

# Class - X Economics Chapter Globalisation and the Indian Economy

## Introduction

※ Relation between globalisation and Indian economy. ☹️??

→ Market → Products

↓  
Nature of Products in market  
got transformed over the period  
of time. ☹️??

↓  
Multiple variety of Products.

↓  
(Globalisation)

※ What we are going to study in this chapter

→ MNC's and their working.

→ Foreign trade and integration of market.

→ Globalisation.

→ WTO

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## Production Across Countries

※ MNC [Multi-National Companies] : Owns or Controls production in more than one nation.

→ Before Coming up of MNCs . Reduces Cost through this → Cheap labour and resources.  
• production was organised within countries e.g → U.S.A [Designs], China [Production] and India [Call Center]

• Trade [Raw material, food stuff and finished product]

• India : Export = Raw Mat.  
Import = Finished g.

※ The goods and services are produced globally. ☺??



※ This process reduces the Cost. !!

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## Interlinking Production Across Countries

• MNCs → Investment [Depending on various Condition] → Foreign Investment.

✱ Ways through which MNCs set up their production are:-

(i). Setting up production jointly with local companies.

→ What benefits did local companies get out of it. 😊?? → MNCs bring money and technology.

(ii). MNCs buy up local companies.

→ MNCs → Huge wealth



Easily buy up the local companies

eg Cargill foods, America MNC buying up Parakh foods

→ Why did MNCs do so? 😊??

(iii). MNCs place orders for production with small producers.

eg Products such as garments, footwear etc are produced and supplied by small producers. → MNCs sell under their own brand names.

• MNCs have power to determine price, quality, delivery and labour conditions.

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## Case Study of Ford Motors

### ⌘ Ford Motors

- American automobile manufacturers
- MNC spread over 26 Countries of the world.

⊕  
Collaboration with



### ⌘ Mahindra and Mahindra

- Indian manufacturer of jeeps and trucks

Came to India in 1995



Spent Rs. 1700 Crore to  
set up a plant near Chennai.

⌘ By 2014, Ford Motors was selling

- 77,000 Cars in India
- 77,000 were exported to Brazil, South Africa and Mexico.

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## Foreign Trade and Integration of Market

※ Since history, foreign trade → Connecting Countries.

e.g East India Company



※ What is the basic function of foreign trade ?

→ It Creates an opportunity for producers to reach beyond the domestic market. 😊??

→ Producers get multiple no. of market to sell their products. 😊??

→ Similarly, Buyers gets a variety of products to choose from all over the world. 😊??

※ Advantages of foreign trade.

### Producers

- Gets an access to multiple markets.
- Cost of production can be reduced.

### Consumers

- Variety to choose from.

↓  
Competition among producers

↓  
Price ⬇ and Quality ⬆

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## Chinese Toys in India

※ India

→ Earlier, toys were sold by domestic manufacturers

↓  
( At High price v/s At low price )

※ Chinese manufacturers → started exporting toy to India.

※ What is happening here? 😞??

- Competition between chinese and Indian toys.
- Chinese toys prove better, Expanded business.
- Indian toy makers face losses, business Collapsed.

※ Now buyers in India have the option of choosing between Chinese and Indian toys

↓

• Chinese toys become popular 😊??

→ Cheaper price and new designs.  
→ 70 - 80 per cent of toy shops have replaced Indian toys with Chinese toys.

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What is Globalisation?

\* MNCs investing in various parts of the world [Foreign Investment]

→ Agent of Globalisation

\* Foreign trade between Countries has been rising rapidly.

\* Foreign investment① → Foreign trade① = Integration of production and markets across countries

∴ Globalisation is this process of rapid integration or interconnection between countries.

Globalisation → Movement of goods, Services, investment and technology.  
Movement of People between Countries. [Better income, jobs or education]

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## Factors that Have Enabled Globalisation - I

※ Technology → Major factor that has stimulated the globalisation process.

e.g. Improvement in transportation technology.

- Goods → Placed in Containers → Ships, railways planes and trucks.
- Fast delivery across long distance at lower costs.

e.g. Developments in information and Communication Technology.

- Telecommunication, Computers and Internet

↓  
Connecting world to remote areas.  
With Satellite communication devices. = {Globalisation.}

※ Using IT in globalisation 😊?"

→ Magazine published for readers in London is designed and printed in Delhi.

• How ?? 😊" & Why 😊?"

※ IT has played a major role in spreading out production of services across countries.



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## Factors that Have Enabled Globalisation - II

₹ 30 Rs

- (\*) Liberalisation → Removing barriers or restriction set by the government to enable globalisation process is known as Liberalisation.
- Recall the example of Imports of Chinese toys.
  - Role of liberalisation ☹️??
  - Role of trade barrier ☹️??
- ↓
- Tax on imports. Why ☹️??
  - Government use trade barriers to increase or decrease (regulate) foreign trade.
  - To protect the producers within Country from foreign Competition. ☹️??
- !! Competition !!
- ↓
- Improve the performance of the producers
- ↓
- Quality ↑
- ∴ Trade barriers ↓
- ↓
- Foreign investment ↑
- ↓
- Globalisation
- India allowed imports of only essential items → Machinery, fertilisers etc.

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## World Trade Organisation

∴ Liberalisation in India was supported by powerful international Organisation.

### \* WTO

- Started at the initiative of the developed Countries.
- It establishes rules regarding international trade.
- As on July 2016, nearly 165 Countries of the world are currently members of the WTO.

\* Debate on the working of WTO.

Developing Countries v/s Developed Countries.



• All type of barriers to foreign trade and investment are harmful. ☹??

• Promoted 'Free trade'



WTO

World trade Organisation

• Organisation whose aim is to liberalise International trade.

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## World Trade Organisation: Debate On Trade Practices

∴ India and agriculture Sector [Employment, GDP] ∴ Farmers in Developing Countries face problem.



Compare this with a developed Country [U.S]



Share of agriculture in GDP [1%]



Share in total Employment [0.5%]

∴ There is a debate between

Developing Countries v/s Developed Countries.

∴ Is this free and fair trade? 😞

∴ U.S government provides large sum of money to people who are engaged in agriculture. 😞

→ For production and export to other Countries.



∴ Due to this massive subsidy → U.S farmer can sell the farm product at very low prices → Surplus is sold in the market of developing Countries.

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## Impact of Globalisation in India

∴ Globalisation

Advantage to Consumers

Greater choice, Improved quality and lower prices.



High standard of living 😊

∴ Impact on producers and workers has not been uniform.

- MNCs → Investment in India (↑) =
- Employment (↑) → Jobs (↑)
- Top Indian Companies
- Local Companies supplying raw material have prospered

↓  
Invested in new technology and also gained a lot from collaborations with foreign companies.

• Globalisation has enabled some larger Indian companies to emerge as multinationals themselves. e.g. Tata Motors, Infosys etc.

• Companies providing services got an opportunity to export their services to developed countries.  
e.g. Data entry, accounting, administrative tasks etc.

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## Impact of Globalisation in India - II

∴ Globalisation has brought major challenges for a large number of small producers and workers.



- Story of Sushila
- Problems faced by her?

- Story of Ravi
- Problems faced by him?

### (∴ Conclusion)

- Hard Competition → Small producers cannot compete → Shutting down of Industries!!
- MNCs → Tries to Cut their Cost
  - ↓
  - Looks for the cheapest suppliers →
- Low wages to workers
- Long working hours.

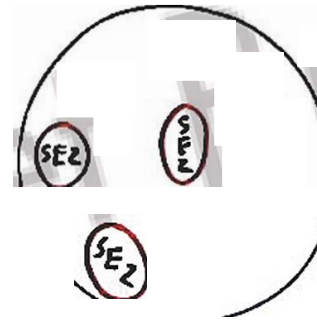
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## Special Economic Zone [SEZ]

※ SEZs are the specially created industrial zones having world class facilities Such as Road electricity, water, transport, storage etc. These zones are created to Attract foreign Investment.

※ Why Companies will invest in SEZs ?

- World class facility.
- Exemptions in the payment of taxes for an initial period of five years.
- Flexibility in labour laws.



※ MNCs demand flexibility in labour laws ☹️??

- To reduce the Cost of labour.

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## The Struggle For a Fair Globalisation

\* Not everyone has benefited equally from globalisation. People with education, skills and wealth benefited a lot

\* What is a fair globalisation? ☹️

→ Equal opportunities for all, benefits must be shared

\* How to make globalisation more fair? ☹️

→ Government can play a major role.

- Proper implementation of labour laws.

- Supporting small producers so that they become strong enough to compete.

- Using trade barriers and investment barriers.

- Government can negotiate at WTO for 'fairer Rules'.

- Developing countries can form groups to fight against the domination of developed countries.

- People can also play an important role. [Campaigns, protest and Representation]

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## Frequently Asked Questions

\* Define type

→ MNC, Foreign investment, Trade barrier, WTO, SEZ ?

Q. MNCs as an agent of Globalisation? Different ways through which MNCs set up their production?

Q. How did the foreign trade integrates the markets of various countries? Example

Q. What is globalisation? Factors that have enabled Globalisation?

Q. What do you understand by liberalisation? What is the need of it?

Q. WTO? Need? Functions?

Q. Impact of Globalisation in India [Positive and Negative]

Q. What Can be done for a fair globalisation?