues to WTO thus ending their domination.

- Developing countries can negotiate with WTO for fairer rules regarding the import and export of agricultural commodities. Developed countires have retained and maintained their trade barriers and are providing subsidies to agricultural producers. On the other hand, developing countries are being forced to liberalise their markets. Government can thus negotiate with WTO for equal and fair rules.

Only with a fair globalisation, we can ensure that the benefits of globalisation is being enjoyed by every sections of the society. This will led to the creation of a more sustainable economy in the future.