



Introduction -

Globalisation



The Indian Economy

In a matter of years, our markets have been transformed!



Introduction -

What we are going to study in this chapter?

- ❖ Production across countries
- ❖ Interlinking production across countries
- ❖ Foreign trade and Integration of market
- ❖ What is globalisation?
- ❖ Factors that have enabled globalisation
 - Technology
 - Liberalisation of Foreign trade and Foreign investment policy
- ❖ World trade organisation
- ❖ Impact of globalisation in India
- ❖ The struggle for a fair globalisation



Production Across Countries -

Before

- Production was largely organised within countries.
- Raw material, food stuff and finished products.
- Trade was the main channel connecting distant countries.

After

- Coming up of companies called multinational corporation (MNCs).
- Owns or controls production in more than one nation.

What are MNCs?



Multinational corporation are the large companies which owns or controls production in more than one nation. They set up offices and factories for production in regions where they can get cheap labour and other resources, so that they can earn greater profits.



Production Across Countries -

Spreading of Production by an MNC

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.

This is a call centre in Bengaluru, equipped with telecom facilities and access to the Internet to provide information and support to customers abroad.



Analyse





Production Across Countries -

Production is organised in increasingly complex ways.



The goods and services are produced globally 

China

- Advantage of being a cheap manufacturing location.

Mexico and Eastern Europe

- Closeness to the markets in the US and Europe.

India

- Skilled engineers
- English speaking youth

!!This process reduces the cost.!!



Interlinking Production Across Countries -

Who is Interlinking Production Across Countries?



MNCs



Factors' MNCs consider before setting up any production units. 



- Is it close to the markets .
- Is there skilled and unskilled labour available at low costs.
- Whether the availability of other factors of production is assured.
- MNCs might look for government policies that look after their interests.



Having assured of these conditions
MNCs invest in countries.



Foreign Investment



Interlinking Production Across Countries -

Ways through which MNCs set up their production are

- I. *MNCs set up production jointly with some of the local companies of these countries.*



Benefits to Local Company


- Get money for additional investments.
- MNCs might bring with them the latest technology for production.

Benefits to MNCs





Interlinking Production Across Countries -

Collaboration of Ford Motors and Mahindra & Mahindra 





Interlinking Production Across Countries -

II. *MNC buy up local companies and then expand production.*



MNCs with huge wealth normally do this.



Example



Parakh foods was bought up by the Cargill foods.



Why did MNCs do so?





Interlinking Production Across Countries -

III. Large MNCs in developed countries place orders for production with small producer↓

- Garments, footwear, sports items are examples of industries where production is carried out by a large number of small producers around the world.
- These products are then sold under the brand name of MNCs.

➔ These large MNCs have tremendous power to determine price, quality, delivery, and labour conditions for these distant producers.



Women at home in Ludhiana making footballs for large MNCs



Foreign Trade and Integration of Markets -

Foreign Trade



Integration of market



Historical perspective.

E.g. East India Company coming to India.



Foreign Trade and Integration of Markets -

What is the basic function of Foreign Trade?



Producers



- Foreign trade creates an opportunity for the producers to reach beyond the domestic markets.
- Producers can sell their produce not only in markets located within the country but can also compete in markets located in other countries of the world.
- Cost of production is reduced.

Buyers



- Import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.
- Competition among the producers reduces the price and the quality improves.

Foreign trade thus results in connecting the markets or integration of markets in different countries.



Foreign Trade and Integration of Markets -

Foreign trade - Chinese toys in India

Toys were sold by domestic manufacturer.

Chinese manufacturer started exporting toys in India.

High price

v/s

Low price

Buyers in India now have the option of choosing between Indian and the Chinese toys.

Analyse



- Cheaper prices and new designs.
- Chinese toys become more popular in the Indian markets.



What is Globalisation?

→ MNCs investing in various parts of the world.

+

→ Foreign trade between countries has been rising rapidly.



Agent of Globalisation



Foreign Investment ↑

+

Foreign Trade ↑

= Integration of production and market across countries.

∴ Globalisation is this process of rapid integration or interconnection between countries.



What is Globalisation?

Globalisation : A broad concept



- World coming closer.
- Movement, of goods, services, investments and technology.

+

- Movement of people between countries.



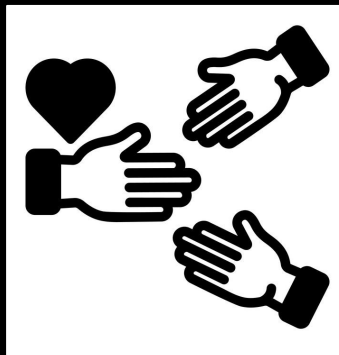
- People usually move from one country to another in search of better income, better jobs or better education.
- However, there has not been much increase in the movement of people between countries due to various restrictions. 🤖

Factors that have Enabled Globalisation -

Factors that have Enabled Globalisation



- Technology
- Liberalisation of foreign trade and foreign investment policy.





Factors that have Enabled Globalisation -

Improvement in technology



Stimulate the globalisation process.



Explain



Improvement in transportation
technology



- This has made much faster delivery of goods across long distances possible at lower costs.

Development in information and
communication technology



- Telecommunication, computers and internet are some of the developments which are connecting world to remote areas with satellite communication devices.



Factors that have Enabled Globalisation -



Containers for transport of goods

Goods are placed in containers that can be loaded intact onto ships, railways, planes and trucks. Containers have led to huge reduction in port handling costs and increased the speed with which exports can reach markets. Similarly, the cost of air transport has fallen. This has enabled much greater volumes of goods being transported by airlines.

Factors that have Enabled Globalisation -

Information and communication technology (or IT in short) has played a major role in spreading out **production of services** across countries. Let us see how.



IT LOOKS LIKE A VERY NICE MAGAZINE. BUT WHY ISN'T MY TEXTBOOK PRINTED LIKE THIS? I CAN HARDLY READ THE WORDS IN MY BOOK!

NO, MY CHILD! THIS PRINTING PRESS IS NOT FOR ORDINARY INDIANS!

Using IT in Globalisation

A news magazine published for London readers is to be designed and printed in Delhi. The text of the magazine is sent through Internet to the Delhi office. The designers in the Delhi office get orders on how to design the magazine from the office in London using telecommunication facilities. The designing is done on a computer. After printing, the magazines are sent by air to London. Even 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)!

LET'S WORK THESE OUT

1. In the above example, underline the words describing the use of technology in production.
2. How is information technology connected with globalisation? Would globalisation have been possible without expansion of IT?



Factors that have Enabled Globalisation -

Liberalisation of foreign trade and foreign investment policy



Connect with the imports of chinese toys. 🇨🇳



- Role of liberalisation
- Role of trade barrier





Factors that have Enabled Globalisation -

Trade barrier



Tax on import is an example of trade barrier, governments can use trade barriers to increase or decrease (regulate) foreign trade.



- This was considered necessary to protect the producers within the country from foreign competition.
- Industries were just coming up in the 1950s and 1960s, and competition from imports at that stage would not have allowed these industries to come up.

No Imports



Only essential items were allowed.



Factors that have Enabled Globalisation -

Liberalisation



Removing barriers or restrictions set by the government is what is known as *liberalisation*.



Explain



→ *Around 1991, some far reaching changes in policy were made in India.* 



- The government decided that the time had come for Indian producers to compete with producers around the globe.
- It felt that competition would improve the performance of producers within the country since they would have to improve their quality.
- This decision was supported by powerful international organisations.



Factors that have Enabled Globalisation -

Impact of liberalisation: Foreign trade, Foreign investment



- **Goods could be imported and exported easily and also foreign companies could set up factories and offices here.**
- **Businesses are allowed to make decisions freely about what they wish to import or export.**
- **The government imposes much less restrictions than before and is therefore said to be more liberal.**



Impact of Globalisation in India -

Globalisation

Positive

Advantages to consumers (particularly the well off section in urban areas). 🤖



- Greater choice.
- Improved quality of product at lower price.
- Enjoy much higher standards of living than was possible earlier.

Negative

Among producers and workers, the impact of globalisation has not been uniform.



Explain 🤖



Impact of Globalisation in India -

Positive impact of globalisation on producers

1. *MNCs have increased their investments in India.*



- MNCs have been interested in industries such as cell phones, automobiles, electronics, soft drinks, fast food or services such as banking in urban areas.



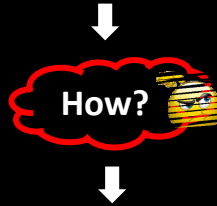
- In these industries and services, new jobs have been created.
- Local companies supplying raw materials, etc. to these industries have prospered.




Impact of Globalisation in India -

Positive impact of globalisation on producers

2. *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. 



Impact of Globalisation in India -

Positive impact of globalisation on producers

3. *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)



Impact of Globalisation in India -



Tata Motors (automobiles)



Infosys (IT)



Ranbaxy (medicines)



Asian Paints (paints)



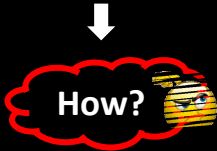
Sundaram Fasteners (nuts and bolts)



Impact of Globalisation in India -

Positive impact of globalisation on producers

4. *Globalisation has also created new opportunities for companies providing services.*



- Example of IT services.
- 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.

Class 10th - Economics - Globalisation and the Indian Economy - Full Chapter Explanation

Impact of Globalisation in India -

Negative impact of globalisation

Small producers: Compete or perish

Story of Ravi

Rising Competition

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.



Analyse

Competition and uncertain

Story of Sushila

A Garment Worker

35 year old Sushila has spent many years as a worker in garment export industry of Delhi. She was employed as a 'permanent worker' entitled to health insurance, provident fund, overtime at a double rate, when Sushila's factory closed in the late 1990s. After searching for a job for six months, she finally got a job 30 km. away from where she lives. Even after working in this factory for several years, she is a temporary worker and earns less than half of what she was earning earlier. Sushila leaves her house every morning, seven days a week at 7:30 a.m. and returns at 10 p.m. A day off from work means no wage. She has none of the benefits she used to get earlier. Factories closer to her home have widely fluctuating orders and therefore pay even less.



Impact of Globalisation in India -

Small producers: Compete or perish

Globalisation

➡ **Posed challenges for small producers.** 🐛



- Batteries, capacitors, plastics, toys, tyres, dairy products, and vegetable oil are some examples of industries where the small manufacturers have been hit hard due to competition.
- Several of the units have shut down rendering many workers jobless.



Impact of Globalisation in India -

Competition and uncertain employment



Competition ↑

→ Most employers these days prefer to employ workers 'flexibly'.



Explain



MNCs

→ Try to cut their cost.



Look for the cheapest supplier.

- Hiring of workers on temporary basis.
- Long working hours.
- Low wages are paid to the workers.

MNCs make large profits, workers are denied their fair share of benefits brought about by globalisation.



World Trade Organisation -



Recall



Liberalisation: Supported by some very powerful international organisations.



World Trade Organisation



Why do organisations like WTO support liberalisation?



- These organisations say that all barriers to foreign trade and investment are harmful.
- Trade between countries should be 'free'.
- All countries in the world should liberalise their policies.





World Trade Organisation -

World Trade Organisation



- An 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.
- About 164 countries of the world are currently members of the WTO as on 2016.



World Trade Organisation -

Questions on the working of WTO



Supposed to allow free trade for all.



- In practice, it is seen that the developed countries have unfairly retained trade barriers.
- WTO rules have forced the developing countries to remove trade barriers.

Example: Current debate on trade in agricultural products.

Debate on Trade Practices

You have seen in Chapter 2, that the agriculture sector provides the bulk of employment and a significant portion of the GDP in India. Compare this to a developed country such as the US with the share of agriculture in GDP at 1% and its share in total employment a tiny 0.5%! And yet this very small percentage of people who are engaged in agriculture in the US receive massive sums of money from the US government for production and for exports to other countries. Due to this massive money that they receive, US farmers can sell the farm products at abnormally low prices. The surplus farm products are sold in other country markets at low prices, adversely affecting farmers in these countries.

Developing countries are, therefore, asking the developed country governments, "We have reduced trade barriers as per WTO rules. But you have ignored the rules of WTO and have continued to pay your farmers vast sums of money. You have asked our governments to stop supporting our farmers, but you are doing so yourselves. Is this free and fair trade?"

A typical cotton farm in USA consists of thousands of acres owned by a huge corporation that will sell cotton abroad at lowered prices.





World Trade Organisation -

WTO : Debates on Trade Practices

India (Developing)

V/S

U.S. (Developed)

The agriculture sector provides the bulk of employment and a significant portion of the GDP in India.

Developed country such as the US with the share of agriculture in GDP at 1% and its share in total employment a tiny 0.5%.

Impact

People who are engaged in agriculture receive massive support and subsidy for production and export products. This is not the case in developing countries like India. 🇮🇳



World Trade Organisation -

Result



Due to this massive money that they receive, US farmers can sell the farm products at abnormally low prices. The surplus farm products are sold in other country markets at low prices, adversely affecting farmers in these countries.



∴ Farmers in developing countries are facing problem, this is the point of debate on trade practices in WTO.



Developing V/S Developed



Is this free and fair trade? 🏏



The Struggle for a Fair Globalisation -



Because not everyone has benefited from globalisation.



Globalisation



It is a reality, the question is how to make globalisation more 'fair'?



What is a fair globalisation? 



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



The Struggle for a Fair Globalisation -

How to make globalisation more fair?



Government can play a major role.



- 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.
- The government can use trade and investment barriers.
- It can negotiate at the WTO for 'fairer rules'.
- Developing countries can come together to fight against the domination of developed countries in the WTO.

+

People can also play an important role. (Campaigns, demonstration, Protest, etc.)



Chapter Completed

STAY CONNECTED

KEEP LEARNING

TOGETHER
WE CAN

