

Globalisation and the Indian Economy

* Answer the following.

1. What do you mean by liberalisation of foreign trade?

Ans: * Removing barriers or restrictions set by the government is known as liberalisation.
* With the liberalisation of trade, businesses are allowed to make decisions freely about what they wish to import or export.
* The government imposes lesser restrictions than before and is therefore, said to be more liberal.

2. What is the role of WTO in international trade?

Ans: * WTO's aim is to liberalise international trade.

* WTO establishes rules regarding international trade and sees that these rules are obeyed.

* ^{390/162} ~~150~~ countries of the world are currently members of the WTO.

* It is seen that the developed countries have unfairly retained trade barriers. On the other hand, WTO rules have forced developing countries to remove trade barriers.

3. What changes do you find the arrival of MNCs in the markets?

Ans: * As consumers in today's world, some of us have wider choice of goods and service before

us.

* The latest models of digital cameras, mobile phones and televisions made by the leading manufacturers of the world are within our reach.

* Every season, new models of automobiles can be seen on the Indian roads.

4. What are the effects of foreign trade

Ans: Effects of foreign trade:

* Chinese have started exporting Chinese plastic toys to India.

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

* Because of the cheaper prices and new designs, Chinese toys have become more popular in the Indian markets.

In the competition between Indian and Chinese toys prove better. With this result, Indian toy-makers face losses, as their toys are selling less.

5. Why have MNCs increased their investment in India?

Ans: MNCs have increased their investment in India over the past few years which means investing in India has been beneficial for them. MNCs have been interested in industries such as cell phones, automobiles, soft drinks, fast food or services such as banking in urban areas, as they have a large number of well-

buyers

* Since these MNCs are earning profits by selling their products and services, they are increasing their investment in India.

6. What is investment? How is foreign investment different from it.

Ans. * The money that is spent to buy assets such as land, building, machines and other equipment is called investment.

* Investment made by MNCs is called foreign investment. Any investment is made with the hope that these assets will earn profits for these companies.

7. What are the benefits of MNC's production to the local companies?

Ans. * MNCs can provide money for additional investments, like buying new machines for faster production.

* MNCs might bring with them the latest technology for production.

* MNCs also buy some local companies to expand production, since they have wealth exceeding the entire budgets of the developing countries.

8. How are MNCs spreading their production across the globe?

Ans. * There are variety of ways in which the MNCs are spreading their production across the