Chapter 4 – Globalization and the Indian Economy

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Question 1:

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

Answer:

Globalisation in today's world has come to imply many things. It is the process by which the people of the world are unified into a single society and function together. This term is also often used to refer to economic globalisation: the integration of national economies into the international economy through trade, foreign direct investments, capital flows, migration and the spread of technology.

Question 2:

What was the reason for putting barriers to foreign trade and foreign investment by the Indian government? Why did it wish to remove these barriers?

Answer:

Barriers to foreign trade and foreign investment were put by the Indian government to protect domestic producers from foreign competition, especially when industries had just begun to come up in the 1950s and 1960s. At this time, competition from imports would have been a death blow to growing industries. Hence, India allowed imports of only essential goods.

Later, in the 1990s, the government wished to remove these barriers because it felt that domestic producers were ready to compete with foreign industries. It felt that foreign competition would in fact improve the quality of goods produced by Indian industries. This decision was also supported by powerful international organisations.

Question 3:

How would flexibility in labour laws help companies?

Answer:

Flexibility in labour laws will help companies in being competitive and progressive. By easing up on labour laws, company heads can negotiate wages and terminate employment, depending on market conditions. This will lead to an increase in the company's competitiveness.

Question 4:

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

Answer:

The various ways in which MNCs set up, or control, production in other countries are by buying out domestic companies or making the latter work for them. Sometimes, MNCs buy mass produce of domestic industries, and then sell it under their own brand name, at much higher rates, in foreign countries. MNCs look towards developing nations to set up trade because in such places, the labour and manufacturing costs are much lower.

Question 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:

Developed countries want developing countries to liberalise their trade and investment because then the MNCs belonging to the developed countries can set up factories in less-expensive developing nations, and thereby increase profits, with lower manufacturing costs and the same sale price. In my opinion, the developing countries should demand, in return, for some manner of protection of domestic producers against competition from imports. Also, charges should be levied on MNCs looking to set base in developing nations.

Question 6:

"The impact of globalisation has not been uniform." Explain this statement.

Answer:

"The impact of globalisation has not been uniform". The truth of this statement can be verified if we observe the impact of MNCs on domestic producers and the industrial working class. Small producers of goods such as batteries, capacitors, plastics, toys, tyres, dairy products and vegetable oil have been hit hard by competition from cheaper imports. Also, workers are now employed "flexibly" in the face of growing competition. This has reduced their job security. Efforts are now on to make globalisation "fair" for all since it has become a worldwide phenomenon.

Question 7:

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

Answer:

Liberalisation of trade and investment policies has helped the globalisation process by making foreign trade and investment easier. Earlier, several developing countries had placed barriers and restrictions on imports and investments from abroad to protect domestic production. However, to improve the quality of domestic goods, these countries have removed the barriers. Thus, liberalisation has led to a further spread of globalisation because now businesses are allowed to make their own decisions on imports and exports. This has led to a deeper integration of national economies into one conglomerate whole.

Question 8:

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

Answer:

Foreign trade leads to integration of markets across countries by the processes of imports and exports. Producers can make available their goods in markets beyond domestic ones via exports. Likewise, buyers have more choice on account of imports from other countries. This is how markets are integrated through foreign trade. For example, Japanese electronic items are imported to India, and have proved to be a tough competition for less-technologically-advanced companies here.

Question 9:

Globalisation will continue in the future. Can you imagine what the world would be like twenty years from now? Give reasons for your answer.

Answer:

Globalisation will continue in the future. Twenty years from now, the world will be more globally connected and integrated into one international economy, if this process continues on a fair and equitable basis. Trade and capital flows will increase alongside the mobility of labour. This will occur because liberalisation will get augmented and MNCs will converge with other companies producing the same goods.

Question 10:

Supposing you find two people arguing: One is saying globalisation has hurt our country's development. The other is telling, globalisation is helping India develop. How would you respond to these organisations?

Answer:

Globalisation has hurt our country's development because: firstly, it has led to the annihilation of small producers who face stiff competition from cheaper imports. Secondly, workers no longer have job security and are employed "flexibly".

Globalisation is helping India develop on account of the following reasons: firstly, the competition it entails has led to rise in the quality of products in the market. Secondly, it has made available a wider variety of goods in the market, for the buyer to choose from. Now, imported goods are easily available alongside domestic products.

Question 11:

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.

Question 12:

Match the following.

(i)	MNCs buy at cheap rates from small producers	**(a)**	Automobiles
(ii)	Quotas and taxes on imports are used to regulate trade	**(b)**	Garments, footwear, sports items
(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

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Question 13:

Choose the most appropriate option.

(i) 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.

(ii) 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.

(iii) Globalisation has led to improvement in living conditions

(a) of all the people

(b) of people in the developed countries

(c) of workers in the developing countries

(d) none of the above

Answer:

(i) (b)

(ii) (b)

(iii) (d)