

Lesson No. 4

Globalisation and the Indian Economy

Various ways By which MNCs set up or control production in other countries :

- Set up production jointly with some of the local companies. Joint production provides money for additional investment and latest technology for production.
- To buy up local companies and then expand production.
- Place orders for production with small producers.
- By setting up partnerships with local companies, by using the local companies for supplies, by closely competing with the local companies or buying them up, MNCs are exerting a strong influence on production at these distant locations. As a result, production in these widely dispersed locations is getting interlinked.

Foreign Trade and Integration of Markets :

- Exchange of goods - purchase and sale - across geographical boundaries of the countries.
- 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.
- Producers in the two countries closely compete against each other even though they are separated by thousand of miles. Thus foreign trade results in connecting the markets or integration of markets in different countries.

Trade Barriers and its importance :

- Various restrictions which are used by the government to increase or decrease Foreign Trade.
- Government uses trade barriers to increase or decrease Foreign Trade and to decide what kinds of goods and how much of each, should come into the country.

Special Economic Zones :

- Setting up of industrial zones by the central and state governments to attract Foreign Companies to invest in India which have world class facilities, electricity, water, roads, transport, storage, recreational and educational facilities.

Impact of Globalisation in India :

- Greater competition among producers - both local and foreign producers has been of advantage to consumers.
- There is greater choice before these consumers who now enjoy improved quality and lower prices for several products.
- Foreign investment has increased.
- Increased competition has encouraged top Indian Companies to invest in newer technology and production methods and raise their production standards.
- Globalisation has enabled some large Indian Companies to emerge as Multinational.
- Created new opportunities for companies providing services particularly those involving Information Technology.

Questions :

1. What are the various ways in which multinational companies set up, or control, production in other countries?
2. What is Foreign Trade? How does Foreign Trade lead to integration of markets across countries?
3. What are trade barriers? Why does Government uses Trade Barriers?
4. What are special economic zones? Why is the government setting up special economic zones?
5. What is the impact of Globalisation in India?