CLASS 10 NOTES

ECONOMICS

Globalization and the Indian Economy

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GLOBALISATION AND THE INDIAN ECONOMY

PRODUCTION ACROSS COUNTRIES:

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Multinational corporations (MNCs)

- **A MNC is a company that owns or controls production in more than one nation.**
- MNCs set up offices and factories for production in regions where they can get cheap labour and other resources.
- This is done so that the cost of production is low (almost 50-60%) and MNCs can earn greater profits .
- MNCs not only sell their finished products globally but also the goods and services are produced globally .
- Eg: An American company manufactures its product in China, sells it in Europe and its call center is in India.

INTERLINKING PRODUCTION ACROSS COUNTRIES:

MNCs link the production process of different countries. Some ways of interlinking production across countries are:

- **Foreign Direct Investment (FDI):** Investment made by a company based in our country (usually an MNC), into a company based in another country.
- **Partnerships:** MNCs setup production units jointly with some of the local companies of that region . Local companies get new technology and money to expand their factories from this partnership.
- **Local companies:** **The most common route for MNC is to buy up local companies and then expand production.**

FOREIGN TRADE AND INTEGRATION OF MARKETS: ← E.M.A

Foreign trade is a trade between different countries of the world. It is also called international trade,external trade or inter-regional trade.

Foreign trade helps in the integration of Markets as:

- It facilitates movement of goods and services between countries.
- It facilitates movement of people, ideas and technology.
- It gives opportunities to producers to reach beyond local/ domestic markets .
- Increases competition, overall reduction in the price of goods.

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

Globalisation:

Globalisation is this process of rapid integration or interconnection between countries. More and more goods and services, investments and technology are moving between countries.

FACTORS THAT HAVE ENABLED GLOBALISATION:

- Development in transportation has led to cheap quick delivery of goods over long distances.Eg: Trains, ships, highways etc.
- Information and communication Technology (ICT or IT) has revolutionised the spreading of production of services across the globe.

- New technologies like ebanking, telephones, fax, internet have made communication and payments easy for businesses.
- **In 1991, the Indian government made changes in policies and removed trade barriers to a large extent.**

TRADE BARRIER

- **Government puts restrictions to control the foreign trade, these restrictions are called trade barriers.** Eg:- Tax on imports etc.
- All developed countries, during the early stage of development have given protection to domestic producers through trade barriers.
- **Removing barriers or restrictions set by the government is what is known as liberalisation.** The government imposes much less restrictions than before and is therefore said to be more liberal.

World Trade Organisation (WTO):

E.M.A

- **It is an organisation whose aim is to liberalise international trade.**
- It was started by developed countries, now nearly 164 countries are members of WTO.
- it is seen that the developed countries have unfairly retained trade barriers. On the other hand, WTO rules have forced the developing countries to remove trade barriers.

IMPACT OF GLOBALISATION IN INDIA:

Positive Impacts:

- MNCs have increased their investments in India over the past 20 years, which means investing in India has been beneficial for them.
- Several of the top Indian companies have been able to benefit from the increased competition.
- Globalisation has enabled some large Indian companies to emerge as multinationals themselves! For Example - Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints)
- Globalisation has also created new opportunities for companies providing services, particularly those involving IT.

Negative Impacts:

- Small local businesses/companies could not face the competition and had to be shut down. Eg:-toys factories of India etc.
- Labour laws were made flexible to attract foreign investment which was against the employees .
- Regional products like dhoti , matka etc are not growing or have been replaced by some foreign products.

THE STRUGGLE FOR A FAIR GLOBALISATION:

- Govt. must protect the interest of all the people, not just the rich such as by making better labour laws and implementing them.
- Govt. can support small producers till the time they get strong enough to compete. Govt . can use trade barriers in favour of them.
- Govt. can align with other developing countries to fight against the domination of developed countries in the WTO.

Top Seven Questions:

Short Answer Type Questions (1 - 3 Marks)

1. Why do MNCs set up their offices and factories in those regions where they get cheap labour and other resources? {CBSE 2016}

Ans: MNCs set up their offices and factories in those regions where they get cheap labour and other resources so that they can reduce their cost of production and maximize the profit.

2. Why did the Indian government remove barriers to a large extent on foreign trade and foreign investment? {CBSE 2015}

Ans: The Indian government removed barriers to a large extent on foreign trade and foreign investment so that the Indian companies could compete in the international market.

3. "Globalisation and greater competition among producers has been advantageous to consumers." Justify the statement with examples. {CBSE 2016}

Ans: It is true to state that Globalisation and greater competition among producers has been of advantage to consumers. The consumers are getting advantage in the following ways:

a. They get different brands of the product.

b. They get the goods and services at a cheaper rate.

4. What measures can be taken by the government of India to make globalisation fairer? Explain. {CBSE 2017}

Ans: The various measures that can be taken by the government of India to make globalisation fairer are:

a. Labour laws should be implemented properly and the workers get equal rights.

b. Government should use trade barriers if required.

c. Government should negotiate at the WTO for fairer rules.

5. Explain the role of the government in making globalisation fair. {CBSE 2011}

Ans: The government can play the following roles to make the globalisation fairer:

a. Government policies should protect both the rich and the poor.

b. Labour laws should be implemented properly and the workers get equal rights.

c. Government should support the small producers so that they can improve their performance and compete.

Long Answer Type Questions (5 Marks)

6. Analyse any five positive effects of globalization on the Indian economy. {All India 2017}

Ans: The five positive effects of globalization on the Indian economy are:

a. Producers: The big producers who join hands with the MNCs are getting the profit and expanding their business across the globe.

b. Workers: MNCs helped in reducing the unemployment in India.

c. Buyers: The buyers are getting a variety of brands with quality at cheaper rates.

d. The Indian producers are getting an opportunity to reach beyond the domestic market.

e. The Indian producers got foreign investment and newer technologies from the MNCs.

7. Describe the major problems created by globalization for a large number of small producers and workers. {CBSE 2016}

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

Small producers: The local small producers are not able to compete with the MNCs and they have to shut down their business. It is mainly due to the following factors:

a. Lack of newer technology.

b. MNCs have huge wealth to influence the price and market condition.

Workers:

Due to globalization the MNCs don't hire the workers on a permanent basis.