

CHAPTER-IV

GLOBALISATION AND THE INDIAN ECONOMY

2MARKS Answer Type Questions

Question 1.

Differentiate between investment and foreign investment.

Answer:

The money that is spent to buy assets such as land, building, machines etc. is called investment whereas investment made by a MNC to buy such assets is called foreign investment.

Question 2.

Why do MNCs set up their offices and factories in those regions where they get cheap labour and other resources?

Answer:

MNCs set up their offices and factories in those regions where they get cheap labour and other resources because they bring down the cost of production and ensure more profits for themselves.

Question 3.

Due to what reason are the latest models of different items available within our reach?

Answer:

Globalisation

Question 4

‘Barriers on foreign trade and foreign investment were removed to a large extent in India since 1991.’ Justify the statement.

Answer:

In 1991, the Indian government decided that the time has come for Indian producers to compete with producers around the world. It felt that foreign competition would improve the quality of goods produced by Indian producers within the country. Thus, barriers on foreign trade and foreign investment were removed to a large extent. It meant goods could be imported or exported easily and foreign companies could set up factories and offices in India.

Question 5.

Why had the Indian Government put barriers to foreign trade and foreign investment after independence? State any one reason.

Answer:

To protect the producers within the country from foreign competition.

Question 6.

What is the meaning of investment?

Answer:

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

Question 7.

What is meant by trade barrier?

Answer:

It refers to the various restrictions which are used by the government of a country to increase or decrease foreign trade such as tax on imports.

Question 8.

Why did the Indian government remove barriers to a large extent on foreign trade and foreign investment?

Answer:

The Indian government realised that its domestic industries had established themselves and it was the proper time to face competition and improve the quality of production. So, barriers on foreign trade and investment were removed.

Question 9.

“A wide ranging choice of goods are available in the Indian markets.” Support the statement with examples in context of globalisation.

Answer:

The Indian market has been transformed in recent years. The consumers have a wide variety of goods and services to choose from, which were not available earlier. For example:

The latest models of mobile phones, television, digital cameras of leading manufacturers and other well known brands of the world are easily available in the markets.

New models of cars and automobiles are launched every season. The top companies in the world have introduced their popular brands in India for various products like shirts, fruit juices,

cosmetics, toys, furniture, stationery etc.

All this has been possible only due to globalisation.

Question 10.

“Globalisation and greater competition among producers has been of advantageous to consumers.” Justify the statement with examples.

Answer:

Globalisation and greater competition among producers has been of advantageous to consumers in the following ways:

- Consumers in today’s world have a wide variety of goods and services to choose from. The latest models of digital cameras, mobile phones and televisions made by the leading manufacturers are available to them.
- Consumers now enjoy better and improved quality at lower prices.
- It has resulted in higher standards of living.
- There has been a varying impact on producers and workers.
- Many top Indian companies have been able to establish themselves as multi-national corporations.
- Latest technology and production methods have raised production standards.

4MARKS Questions.

Question 1

Why had the Indian government put barriers to foreign trade and foreign investment after independence? Analyse the reasons.

Answer:

The Indian government put barriers on foreign trade and foreign investment after independence because:

- (a) It was considered necessary to protect the producers within the country from foreign competition.
- (b) In 1950s and 1960s, the industries were in nascent stage and competition from imports at that stage would not have allowed these industries to develop.
- (c) Therefore, India allowed the imports of only essential items like machinery, fertilizers, petroleum etc.

Question 2.

Explain by giving examples how Multinational Corporations (MNCs) are spreading their products in different ways.

Answer:

Multinational Corporations (MNCs) are spreading their production in different ways. Some of them are:

By buying local companies and, then expanding production. For example, Cargill Foods, a very large American MNC, purchased small Indian company, Parakh foods. Cargill Foods is, now, the largest producer of edible oil in India with a capacity making 5 million pouches daily.

By placing orders for production with small producers. Garments, footwears, sports items are examples where production is carried out by small producers for large MNCs around the world.

By producing jointly with some of the local companies. It benefits the local company in two ways.

1. A MNC can provide money for additional investments.
2. A MNC can bring latest technology for production.

For example, Ford Motors set up a large plant near Chennai, in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks.

Question 3.

How have our markets been transformed? Explain with examples.

Answer:

The advent of globalisation and the policy of liberalization have opened the market to the world players. It has given rise to wide choice of goods and services to the consumer.

MNCs have played a vital role in the world market. Foreign trade and investment in the country has increased. It has also resulted in exchange of technology between countries. In recent times, technology in the areas of telecommunications, computers and internet has been changing rapidly.

Globalisation has also created new opportunities for companies providing services, particularly those involving in IT. Better job opportunities for people have given rise to migration.

Globalisation has also enabled some large Indian companies to emerge as multinationals. For example, Tata Motors, Infosys, Ranbaxy have expanded their operations around the world.

Question 4.

How does foreign trade integrates the markets of different countries? Explain with examples.

Answer:

Foreign trade integrates the markets of different countries as:

- (a) It provides an opportunity for both producers and consumers to reach beyond the markets of their own country.
- (b) Producers now compete with markets located in other countries.
- (c) There is an expansion of choice of goods beyond the domestic market.
- (d) For example, during the Diwali season, buyers in India have the option of buying either Indian or Chinese decorative lights and bulbs. The Chinese manufacturers get the opportunity to expand their business.

Question 5.

How do large companies manipulate the market?

Explain with examples.

Answer:

The large companies manipulate the market in the following ways:

- Sometimes false information is passed on through media and other sources to attract consumers. For example, a company selling powder milk for babies as the most scientific product claiming it to be better than mother's milk which although was a false claim.
- Some food items were consumed in India for many years although it is very harmful for the health of people. But through attractive and convincing advertisements in media, it was able to control the market such as Maggie noddles manufactured by Nestle was found harmful after testing in India in May 2015.
- They may also hide the essential information about the product like expiry date, contents, terms and conditions etc. to keep the consumers in dark.
- Sometimes, the expired products are packed in a new packing and again released in the market.
- It has also been evident that artificial scarcity is created by the producers and the product is hoarded for sale in future at a high price. (any three)

Question 6.

“Information and communication technology has played a major role in spreading out production of services across countries”. Justify the statement with examples.

Answer:

Information and communication technology has played a major role in spreading out products and services across countries. In recent years, technology in the areas of telecommunication facilities (telegraph, telephone including mobile phone) are used to contact one another around the world.

For example, a news magazine published for London readers is to be designed and printed in India. The text is sent through the internet to Delhi office. Design of the magazine is also sent to Delhi from London office using telecommunication facilities. The design is done on a computer. After printing, the magazines are sent to London by air. The payment for the services from London to Delhi is done instantly through the internet (e-banking).

7 MARKS Answer Type Questions

Question 1.

What is globalisation? Describe the role of Multinational Corporations (MNCs) in promoting globalisation process.

Answer:

Globalisation means integrating the economy of a country with the economies of other countries under conditions of free flow of trade and capital and movement of persons across borders. MNCs play an important role in promoting globalisation process in the following ways:

- They serve as agents for the transfer of superior technology. They have provided advanced technology, manufacturing process and improved skills to underdeveloped countries.
- They help in the transfer of capital from countries where it is abundant to where it is scarce.
- They help in building up knowledge base and development of human resources, (id) They help in creating large scale employment opportunities by setting up their branches and subsidiaries.
- The operations of MNCs have a favourable effect on the balance of payments account of the host country.

Question 2.

What is trade? Explain the importance of international trade.

Answer:

The exchange of goods among people, states and countries is referred to as trade.

The international trade is important because:

- It helps in exchange of surplus goods with those of deficit countries through foreign trade.
- It helps in improving the quality of domestic goods.
- It contributes to the economic growth of the country by raising income level of the people and increasing foreign exchange reserves.
- It enables a country to import advanced technology of other countries to improve its own production.

Question 3.

Describe the impact of globalisation on Indian economy with examples.

Answer:

The impact of globalisation on Indian economy is as follows:

- It has created competition among producers, both local and foreign, which is advantageous to the consumers, particularly the well off. Now, there is a greater choice of goods before the consumers.
- It has enabled many Indian companies to become multi-national companies such as Tata Motors, Infosys and Ranbaxy.
- It has created new employment opportunities for companies providing services specially information technology. A lot of services such as data entry, accounting, administrative tasks are done cheaply in India and exported to other countries.
- New jobs are created in industries such as electronics, cell phones, automobiles and fast food.
- It had a negative impact on small manufacturers. Due to competition, some industries have been hit hard such as batteries, capacitors, plastic toys, vegetable oil etc. A number of units have shut down and a lot of workers, have become jobless.

Question 4.

Describe any five factors that promote the Multinational Corporations (MNCs) to set up their production units in a particular place.

Answer:

The factors that MNCs take into consideration to set up their production units in a particular place are:

- where it is close to the markets.
- where the skilled and unskilled labour at low costs is available.
- where the favourable government policies looking after their interest are , present.
- where the other factors of production such as raw materials, water, electricity and transport are available.
- where there are standard safety measures for assured production.

Question 5.

Describe the major problems created by the globalisation for a large number of small producers and workers.

Answer:

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

- The small producers or workers either have to compete or perish.
- Small scale industries like batteries, capacitors, plastic toys etc. have been hit hard due to global products and have suffered great losses in their businesses.
- Several small factory units are forced to shut down.
- Millions of workers have gone jobless and jobs are no longer secure.
- It has increased income inequalities among various countries.
- Unorganised sector has expanded. {any five)

Question 6.

In recent years how our markets have been transformed? Explain with examples.

Answer:

The advent of globalisation and the policy of liberalization have opened the market to the world players. It has given rise to wide choice of goods and services to the consumer.

MNCs have played a vital role in the world market. Foreign trade and investment in the country has increased. It has also resulted in exchange of technology between countries. In recent times, technology in the areas of telecommunications, computers and internet has been changing rapidly.

Globalisation has also created new opportunities for companies providing services, particularly those involving in IT. Better job opportunities for people have given rise to migration.

Globalisation has also enabled some large Indian companies to emerge as multinationals. For example, Tata Motors, Infosys, Ranbaxy have expanded their operations around the world.

Question 7.

“Foreign trade integrates the markets in different countries.” Support the statement with arguments.

Answer:

Foreign trade integrates the markets of different countries as:

- (a) It provides an opportunity for both producers and consumers to reach beyond the markets of their own country.
- (b) Producers now compete with markets located in other countries.
- (c) There is an expansion of choice of goods beyond the domestic market.
- (d) For example, during the Diwali season, buyers in India have the option of buying either Indian or Chinese decorative lights and bulbs. The Chinese manufacturers get the opportunity to expand their business.

Question 8.

“Technology has stimulated the globalisation process.”

Support the statement with examples.

Answer:

Technology has stimulated the process of globalisation in the following ways:

- Transportation technology has witnessed several improvements in past fifty years. This has made much faster delivery of goods across long distances possible at lower costs, such as use of containers have led to huge reduction in port handling costs and increased the speed with which exports can reach markets. Also, the cost of air transport has fallen. Ultimately, it has stimulated the globalisation process.
- Telecommunication has also shown remarkable development. Computers, internet, e-mail, voice-mail, etc. are used intensively to contact one another around the world.
- There has been a remarkable development in information and communication technology. It has enabled to access information instantly and communicate even in the remotest areas. Call centres use this to satisfy their customers abroad or provide outsourcing services from anywhere.

Question 9.

How are Multinational Corporations (MNCs) controlling and spreading their productions across the world?

Explain.

Answer:

The ways in which MNCs controlling and spreading their productions across the world are:

- By directly setting up factories and offices for production.
- By setting up production jointly with some of the local companies of other countries.
- By buying up local companies and then expand production
- By placing orders for production with small producers of the countries such as garments, footwear.
- By buying mass produced goods of domestic industries and, then sell it under their own brand name at much higher rates in foreign countries.

Question 10.

How do the large companies manipulate the market?

Explain with examples.

Answer:

The large companies manipulate the market in the following ways:

- Sometimes false information is passed on through media and other sources to attract consumers. For example, a company selling powder milk for babies as the most scientific product claiming it to be better than mother's milk which although was a false claim.
- Some food items were consumed in India for many years although it is very harmful for the health of people. But through attractive and convincing advertisements in media, it was able to control the market such as Maggie noddles manufactured by Nestle was found harmful after testing in India in May 2015.
- They may also hide the essential information about the product like expiry date, contents, terms and conditions etc. to keep the consumers in dark.
- Sometimes, the expired products are packed in a new packing and again released in the market.
- It has also been evident that artificial scarcity is created by the producers and the product is hoarded for sale in future at a high price

Question 11.

“Globalisation and greater competition among producers has been advantageous to consumers.”

Support the statement with examples.

Answer:

Globalisation and greater competition among producers has been of advantageous to consumers in the following ways:

- Consumers in today’s world have a wide variety of goods and services to choose from. The latest models of digital cameras, mobile phones and televisions made by the leading manufacturers are available to them.
- Consumers now enjoy better and improved quality at lower prices.
- It has resulted in higher standards of living.
- There has been a varying impact on producers and workers.
- Many top Indian companies have been able to establish themselves as multi-national corporations.
- Latest technology and production methods have raised production standards.

Question 12.

“Fair globalisation would create opportunities for all and also ensure that benefits of globalisation are shared better.” Support the statement.

Answer:

The government can take the following steps to ensure better sharing benefits of fair globalisation.

- The labour laws should be implemented properly and they should get their due rights.
- The small producers should be supported to improve their performance.
- It should use trade and investment barriers efficiently.
- It should negotiate at the WTO for fairer rules.
- It can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

Fill in the blanks.

Indian buyers have a greater choice of goods than they did two decades back. This is closely associated with the process of _____. Markets in India are selling goods produced in many other countries. This means there is increasing _____ with other countries. Moreover, the rising number of brands that we see in the markets might be produced by MNCs in India. MNCs are investing in India because _____. While consumers have more choices in the market, the effect of rising _____ and _____ has meant greater _____ among the producers.

Answer:

Indian buyers have a greater choice of goods than they did two decades back. This is closely associated with the process of **globalisation**. Markets in India are selling goods produced in many other countries. This means there is increasing **trade** with other countries. Moreover, the rising number of brands that we see in the markets might be produced by MNCs in India. MNCs are investing in India because **of cheaper production costs**. While consumers have more choices in the market, the effect of rising **demand** and **purchasing power** has meant greater **competition** among the producers.

Multiple Choice Questions

1. Cargill foods is the largest producer of which of the following in India?

- (a) Medicines
- (b) Asian Paints
- (c) Edible oil
- (d) Garments

2. W.T.O. was started at the initiative of which one of the following group of countries?

- (a) Rich countries
- (b) Poor countries
- (c) Developed countries
- (d) Developing countries

3. Which one of the following organisations lays stress on liberalisation of foreign trade and foreign investment?

- (a) International Labour Organisation
- (b) International Monetary Fund
- (c) World Health Organisation
- (d) World Trade Organisation

4. Which one of the following is not characteristic of 'Special Economic Zone'?

- (a) They do not have to pay taxes for long period.
- (b) Government has allowed flexibility in labour laws.
- (c) They have world-class facilities.
- (d) They do not have to pay taxes for an initial period of five years.

5. Which one of the following Indian industries has been hit hard by globalisation?

- (a) IT
- (b) Toymaking
- (c) Jute
- (d) Cement

6. Which one of the following type of countries has been more benefited from globalisation?

- (a) Rich countries
- (b) Poor countries
- (c) Developing countries
- (d) Developed countries

7. Removing barriers or restrictions set by the government is called:

- (a) Liberalisation
- (b) Investment
- (c) Favourable trade
- (d) Free trade

8. Investment made by MNCs are termed as:

- (a) Indigenous investment
- (b) Foreign investment
- (c) Entrepreneur's investment
- (d) None of the above

9. What is the process of rapid integration or interconnection between countries called?

- (a) Industrialization
- (b) Globalization
- (c) Liberalization
- (d) Privatization

10. Which one of the following is an example of a trade barrier? [

- (a) Tax on Exports
- (b) Tax on Imports
- (c) Free Trade
- (d) Restriction on Export

11. Removal of barriers set by the government is known as

- (a) Globalisation
- (b) Liberalisation
- (c) Industrialisation
- (d) Privatisation

12. Globalisation does NOT involve which one of the following?

- (a) Rapid integration between countries.
- (b) More goods and services moving between countries.
- (c) Increased taxes on imports.
- (d) Movement of people between countries for jobs, education etc.

13. Which of the following is not a feature of a Multi-National Company?

- (a) It owns/controls production in more than one nation.
- (b) It sets up factories where it is close to the markets.
- (c) It organises production in complex ways.
- (d) It employs labour only from its own country.

14. Liberalisation involves which one of the following?

- (a) Removal of trade barriers
- (b) Increasing subsidy on fertilisers
- (c) Increasing import duties on goods
- (d) Increasing export duties on goods

15. The past two decades of globalisation has seen rapid movements in

- (a) goods, services and people between countries.
- (b) goods, services and investments between countries.
- (c) goods, investments and people between countries.

16. The most common route for investments by MNCs in countries around the world is to

- (a) set up new factories.
- (b) buy existing local companies.
- (c) form partnerships with local companies.

17. Globalisation has led to an improvement in living conditions

- (a) of all the people
- (b) of people in developed countries
- (c) of workers in the developing countries
- (d) none of the above.

18. Globalisation, by connecting countries, shall result in

- (a) lesser competition among producers.
- (b) greater competition among producers.
- (c) no change in competition among producers.

19. Company that owns or controls production in more than one nation

- (a) Foreign companies
- (b) Government companies
- (c) Multinational companies
- (d) Private companies

20 Investment made by MNCs is called

- (a) Mutual investment
- (b) Inter-government investment
- (c) Portfolio Investment
- (d) Foreign investment

21. Benefit to the local company of joint production with MNCs is

(i) Money from MNCs for additional investments

(ii) Moral and Social support

(iii) Latest technology for production

(iv) All of them

- (a) (i) and (ii)
- (b) (ii) and (iii)
- (c) (iii) and (iv)
- (d) (i) and (iii)

22. Cargill Foods, a very large American MNC, has bought over smaller Indian companies such as

- (a) Parakh Foods
- (b) Amul
- (c) Britannia
- (d) None of the above

23. Cargill is now the largest producer of edible oil in India, with a capacity to make pouches daily.

- (a) 6 million
- (b) 5 million
- (c) 4 million
- (d) 55 million

24. Examples of industries where production is carried out by a large number of small producers around the world

- (a) Garments
- (b) Footwear
- (c) Sport items
- (d) All of them

25. Ford motors came to India in

- (a) 1996
- (b) 1995
- (c) 1994
- (d) 1990

26. Effect of Chinese toys on Indian toymakers is

- (a) No effect
- (b) Making profits
- (c) Suffering losses
- (d) None of them

27. Rapid integration or interconnection between countries is known as

- (a) Privatisation
- (b) Globalisation
- (c) Liberalisation
- (d) Socialisation

28. Post 50 years have seen several improvements in

- (a) Transportation technology
- (b) Information technology
- (c) Communication technology
- (d) All of them

29. Tax on imports is an example of

- (a) Terms of Trade
- (b) Collateral
- (c) Trade Barriers
- (d) Foreign Trade

3B Removing barriers or restrictions set by the government is known as

- (a) Privatisation
- (b) Liberalisation
- (c) Globalisation
- (d) Socialisation

31. Around which year, need for removing barriers on foreign trade and foreign investment in India was felt ?

- (a) 1990
- (b) 1991
- (c) 1992
- (d) 2000

32. is one such organisation whose aim is to liberalise international trade

- (a) UNICEF
- (b) World Bank
- (c) WTO
- (d) IDBI

33. Till 2006, how many members were there in WTO?

- (a) 139
- (b) 150
- (c) 101
- (d) 149

34. Companies who set up production units in the Special Economic Zones (SEZs) do not have to pay taxes for an initial period of

- (a) 2 years
- (b) 5 years
- (c) 4 years
- (d) 10 years

35. Industries where small manufacturers have been hit hard due to competition.

- (a) Batteries
- (b) Tyres
- (c) Dairy Products
- (d) All of them

36. Number of workers that small industries in India employ

- (a) 18 million
- (b) 19 million
- (c) 20 million
- (d) 21 million

37. To get large orders, Indian exporters try hard to cut their own costs by

- (a) Reducing cost of raw materials
- (b) Reducing advertising and marketing cost
- (c) Reducing electricity cost
- (d) Cutting labour cost

38. To achieve the goal of fair globalisation, a major role can be played by

- (i) People**
- (ii) Government**
- (iii) MNCs**
- (iv) None of the above**

- (a) (i) and (iii)
- (b) (ii) and (iv)
- (c) (i) and (ii)
- (d) (iii) and (iv)

39. It refers to globalisation which creates opportunities for all and ensures that its benefits are better shared.

- (a) Privatisation
- (b) Special Economic Zones (SEZ)
- (c) WTO
- (d) Fair globalisation

40. Allowing private sector to set up more and more of such industries as were previously reserved for the public sector.

- (a) Globalisation
- (b) Privatisation
- (c) Liberalisation
- (d) Socialisation

ANSWERS

Multiple Choice Questions

- | | | | | | | | | |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1. (c) | 2. (c) | 3. (d) | 4. (a) | 5. (b) | 6. (d) | 7. (a) | 8. (b) | 9. (b) |
| 10. (b) | 11. (b) | 12. (c) | 13. (d) | 14. (a) | 15. (a) | 16. (b) | 17. (c) | 18. (b) |
| 19. (c) | 20. (d) | 21. (d) | 22. (a) | 23. (b) | 24. (d) | 25. (b) | 26. (c) | 27. (b) |
| 28. (d) | 29. (c) | 30. (b) | 31. (b) | 32. (c) | 33. (b) | 34. (b) | 35. (d) | 36. (c) |
| 37. (d) | 38. (c) | 39. (d) | 40. (b) | | | | | |

GLOBALISATION AND THE INDIAN ECONOMY

summary

Certainly! Here's a summary of the concept of globalization and its impact on the Indian economy for Class 10:

Globalization and the Indian Economy:

1. Definition of Globalization:

- Globalization refers to the increased interconnectedness and interdependence of countries through the exchange of goods, services, information, and ideas.

2. Key Features of Globalization:

- **Trade Liberalization:** Reduction of trade barriers and tariffs to promote international trade.
- **Foreign Direct Investment (FDI):** Investment by multinational corporations in the economy of another country.
- **Global Integration:** Increased flow of goods, services, capital, and technology across borders.

3. Impact of Globalization on the Indian Economy:

- **Positive Aspects:**
 - **Increased Foreign Investment:** Globalization has attracted foreign companies to invest in India, leading to economic growth.
 - **Technology Transfer:** The exchange of technology has facilitated advancements in various sectors.

- **Diversification of Products:** Consumers have access to a wide variety of goods and services from around the world.
- **Challenges and Concerns:**
 - **Income Inequality:** The benefits of globalization are not evenly distributed, leading to income disparities.
 - **Job Displacement:** Increased competition can result in job losses in certain industries.
 - **Dependency:** Heavy reliance on global markets can make the economy vulnerable to external shocks.

4. Role of Multinational Corporations (MNCs):

- MNCs play a significant role in the globalized economy by investing in different countries and contributing to economic development.
- They bring technology, managerial expertise, and employment opportunities.

5. Impact on Agriculture and Industry:

- **Agriculture:** Globalization has led to changes in agricultural practices, including the shift from traditional to commercial crops.
- **Industry:** Increased competition from foreign goods has impacted some domestic industries, while others have thrived due to global demand.

6. Global Trade Organizations:

- Organizations like the World Trade Organization (WTO) play a crucial role in regulating international trade and resolving trade disputes.

7. Case Study: Liberalization, Privatization, and Globalization (LPG) in India:

- India adopted economic reforms in the early 1990s, known as LPG, to integrate its economy with the global economy.
- The reforms aimed at liberalizing trade, privatizing state-owned enterprises, and attracting foreign investment.

8. Social and Cultural Impact:

- Globalization has led to the exchange of cultural ideas, values, and lifestyles through media, technology, and communication.

9. Future Challenges:

- Balancing economic growth with social and environmental concerns.
- Addressing the negative impacts of globalization on vulnerable groups.

In summary, while globalization has brought about economic growth and opportunities for India, it also presents challenges that need to be addressed to ensure inclusive and sustainable development. Understanding the complexities of globalization is crucial for students to comprehend the evolving nature of the global economy and its impact on individual countries like India