



WARRIOR ONE SHOT SERIES

Class 10th Board

Economics

Globalisation and The Indian Economy

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Physics Wallah

Today's *targets*

- 1 MNC
- 2 Globalisation
- 3 LPG Policy
- 4 Struggle for fair globalisation

P
W



MCQs in Exams Be Like



Q. Which of the following has a global presence?

- (a) Google
- (b) Microsoft
- (c) Chunnu Technologies
- (d) Both a&b

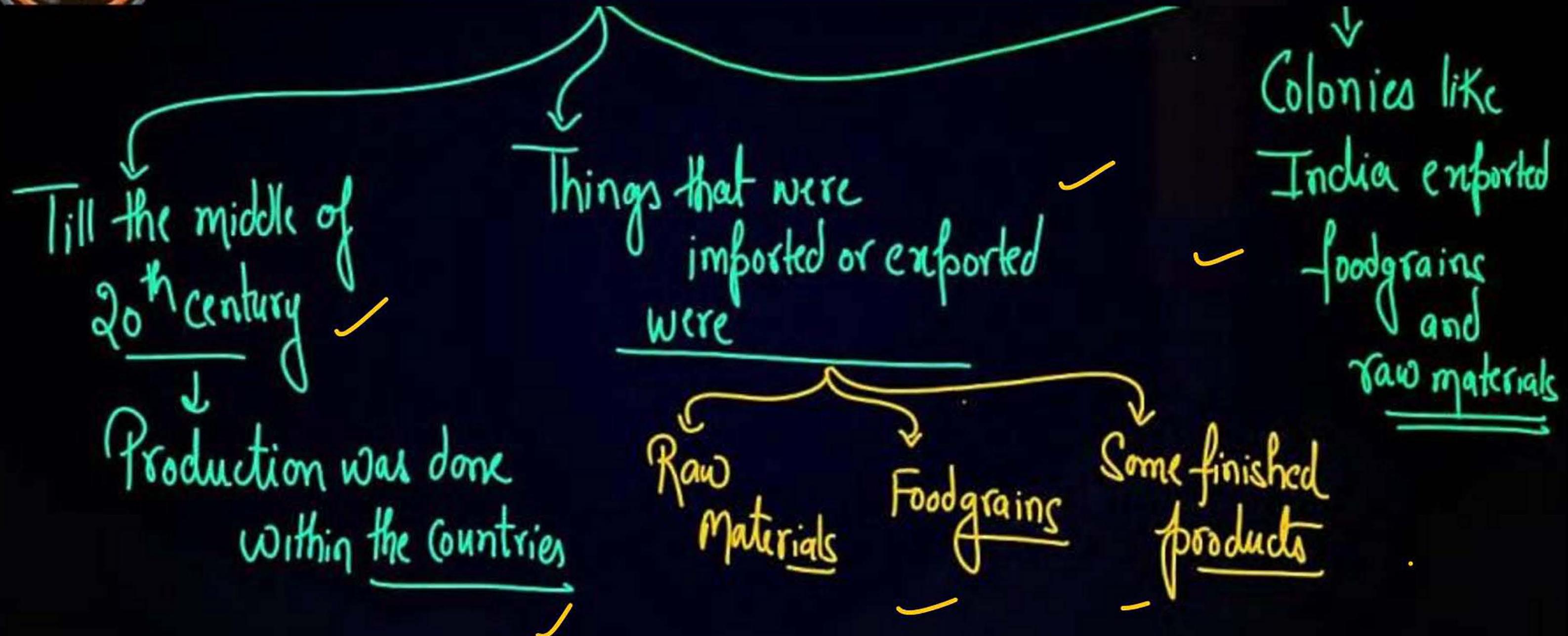
Global → All over the world

Export → To sell to other countries

- Import → To buy from some other country



Production Across Countries



Trade was the main channel to connect countries

This was before the coming of MNCs

Mult National Corporations / Companies



What Is A MNC ?



A MNC is a company that owns or controls production in more than one nation ✓

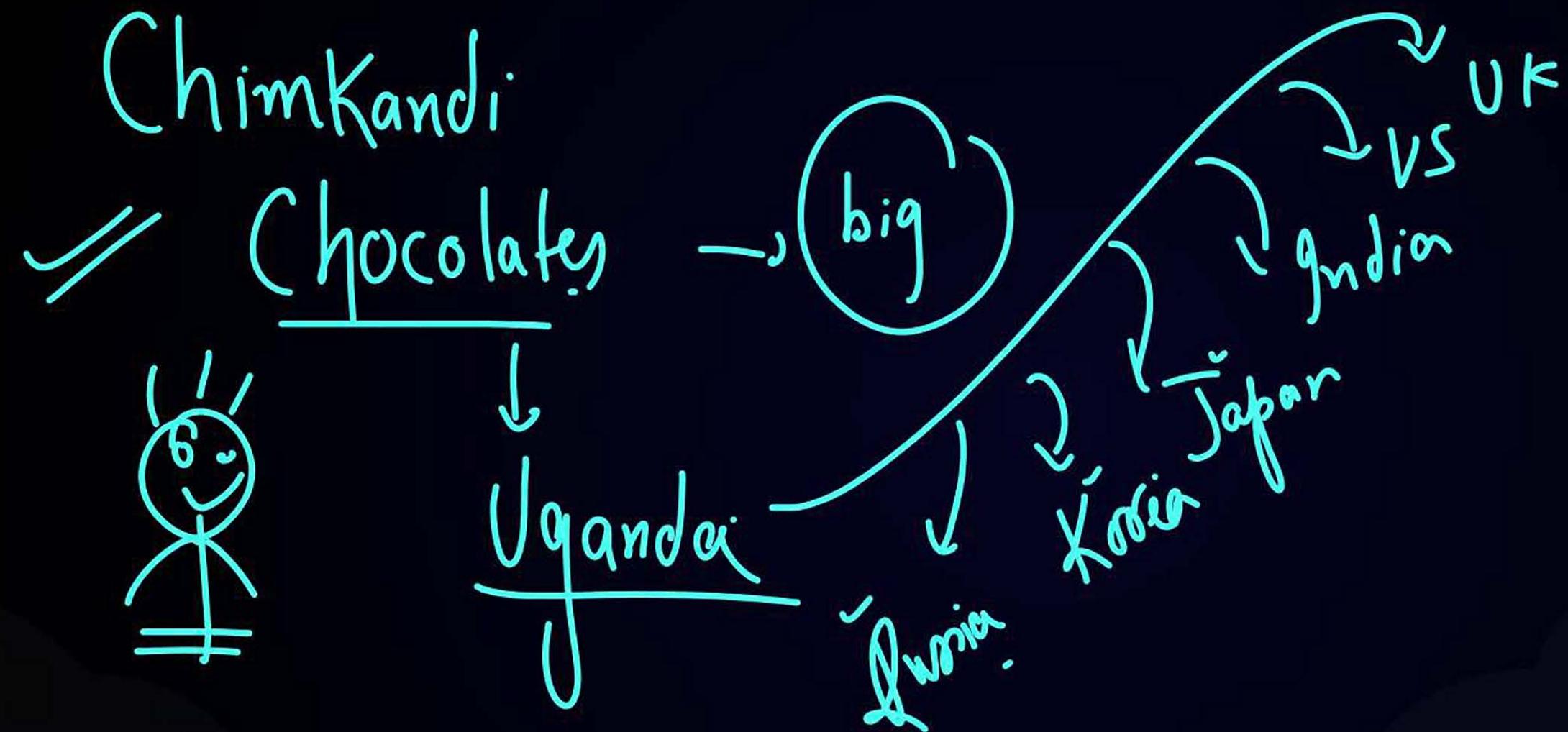
Objective → ↓
Low Investment
High Profit

MNCs set up offices in the region where there is :
Cheap Labour
Other Resources

✓ Imavk

Q. Which of the following defines the objective of MNC?

- (a) Less Investment, Moderate Profit -
- (b) More Investment, Less Profit -
- ~~(c) Less Investment, More Profit~~
- (d) None



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 Bangalore, equipped with telecom facilities and access to Internet to provide information and support to customers abroad.



→ Large MNC → makes industrial equipment

① R & D → United States

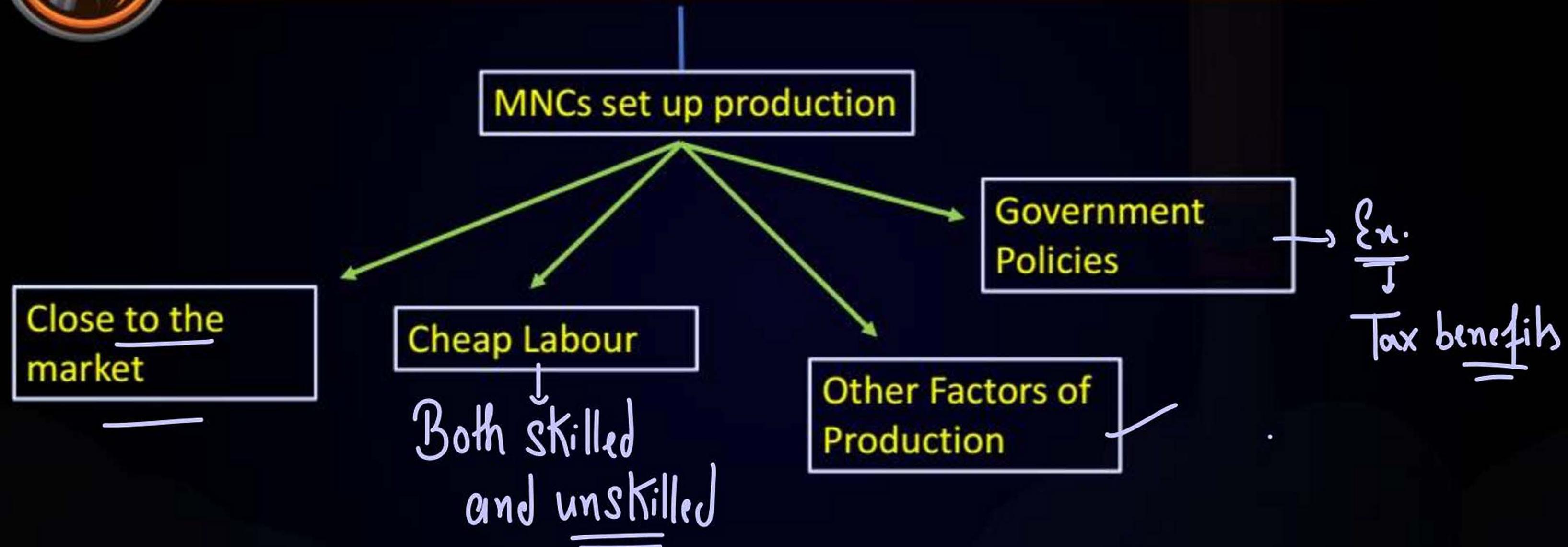
② Manufacturing of Components : China

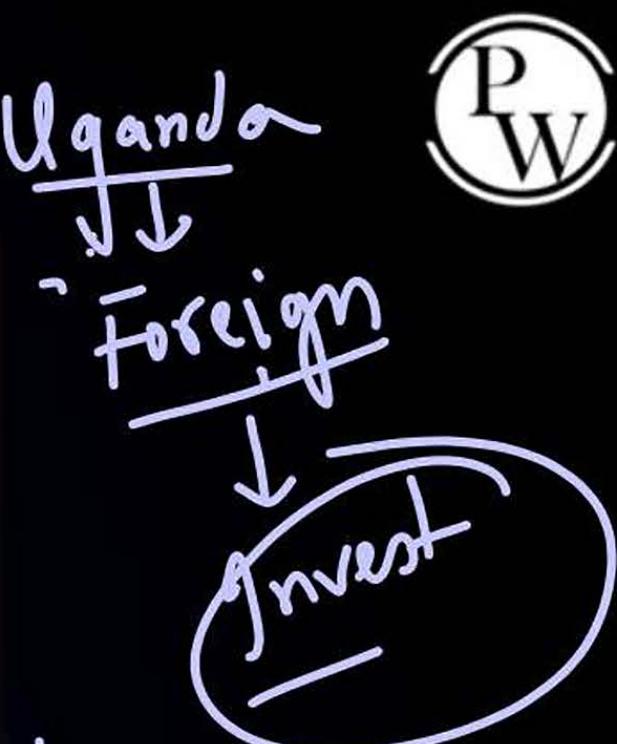
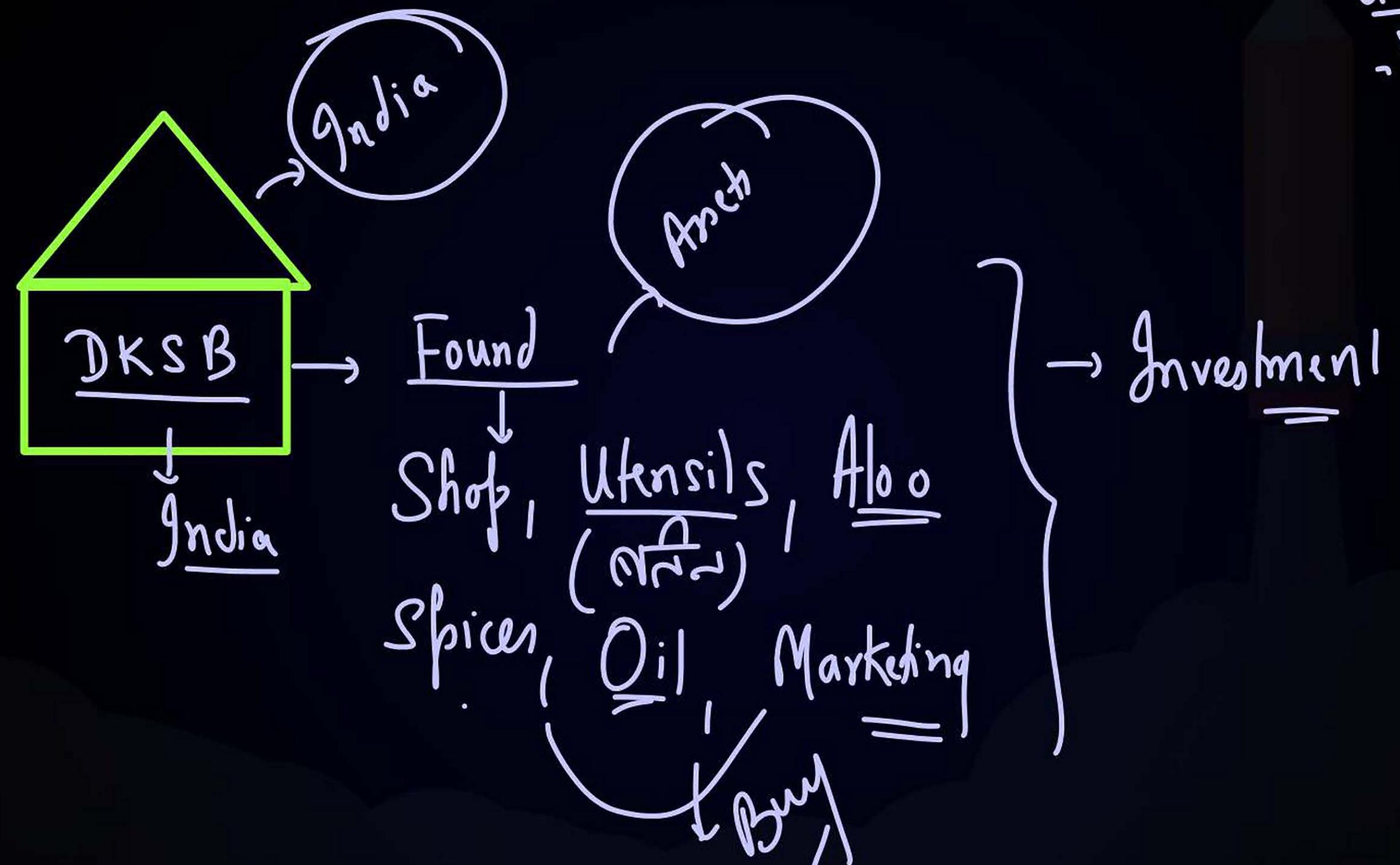
③ Assembled and Finished : Mexico
and Eastern Europe

④ Customer Service : India



Interlinking Production Across Countries







Interlinking Production Across Countries

Investment



Foreign Investment

This is the money used to
buy assets like
machines, land and other equipments

Investment made by
a MNC is called
foreign investment

Q Money spent to buy assets like tools, machines, land etc.

- (a) Wages
- (b) Salary
- (c) Investment-
- (d) None

Ques.

Suppose a company invested money to open an electronic shop in a country PQR. This will be called _____

- (a) Investment-
- (b) Foreign Investment —
- (c) None
- (d) Trade Barrier



Interlinking Production Across Countries



2 marks

Benefits to the Local Companies

At times, MNCs set up joint production with the local companies

It has two benefits:

Local companies can get additional money for investment like buying new machines for faster production

MNCs bring with them the latest technology

Q.

How do MNCs benefit the local company? (2)

Q Consider the following statement about MNCs:

1. It is a company which owns or controls production in more than one nation.
2. Before emergence of MNCs, trade was the main channel connecting distant countries.

Which of the given statement(s) is/are correct?

- a) 1 only
- b) b) 2 only
- c) c) Both the statements
- d) d) None of the statements

Q. The ways through which MNC interlink production across countries:

1. Joint production with the local companies.
2. Buying local companies.
3. Using local companies for supplies and then selling it under suppliers' brand.

Which of the given statements are correct?

- A) All of the above
- B) B) 1 and 2 only
- C) C) 1 and 3 only
- D) D) 2 and 3 only



→ Cargill
Foods



Case Study

Cargill Foods, a very large American MNC, has bought over smaller 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. Also, Parakh Foods had four oil refineries, whose control has now shifted to Cargill. Cargill is now the largest producer of edible oil in India, with a capacity to make 5 million pouches daily!

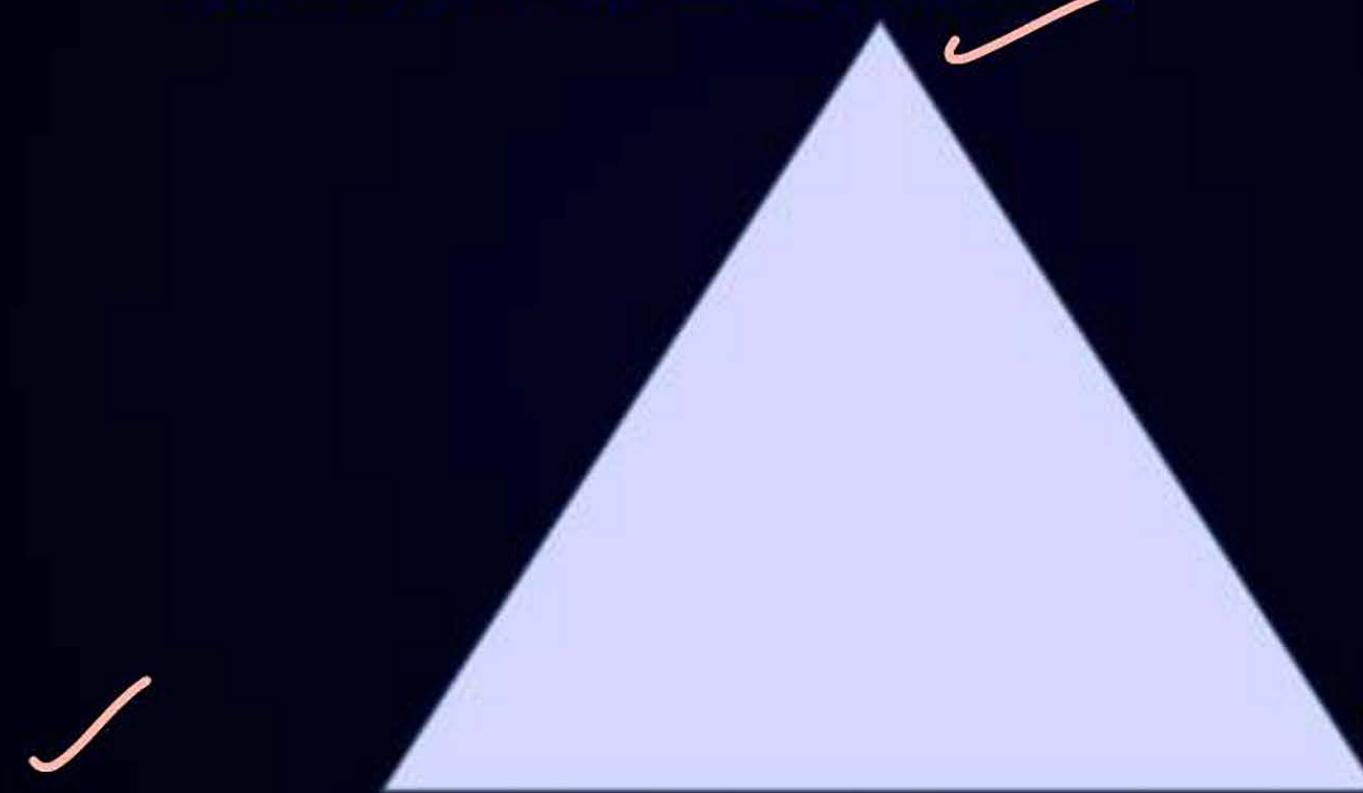
Q. Parakh foods was acquired by Cargill Foods is an example
of _____

- (a) Joint production by MNC
- (b) Buying up local companies by MNC
- (c) Competing with MNC
- (d) All



How Does MNC Control Production?

(a) Large MNCs in developed countries place orders for production with small producers



(b) Ex: In industries like garments , footwear , sports items → production is carried out by small producers

(c) Products are then supplied to MNCs which sell them under their brand tag

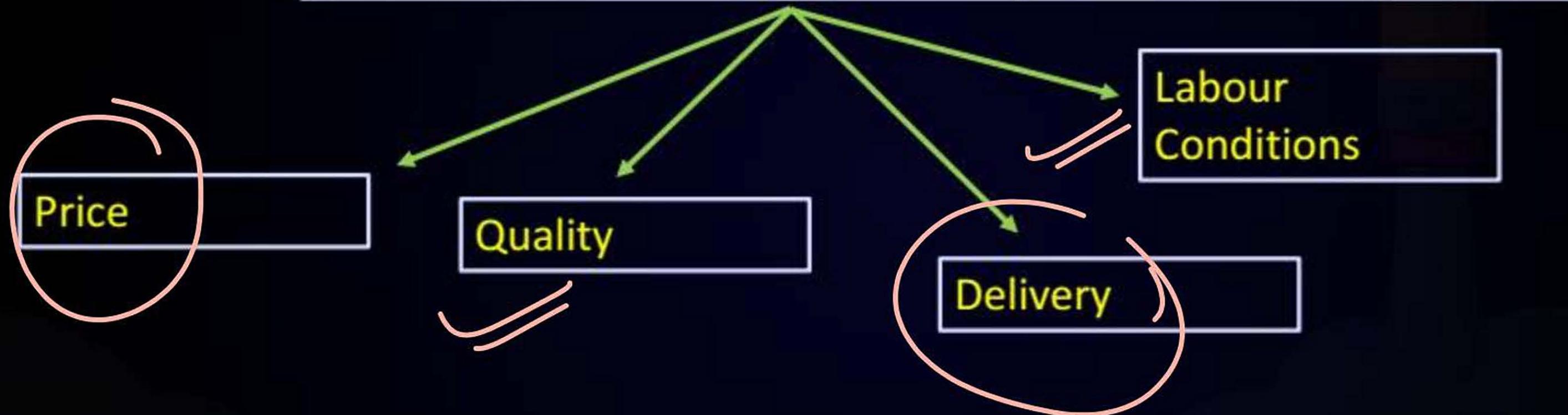


→ The wealth of some MNCs
is even more than the
budgets of some developing
Countries.



Interlinking Production Across Countries

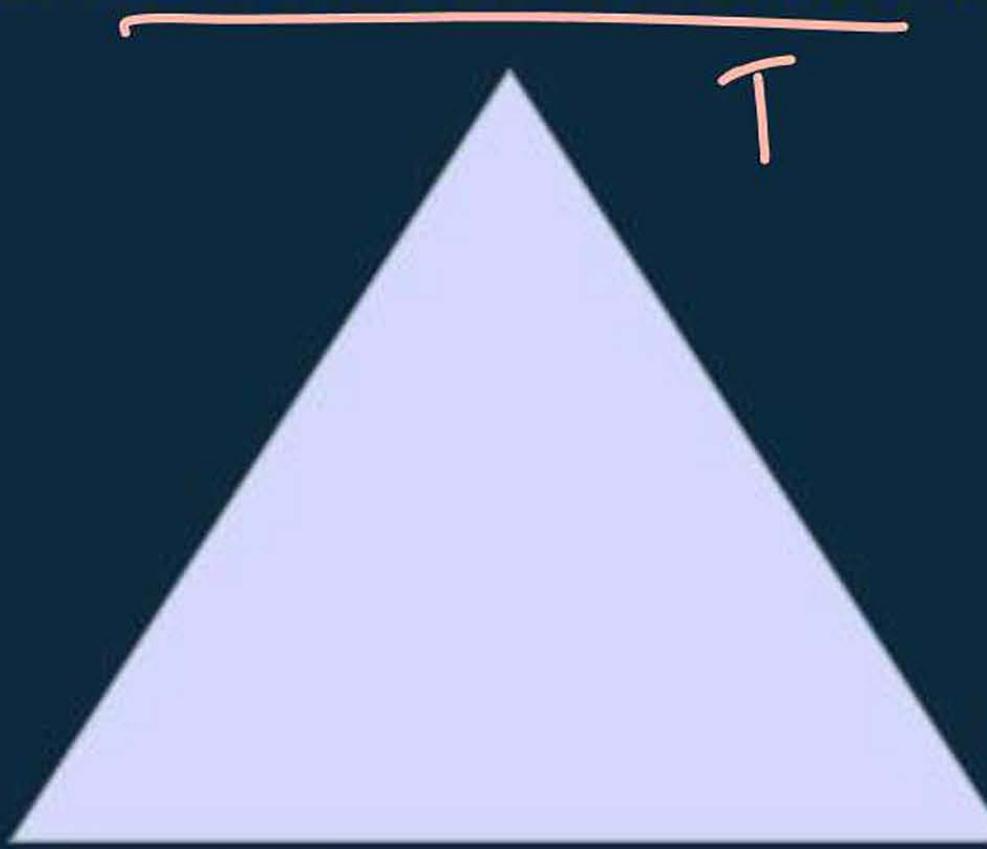
These large MNCs have tremendous power to determine ✓





Ways In Which MNC Control Production?

(a) By setting up partnerships with local companies



(b) By using the local companies for supplies



(c) By closely competing with the local companies or buying them up





Case Study

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 Rs. 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 2017, Ford Motors was selling 88,000 cars in the Indian markets, while another 1,81,000 cars were exported from India to South Africa, Mexico, Brazil and United States of America. The company wants to develop Ford India as a component supplying base for its other plants across the globe.

Q. Ford Motors invested in India in collaboration with _____

- (a) Tata Motors
- (b) Maruti Udyog
- (c) Hyundai
- (d) Mahindra and Mahindra



Foreign Trade and Integration of Markets

Foreign Trade has connected international markets since ancient times.

Trade routes connected India and South Asia to both East and West.

Trade imposts attracted East India Company towards India.



Foreign Trade and Integration of Markets

(a) Foreign trade creates an opportunity for the producers to reach beyond the domestic markets





Foreign Trade and Integration of Markets

- (b) For the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.

T ✓

✓



→ Chinese

Toys

Chinese Toys in India

Chinese manufacturers learn of an opportunity to export toys to India, where toys are sold at a high price. They start exporting plastic toys to India. Buyers in India now have the option of choosing between Indian and the Chinese toys. Because of the cheaper prices and new designs, Chinese toys become more popular in the Indian markets. Within a year, 70 to 80 per cent of the toy shops have replaced Indian toys with Chinese toys. Toys are now cheaper in the Indian markets than earlier.

What is happening here? As a result of trade, Chinese toys come into the Indian markets. In the competition between Indian and Chinese toys, Chinese toys prove better. Indian buyers have a greater choice of toys and at lower prices. For the Chinese toy makers, this provides an opportunity to expand business. The opposite is true for Indian toy makers. They face losses, as their toys are selling much less.





Foreign Trade and Integration of Markets

(a) Goods travel from one market to another



(c) Prices of similar good in two markets become



(b) Choice of the goods in the market rises



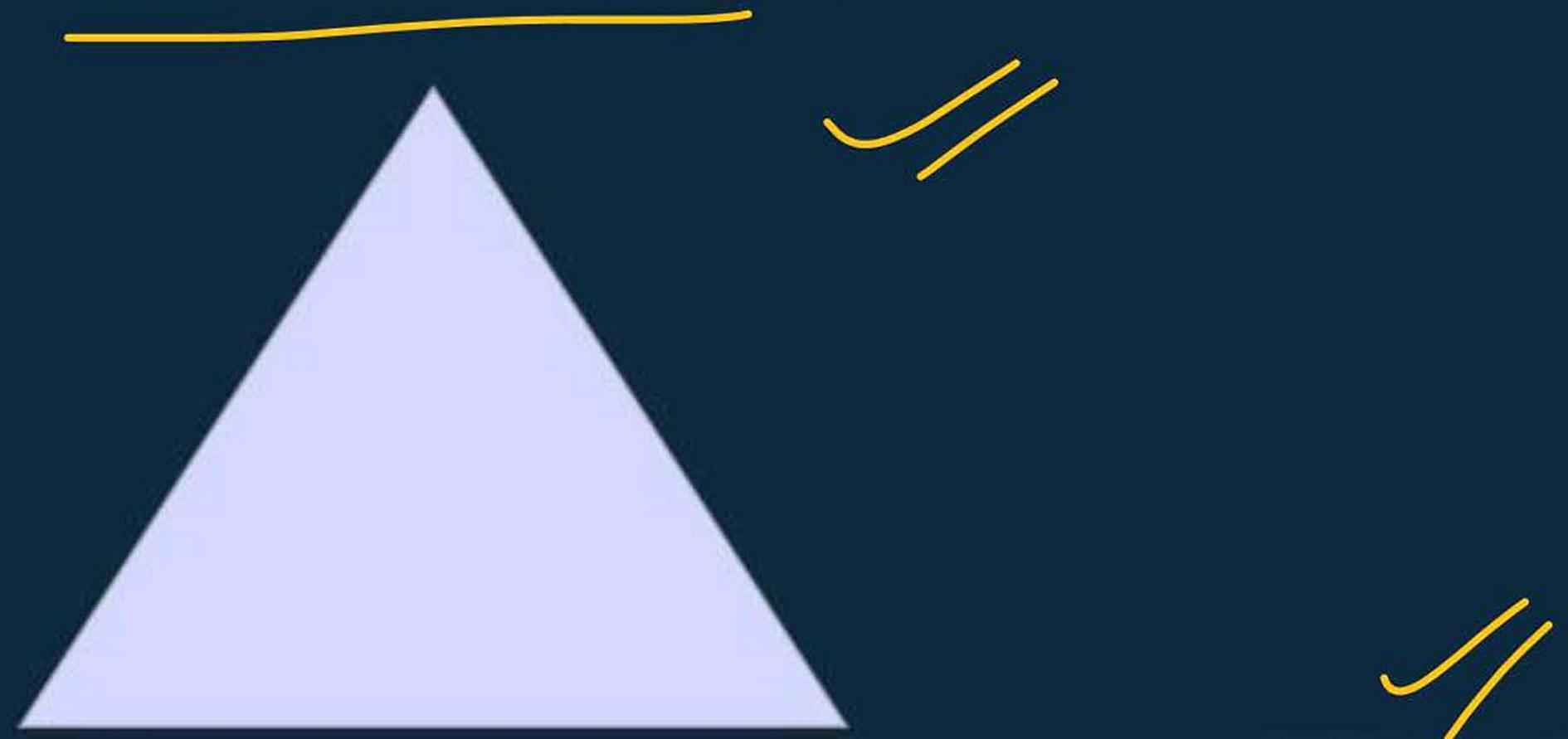
(d) Producers in two countries closely compete against each other

CBSE
↓
Topics



Globalisation

(a) In Last 20-30 years –MNCs are looking for cheaper locations



(b) Foreign investment in these locations by MNCs is rising and Foreign Trade is also rising



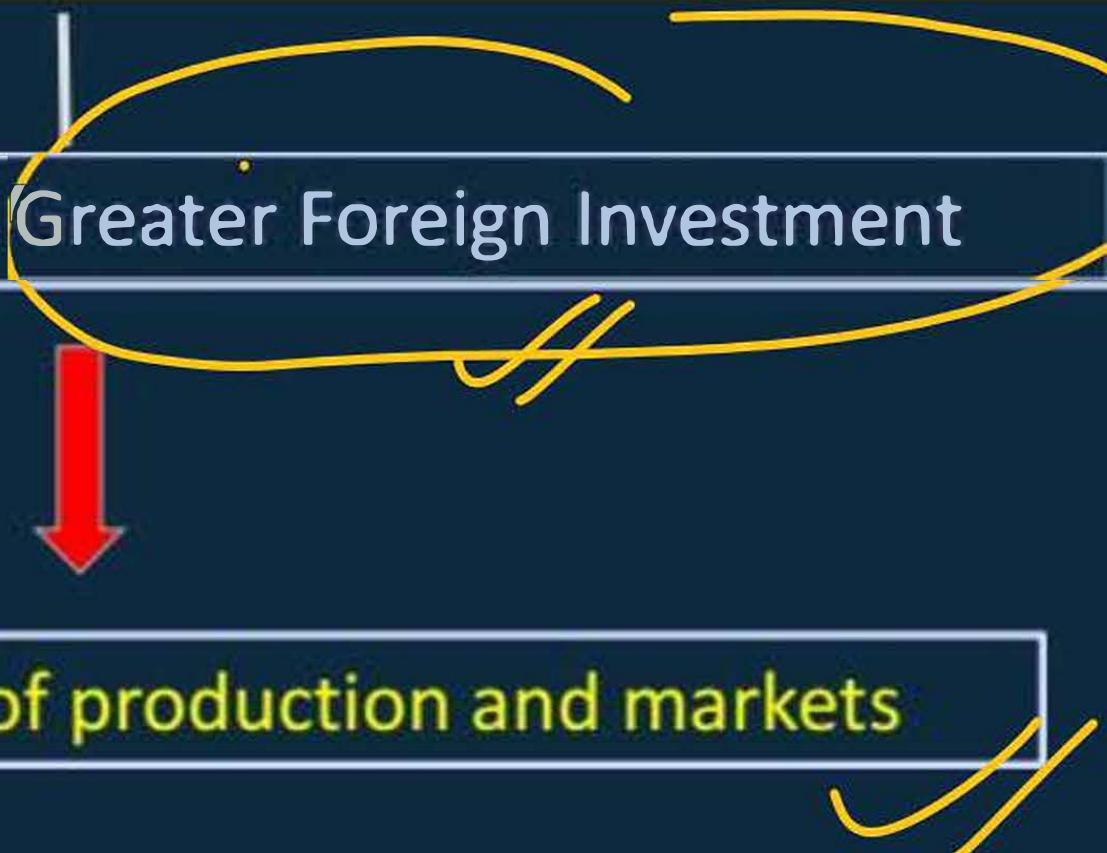
(c) MNCs control large part of this foreign trade



Globalisation

Greater Foreign Trade and Greater Foreign Investment

Greater integration of production and markets





What Is Globalisation

Globalisation is the rapid integration of markets across the world

Maximum regions of the world are now connected

Besides the movement of goods, investment and technology

There is one more way through which countries are connected

This is the movement of people

Globalisation





Factors That Have Enabled Globalisation



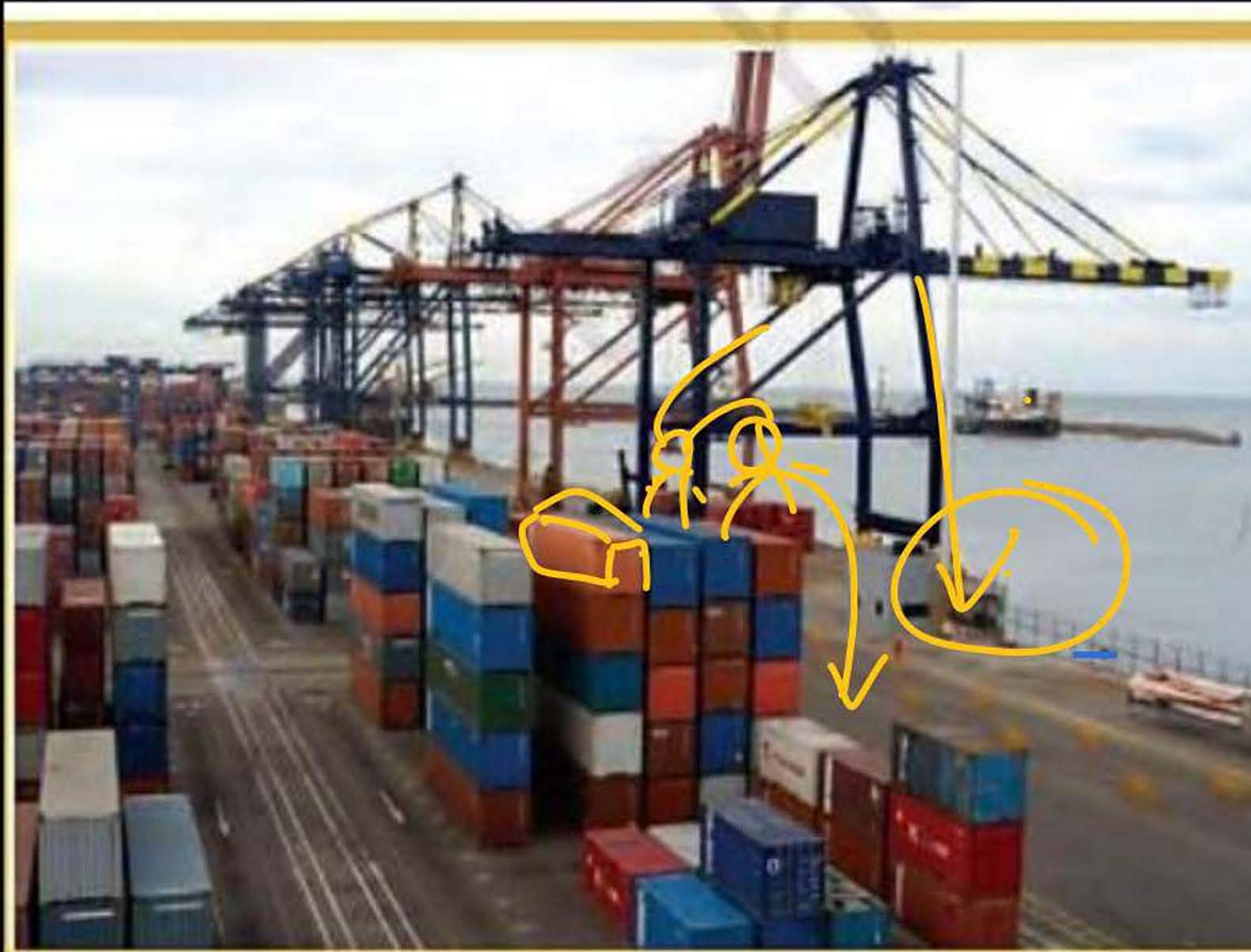
Rapid improvement
in Technology is //
a big factor behind
globalisation

Technology

In the last few
years

There has been rapid
development in
information and
communication
technology

Now goods
and services
can be
delivered at a
faster rate



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.

Q. Which of the following is an example of advancement-in technology?

- (a) Social Media
- (b) Internet
- (c) Newspaper
- (d) Both a & b

Ques

Invention of ___ has reduced the port handling cost?

- (a) Big Ships
- (b) Goods Train
- (c) Containers
- (d) Both a & b



Development in Information and Communication Technology

- In recent times, technology in the areas of telecommunications, computers, Internet has been changing rapidly.

1



Development in Information and Communication Technology

- Telecommunication facilities (telegraph, telephone including mobile phones, fax) are used to contact one another around the world, to access information instantly, and to communicate from remote areas.
- This is supported by satellite communication devices

Information Technology

Computers and Internet
Can be found
almost everywhere

Internet gives us
the facility to
connect
instantly using E-mails

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?

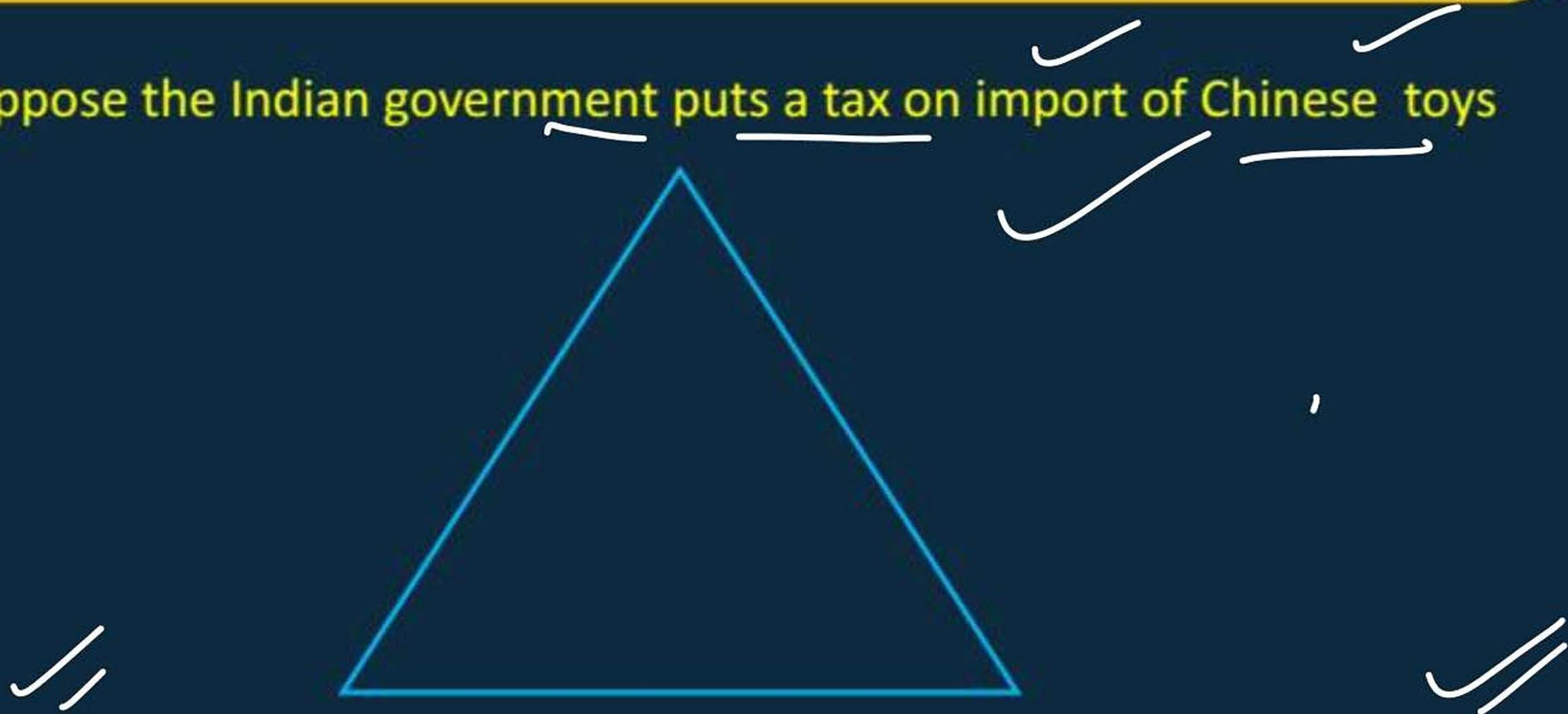


Govt. Policies



Liberalisation of Foreign Trade and Foreign Investment Policy

(a) Suppose the Indian government puts a tax on import of Chinese toys



(b) Those who want to buy will have to pay the tax on it. → Due to tax – buyers will have to pay higher price on imported toys



(c) Chinese toys will get costly and the import of toys will reduce. Indian producers will benefit





Trade Barrier



☞ max!!

Tax on imports is an example of trade barrier.



↑

It is called a barrier because some restriction has been set up





Trade Barrier



Governments can use trade barriers to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each, should come into the country.





Trade Barrier After Independence

The Indian government, after Independence, had put barriers to foreign trade and foreign investment

It was important to protect domestic producers from foreign competition



Trade Barrier After Independence



Industries were just coming up in the 1950s and 1960s



Competition from imports at that stage would not have allowed these industries to grow



India allowed import of only essential items like

- ❖ Machinery
- ❖ Fertilisers and Petroleum etc.





New Economic Policy-1991

Starting around 1991, some 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.



New Economic Policy-1991

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





New Economic Policy-1991

- ★ Barriers on foreign trade and foreign investment were removed to a large extent. → Liberalisation
- ★ This meant that goods could be imported and exported easily.
- ★ Foreign companies could set up factories and offices here.



Liberalisation



Removing the trade
barriers



Privatisation



✓ Transfer of ownership from govt. Companies
to private individuals



World Trade Organisation

World Trade Organisation (WTO) is 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.



liberalise





World Trade Organisation-Drawbacks

WTO is 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



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.



Ques

Explain the impact of Globalisation in India?

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Impact of Globalisation-India

For Consumers



- Globalisation and greater competition among producers - both local and foreign producers - has been of advantage to consumers.
- Specially rich consumers in urban areas





Impact of Globalisation-India

For Consumers



- There is greater choice before these consumers who now enjoy improved quality and lower prices for several products.
- This has increased standard of living.



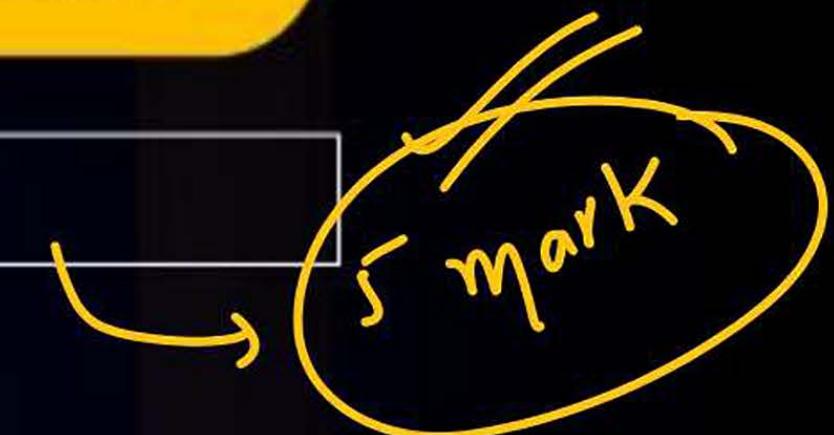


Impact of Globalisation-India

Impact of Globalisation has not been uniform



- Firstly, MNCs have increased their investments in India over the past 20 years, which means investing in India has been beneficial for them.
- MNCs are interested in industries such as cell phones, automobiles, electronics, soft drinks, fast food or services such as banking in urban areas





Impact of Globalisation-India

Impact of Globalisation has not been uniform



- These products have a large number of well-off(rich) buyers.
- In these industries and services, new jobs have been created.
- Also, local companies supplying raw materials, etc. to these industries have prospered.



Impact of Globalisation-India

Impact of Globalisation has not been uniform



- Secondly, 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-India

Impact of Globalisation on Indian Companies



- 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.



Impact of Globalisation in India

Opportunities in IT and Service Sector



- 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.





Impact of Globalisation In India

Opportunities in IT and Service Sector



- 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

Q. Ramesh works as a Software developer in a Company based at US. Identify the Industry

- (a) Iron and Steel
- (b) Aluminium
- (c) IT
- (d) None



IMPORTANT CASE STUDIES AND BOXES

NCERT

Flexibility in labour laws

(d)

Industrial zones (a)
to attract-
foreign investment-

Special Economic
Zones (SEZ)

(h)

Tax holiday
(c)

Better infrastructure

Steps to Attract Foreign Investment

In recent years, the central and state governments in India are taking special steps to attract foreign companies to invest in India. Industrial zones, called Special Economic Zones (SEZs), are being set up. SEZs are to have world class facilities: electricity, water, roads, transport, storage, recreational and educational facilities. Companies who set up production units in the SEZs do not have to pay taxes for an initial period of five years.

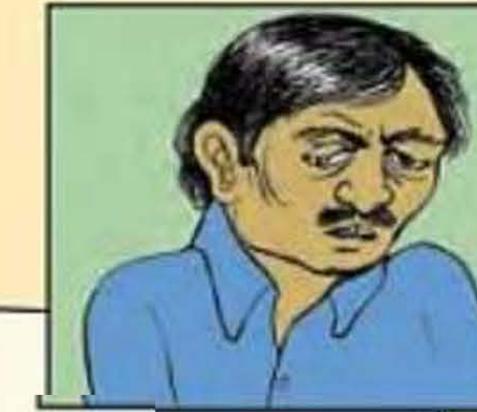
Government has also allowed flexibility in the labour laws to attract foreign investment. You have seen in Chapter 2 that the companies in the organised sector have to obey certain rules that aim to protect the workers'

rights. In the recent years, the government has allowed companies to ignore many of these. Instead of hiring workers on a regular basis, companies hire workers 'flexibly' for short periods when there is intense pressure of work. This is done to reduce the cost of labour for the company. However, still not satisfied, foreign companies are demanding more flexibility in labour laws.



Small producers: Compete or perish

For a large number of small producers and workers globalisation has posed major challenges.



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.

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. The small industries in India employ the largest number of workers (20 million) in the country, next only to agriculture.

Competition and Uncertain Employment

Globalisation and the pressure of competition have substantially changed the lives of workers. Faced with growing competition, most employers these days prefer to employ workers 'flexibly'. This means that workers' jobs are no longer secure.

Let us see how the workers in the garment export industry in India are having to bear this pressure of competition.



Factory workers folding garments for export. Though globalisation has created opportunities for paid work for women, the condition of employment shows that women are denied their fair share of benefits.

Large MNCs in the garment industry in Europe and America order their products from Indian exporters. These large MNCs with worldwide network look for the cheapest goods in order to maximise their profits. To get these large orders, Indian garment exporters try hard to cut their own costs. As cost of raw materials cannot be reduced, exporters try to cut labour costs. Where earlier a factory used to employ workers on a permanent basis, now they employ workers only on a temporary basis so that they do not have to pay workers for the whole year. Workers also have to put in very long working hours and work night shifts on a regular basis during the peak season. Wages are low and workers are forced to work overtime to make both ends meet.

While this competition among the garment exporters has allowed the MNCs to make large profits, workers are denied their fair share of benefits brought about by globalisation.

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.



Struggle For Fair Globalisation

Who Has Benefitted the Most ?



Education + Skill



A demonstration against WTO in Hong Kong, 2005



P
W

Struggle For Fair Globalisation

What Steps Can Government Take ?

1. It can ensure that labour laws are properly implemented and the workers get their rights.
_____ ✓ .
_____ ✓ .
_____ ✓ .
2. It can support small producers to improve their performance.

3. If necessary, the government can use trade and investment barriers.
_____ ✓



Struggle For Fair Globalisation

What Steps Can Government Take ?

4. It can negotiate at the WTO for 'fairer rules'.
5. It can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

Ques. Pick out the steps govt. can take to ensure fair globalisation

- (a) Implement strict labour laws
- (b) Negotiate at WTO
- (c) Allow more foreign investment.
- (d) Both a & b



MOST IMPORTANT QUESTIONS

1. What do you understand by globalisation? Explain in your own words.

↙ (2)

Answer:

- a. Globalisation is defined as the integration between countries through foreign trade and foreign investments by multinational corporations (MNCs). .
- b. An increase in foreign trade, migration of people from one country to another, the flow of capital finance from one country to another and private and public investments from foreign countries all together contribute to globalisation.

2. What were the reasons for putting barriers to foreign trade and foreign investment by the Indian government? Why did it wish to remove these barriers?

(3)

Answer:

- a. The main reason for putting barriers to foreign trade and foreign investment by the Indian government was to protect the producers and small industrialists of our country from foreign competition.

- b. But later, it was accepted by the government that foreign competition would encourage Indian industrialists to improve the quality of their products, and that removing these barriers would increase trade and the quality of products produced in the country.

3. How would flexibility in labour laws help companies?

Answer:

- a. Flexibility in labour law helps companies because it helps to attract foreign investments.
- b. Instead of hiring workers on a regular basis, companies hire workers flexibly for short periods when there is intense pressure of work.
- c. This is done to reduce the cost of labour for the company.
- d. However, still not satisfied, foreign companies are demanding more flexibility in labour laws.
- e. The competition in the market is increasing each day, and if the Government does not allow flexibility with these laws, foreign companies will not be able to reach their desired profit levels.

4. What are the various ways in which MNCs set up, or control, production in other countries?

Answer:

- a. MNCs set up and control production by investing a huge amount of money in a country's economy.
- b. It sets up production units close to the market so that they get cheaper labour. To increase production, MNCs collaborate with some local companies as the production rate would rapidly increase.
- c. In most cases, the MNCs buy local companies and expand their production.
- d. The other way in which they control production is by placing orders for production with small and local producers.
- e. They help production using technology and heavy machinery, which makes the work more efficient and productive.

5. Why do developed countries want developing countries to liberalise their trade and investment? What do you think should the developing countries demand in return?

Answer:

- a. Developed countries want developing countries to liberalise their trade and investment because MNCs can set up industries in small and developing nations, which are less expensive and can earn them more profit.
- b. The labour cost and manufacturing costs decrease, and this decrease in cost results in an increase in profit.
- c. Also, setting up factories and industries in developed countries increases competition.
- d. The developing countries should, in turn, ask for a fair removal of trade barriers in order to protect their own industries.

6. “The impact of globalisation has not been uniform.” Explain this statement.

Answer:

- a. The impact of globalisation has not been uniform because only developed countries have gained profits due to globalisation.
- b. The developing countries are only a source of setting industries and getting cheaper labour, and the entire profits are earned by the developed countries.
- c. Small industries and companies in developing countries have constantly been facing challenges in terms of earning profits and bringing their goods to the market.

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

Answer:

- a. The liberalisation of trade and investment policies helped the globalisation process because it has helped remove trade barriers.
- b. It has made foreign trade and investment easier.
- c. The choices of the buyers have also expanded, as now they get to choose products manufactured by not only domestic companies but also foreign companies.
- d. Competition among traders has resulted in the lower price of products.
- e. Liberalisation has spread globalisation as the decision-making power of export and import now lies with the businessmen themselves.

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8. How does foreign trade lead to integration of markets across countries? Explain with an example other than those given here.

Answer:

- a. Foreign trade has led to the integration of markets across countries. Because of foreign trade, the producers are now able to compete and export their goods to the markets of other countries.
- b. Opportunities are provided not just for the seller but also for the buyer to get goods outside their own country.
- c. Their choices have expanded as now they get to choose products manufactured by not only domestic companies but also foreign companies.
- d. The price of these goods has decreased because of the competition in the market. Producers from different countries are now able to compete not just with the competitors in their own country but with those across the world.
- e. The Indian market today is not flooded with goods made in India but goods from all across the world at affordable prices.

HW Ques

Answer In Comments



(i) MNCs buy at cheap rates from small	(a) Automobiles producers
(ii) Quotas and taxes on imports are used to regulate trade items	(b) Garments, footwear, sports
(iii) Indian companies who have invested abroad	(c) Call centres
(iv) IT has helped in spreading of production of services	(d) Tata Motors, Infosys, Ranbaxy
(v) Several MNCs have invested in setting up factories in India for production	(e) Trade barriers

Thank
You



Keep Fighting Warriors...