

# CHAPTER 4.4

## Globalization and Indian Economy

### ONE MARK QUESTIONS

1. Differentiate between investment and foreign investment.

**Ans :** (CBSE 2016)

Investment can be defined as money spent for buying the inputs for the production like land, buildings, machines etc. whereas foreign investment is the investment done by an investor from abroad or MNC is termed as foreign investment.

2. Why do MNCs setup their offices and factories in those regions where they get cheap labour and other resources?

**Ans :** (CBSE 2016)

MNCs setup 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.

3. Due to what reason are the latest models of different items available within our reach? (CBSE 2016)

**Ans :**

It is due to the policy of liberalisation, privatization and globalisation the latest models of different goods are available within our reach.

4. Why had the Indian government put barriers to foreign trade and foreign investment after independence? State any one reason. (CBSE 2015)

**Ans :**

The Indian government put barriers to foreign trade and foreign investment after independence in order to protect the industries in India from the foreign competition as they were in the infancy stage.

5. What is the meaning of investment? (CBSE 2015)  
or

Define the term investment.

**Ans :** (CBSE 2010)

Investment can be defined as money spent for buying the inputs for the production like land, buildings, machines etc.

6. What is meant by trade barrier? (CBSE 2015)

**Ans :**

Restrictions set by the government to increase or decrease (regulate) the foreign trade is what called trade barrier.

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

**Ans :** (CBSE 2015)

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.

8. What is a Multinational Corporation?

**Ans :** (CBSE 2010)

MNC : Multinational Corporations is a company owning and or controlling production in more than one nation.

9. Give the meaning of globalisation. (CBSE 2010)

**Ans :**

It can be defined as process of rapid interconnection or integration between the international market.

### THREE MARKS QUESTIONS

10. Examine any three conditions which should be taken care of by Multinational Companies to set up their production units.

**Ans :** (CBSE 2017)

The three conditions which should be taken care of by Multinational Companies to set up their production units are:

- Labour: There should be easy availability of cheap and skilled labour for the industries. This will help in reducing the cost of production and maximizing the profit.
- Market: The markets should be close to the production units so that there should be less expenditure on the transport cost.
- Government policies: The government policies of that particular countries should be in favour of the company such as flexibility in labour laws etc.

11. How do Multi-National Corporations (MNCs) interlink production across countries? Explain with examples.

**Ans :** (All India 2017)

Interlinking of production is one of the important feature of the MNCs.

For example: An MNC from USA producing the

industrial equipment is designed in its product in the research centres of the US, its components are manufactured in China, the assembling and the export work is done from Mexico and Eastern Europe and its call centres are there in India.

12. How is foreign trade interlinking markets of different countries? Explain with example. (Foreign 2017)

**Ans :**

Foreign trade means trade with other countries. When we trade with other countries then we connect with the markets of different countries.

For example, Chinese toys in the Indian market. In this process, the goods and services are produced and sold at global level. There is movement of technology and people between the countries. It gives opportunity to the local producers to reach beyond the domestic market. Buyers get different choice, price and quality.

13. What measures can be taken by the government of India to make globalisation fairer? Explain.

**Ans :** (CBSE 2017)

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

- Labour laws should be implemented properly and the workers get equal rights.
- Government should use trade barriers if required.
- Government should negotiate at the WTO for fairer rules.

14. 'Barriers on foreign trade and foreign investment were removed to a large extent in India since 1991.' Justify the statement. (CBSE 2016)

or

Why have the barriers on foreign trade and foreign investment been removed to a large extent by the Indian government? Explain.

**Ans :** (CBSE 2014)

Barriers on foreign trade and foreign investment were removed to a large extent in India since 1991. Indian government decided to remove trade barriers due to the following reasons:

- The Indian government wanted the domestic producers to face the global competition.
- By this competition, the Indian producers will also get a chance to improve their quality.
- Removal of trade barriers will allow the producers of different countries to trade with India.

15. How have our markets been transformed? Explain with examples. (CBSE 2016, 2014)

or

In recent years how our markets have been transformed? Explain with examples. (CBSE 2015)

or

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

**Ans :** (CBSE 2016)

It is true to say that now there is wide ranging choice of goods are available in the Indian markets. It is possible due to the policy of liberalisation, privatization and globalisation followed by India since 1991. Before 1990, we had limited brands and limited variety of products in the market but now the market

is flooded with variety of brands. For example, earlier we had just Ambassador and Fiat cars on the Indian roads but now we have so many brands from all over the world. The same happened in the field of TV, mobile phones, garments etc.

16. "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 advantageous to consumers. The consumers are getting advantage in the following ways:

- They get different brands of the product.
- They get the goods and services at cheaper rate.

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

**Ans :** (CBSE 2016, 2014)

Indian government put trade barriers after the independence on foreign trade and foreign investments to protect the domestic producers from the foreign competition. At that time in 1950s and 1960s Indian industries were just coming up, so were not in a position to compete with the foreign producers.

18. What is foreign trade? How does it integrate markets? Explain with examples. (CBSE 2013)

or

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

**Ans :** (CBSE 2016)

Foreign trade means trade with other countries. When we trade with other countries then we connect with the markets of different countries.

For example, Chinese toys in the Indian market. In this process the goods and services are produced and sold at global level. There is movement of technology and people between the countries. It gives opportunity to the local producers to reach beyond the domestic market. Buyers get different choice, price and quality.

An MNC from USA producing the industrial equipment is designing its product in the research centres of the US, its components are manufactured in China, the assembling and the export work is done from Mexico and Eastern Europe and its call centres are there in India.

19. How do large companies manipulate the market? Explain with examples. (CBSE 2016)

**Ans :**

It is very true to say that the large companies often manipulate the markets. They do this by influencing the price of the products, labour and the market conditions. They are able to do this because they have huge wealth, low cost of production, and better technology.

For example, Chinese products in the Indian markets. Due to the low prices of the Chinese products in the Indian market they are able to expand their market in India. They have good number of buyers as

they sell the products at cheap rate.

20. "Technology has stimulated the globalisation process." Support the statement with examples. (CBSE 2015)

or

"Information and Communication Technology has played a major role in spreading our production of services across countries". Justify the statement with examples. (CBSE 2016)

or

How has Information and Technology stimulated globalisation process? Explain with examples.

**Ans :** (CBSE 2014)

It is true to say that the Information and Communication Technology has played a major role in spreading our production of services across countries. Development in technology is one of the most important factors that has enabled the process of globalization. It can be studied under two different headings:

- Developments in transport technology: The world has done tremendous improvements in the field of transportation technology. Now we have different fastest means of transport with the help of which we can reach to different parts of the world in less time and can control trade and integrate the markets easily.
- Developments in ICT (Information and Communication Technology): It includes telephones, mobile phones, computers, internet, fax, e-mails etc. A remarkable development can be seen in the field of ICT throughout the world. Now the world is just a click away. With the help of ICT we can share and obtain information instantly across the globe at negligible cost.

21. "Foreign trade integrates the markets in different countries." Support the statement with arguments.

**Ans :** (CBSE 2015)

Foreign trade integrates the markets in different countries through the following ways:

- Goods and services are produced at global level.
  - Goods and services are sold at global level.
  - Investments, technology and people are moving between countries.
  - Production process is complex but organized.
  - It gives opportunity to the local producers to reach beyond the domestic market.
  - Buyers get different choice, price and quality.
  - MNCs by the foreign trade connects/ integrates the markets in the world. For example: Chinese toys in India.
22. How did Cargill Foods became the largest producer of the edible oils in India? Explain. (CBSE 2014)
- Ans :**
- Cargill Foods, an American MNC has bought Indian company named Parakh Food. Now the control on the large marketing network and the four oil refineries has shifted to the Cargill Food. Cargill Food has now become the largest producer of edible oil in India.
23. Why did Ford Motors want to develop Ford India as a component supplying base for its other plants across

the globe? Explain. (CBSE 2014)

or

How are local companies benefitted by collaborating with multinational companies? Explain with examples.

**Ans :** (CBSE 2013)

Joining hand with local companies is also one of the way through which the MNCs spread production. Sometimes the MNCs join hands with the local companies and do the production. In this process, the local companies get twin benefits:

- They get foreign investment.
- MNCs provide newer technology to them for the production.

For example: In 1995 Ford Motors an American company joined hand with the Indian company called Mahindra and Mahindra (manufacturer of jeeps and trucks) due to the following reasons:

- Availability of cheap and skilled labour.
- Close to the markets.

24. How does foreign trade connect the markets of different countries? Explain with example.

**Ans :** (CBSE 2014)

Foreign trade integrates the markets in different countries through the following ways:

For example: Chinese toys in India. In this process the Goods and services are produced and sold at global level. There is movement of technology and people between the countries. It gives opportunity to the local producers to reach beyond the domestic market. Buyers get different choice, price and quality.

An MNC from USA producing the industrial equipment is designing its product in the research centres of the US, its Components are manufactured in china, the assembling and the export work is done from Mexico and Eastern Europe and its call centres are there in India.

25. "The impact of globalisation has not been visualized uniformly among producers and workers." Support the statement with facts. (CBSE 2014)

**Ans :**

The impact of globalization, has not been uniform among the producers and workers. The impact of globalization can be noticed on these people:

- Producers: there are two types of producers. Large producers and small producers. The big producers who join hands with the MNCs are getting the profit but the small producers face loss because they are not able to compete with the large producers
- Workers: MNCs affected the workers in both the ways. MNCs helped in giving employment to the workers and improved their economic conditions but at the same time MNCs due to flexibility in labour laws hire the workers on temporary basis and their job is not secured.
- The large producers manipulate the market. They influence the price, labour, working conditions etc. So in many cases they have to shut down their business.

26. How do Multinational Companies manage to keep the cost of production of their goods low? Explain with

examples.

**Ans :** (CBSE 2013)

Due to the following reasons the Multinational Companies manage to keep the cost of production of their goods low:

- They set up their production units where there is easy availability of cheap and skilled labour.
- They look for the locations from the markets are close so that they will have to pay less transportation cost in supplying the final goods to the consumers.
- They set up their business in the countries where the government policies are favourable for them. Such as in India the Indian government has given them the benefit of flexibility in labour laws.

27. What is globalisation? How does globalisation help in interconnection among different countries? Explain with examples. (CBSE 2013)

**Ans :**

It can be defined as the process of rapid interconnection or integration between the markets. The following are the different ways through which globalisation helps in inter-connection among different countries:

- By producing goods and services which are produced at global level.
- Goods and services are sold at global level.
- Investments, technology and people are moving between countries.
- It gives opportunity to the local producers to reach beyond the domestic market.
- MNCs by the foreign trade connects/ integrates the markets in the world.

28. How are MNCs spreading their production across countries? Explain with an example. (CBSE 2012)

**Ans :**

An MNC from USA producing the industrial equipment is designing its product in the research centres of the US, its components are manufactured in China, the assembling and the export work is done from Mexico and Eastern Europe and its call centres are there in India.

29. What would happen if the government of India puts heavy tax on import of Chinese toys? Explain any three points. (CBSE 2012)

**Ans :**

The following are the three possible effects if the government of India puts heavy tax on import of Chinese toys:

- The price of the Chinese toys in the Indian market will rise.
- Due to the high price there will be a lesser number of buyers.
- The Chinese toys market in India will shrink and the Indian toy makers will expand their market.

30. How has foreign trade been integrating markets for different countries in the world? Explain with examples.

**Ans :** (CBSE 2012)

Foreign trade means trade with other countries. When we trade with other countries then we connect with the markets of different countries.

For example, Chinese toys in the Indian market. In this process the goods and services are produced and sold at a global level. There is movement of technology and people between the countries. It gives opportunity to the local producers to reach beyond the domestic market. Buyers get different choices, prices and quality.

An MNC from USA producing the industrial equipment is designing its product in the research centres of the US, its components are manufactured in China, the assembling and the export work is done from Mexico and Eastern Europe and its call centres are there in India.

**Ans :**

31. What is the main aim of the World Trade Organisation? Explain its functions. (CBSE 2012)

**Ans :**

The main aim of WTO is to liberalise international trade.

The various functions of the World Trade Organisation are:

- It makes rules regarding international trade and checks that these rules are followed.
- WTO says that there should be no trade barriers i.e. members of WTO should liberalise their trade policies and trade between countries should be free.
- But in practice it can be seen that developing countries follow these rules whereas the developed countries have not liberalised their trade policies.

32. How has globalisation been advantageous to both the producers as well as the consumers in India? Explain.

**Ans :** (CBSE 2012)

This is true to state that globalisation has been advantageous to both the producers as well as the consumers in India. Producers: there are two types of producers. Large producers and small producers. The big producers who join hands with the MNCs are getting the profit but the small producers face loss because they are not able to compete with the large producers. The large producers manipulate the market. They influence the price, labour, working conditions etc. So in many cases they have to shut down their business.

Consumers:

- They get different brands of the product.
- They get the goods and services at a cheaper rate.
- They get better quality products.

33. Explain any three conditions that determine MNCs setting up production in other countries.

**Ans :** (CBSE 2011)

The three conditions that determine MNCs setting up production in other countries are:

- They set up their production units where there is easy availability of cheap and skilled labour.
- They look for the locations from the markets are close so that they will have to pay less transportation cost in supplying the final goods to the consumers.
- They set up their business in the countries where the government policies are favourable for them. Such as in India the

Indian government has given them the benefit of flexibility in labour laws.

34. "Globalisation and greater competition among producers has been advantageous to consumers." Support the statement with examples.

**Ans :** (CBSE 2015)

Yes, it is true to say that the Globalisation and greater competition among producers has been advantageous to consumers because:

Consumers:

- They get different brands of the product.
- They get the goods and services at cheaper rate.
- They get better quality products.

35. Explain any four ways in which globalisation and pressure of competition has changed the lives of workers substantially.

**Ans :** (CBSE 2012)

The four ways in which globalisation and pressure of competition has changed the lives of workers substantially are:

- MNCs helped in reducing the unemployment in India.
- It provided job opportunities to the people.
- It helped in improving the standard of living of the workers.
- It has given opportunity to the workers to move out from the primary sector and helped in their economic growth.

36. "Information and communication technology has played a major role in spreading out products and services across countries." Support the statement.

**Ans :** (CBSE 2012)

It is true to say that Information and communication technology has played a major role in spreading out products and services across countries.

Developments in ICT (Information and Communication Technology): It includes telephones, mobile phones, computers, internet, fax, e-mails etc. a remarkable development can be seen in the field of ICT throughout the world. Now the world is just a click away. With the help of ICT we can share and obtain information instantly across the globe at negligible cost.

37. Explain the role of government in making globalisation fair. (CBSE 2011)

**Ans :**

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

- Government policies should protect both rich and the poor.
- Labour laws should be implemented properly and the workers get equal rights.
- Government should support the small producers so that they can improve their performance and compete.
- Government should use trade barriers if required.
- Government should negotiate at the WTO for fairer rules.
- All the developing countries government should group together to fight against the developed countries at WTO.
- Governments can campaign and protest regarding the unfair rules.

38. What is globalisation? Describe the role of MNCs in promoting globalisation process.

**Ans :** (CBSE 2016)

Globalisation can be defined as the process of rapid interconnection or integration between the markets. MNCs play a vital role in promoting globalisation process as: By producing Goods and services at global level.

- Goods and services and sold at global level. Investments, technology and people are moving between countries.
- It gives opportunity to the local producers to reach beyond the domestic market.
- MNCs by the foreign trade connects/ integrates the markets in the world.

39. What is the meaning of SEZ? Mention any two features of SEZ. (CBSE 2011)

**Ans :**

SEZ means special economic zone. The two features of SEZ are:

- Governments are creating SEZs where they provide world class facilities for electricity, roads, water, transport, recreational and educational facilities to the MNCs.
- MNCs will not have to pay taxes for the initial period of five years if they set up their production units in the SEZs.

40. How do large companies often manipulate the markets? Explain with an example. (CBSE 2011)

**Ans :**

It is very true to say that the large companies often manipulate the markets. They do this by influencing the price of the products, labour and the market conditions. They are able to do this because they have huge wealth, low cost of production, and better technology.

For example, Chinese products in the Indian markets. Due to the low prices of the Chinese products in the Indian market they are able to expand their market in India. They have good number of buyers as they sell the products at cheap rate.

41. Give the meaning of WTO. Mention any two

shortcomings of WTO. (CBSE 2011)

**Ans :**

WTO means World Trade Organisation. The two shortcomings of the WTO are:

- WTO is not able to check the rules made for the free and fair international trade.
- In practice it can be seen that developing countries follow these rules whereas the developed countries have not liberalized their trade policies.

42. Explain any three advantages of globalisation.

**Ans :** (CBSE 2011)

The three advantages of globalisation are:

- The producers are getting an opportunity to reach beyond the domestic market.
- The workers are getting more job opportunities.
- The consumers are getting variety of brands with quality and cheaper prices.

43. What is a trade barrier? Why did the Indian government put trade barriers after independence? Explain. (CBSE 2011)

**Ans :**

Restrictions set by the government to increase or decrease (regulate) the foreign trade is what called trade barrier.

Due to the following reasons the Indian government put barriers to foreign trade and foreign investment after independence:

- The Indian government wanted the domestic producers to face the global competition.
- By this competition the Indian producers will also get a chance to improve their quality.
- Removal of trade barriers will allow the producers of different countries to trade with India.

44. Explain with three examples how top Indian companies have benefitted from globalisation? (CBSE 2011)

**Ans :**

It is true to say that the top Indian companies have benefitted from globalisation. The three examples are:

- The top Indian companies are benefitted from the competition.
- The top Indian companies invested in the newer technologies and production methods and thus increased their production tremendously.
- Some of the top Indian companies like the Tata Motors and Infosys have spread their unit worldwide.

45. What are the harmful effects of MNCs to a host country? Give three examples. (CBSE 2011)

**Ans :**

The harmful effects of MNCs to a host country are:

- They have to provide a world class facility to these MNCs.
- They have to ensure flexibility in labour laws.
- The local small producers are hit hard and have to shut down due to the competition with the MNC.

46. What has been the impact of globalisation on India? Explain. (CBSE 2011)

**Ans :**

Globalisation has its deep impact on India. The impact of globalization has not been uniform in the Indian economy as different people are affected in a different way. The impact of globalization can be noticed, on these people:

- Producers: big producers who join hands with the MNCs are getting the profit but the small producers face loss and in many cases they have to shut down their business.
- Workers: MNCs helped in reducing the unemployment in India but as MNCs get flexibility in labour laws so they hire the workers on temporary basis.
- Buyers: MNCs produce mostly for the rich buyers so the rich buyers get choices in the market more than the poor buyers.

47. What are the benefits of the foreign trade to producers and consumers? (CBSE 2011)

**Ans :**

Globalisation has been advantageous to both the producers as well as the consumers in India.

Producers: there are two types of producers. Large producers and small producers. The big producers who join hands with the MNCs are getting the profit but the small producers face loss because they are not able to compete with the large producers. The large producers manipulate the market. They influence the price, labour, working conditions etc. So in many cases they have to shut down their business.

Consumers:

- They get different brands of the product.
- They get the goods and services at cheaper rate.
- They get better quality products.

48. Explain the role of information technology in globalisation. (CBSE 2011)

**Ans :**

The role of information technology in globalisation:

- Development in technology is one of the most important factor that has enabled the process of globalization.
- Developments in ICT (information and communication technology) includes telephones, mobile phones, computers, internet, fax, e-mails etc. a remarkable development can be seen in the field of ICT throughout the world.
- Now the world is just a click away. With the help of ICT we can share and obtain information instantly across the globe at negligible cost.

49. How has transportation technology stimulated the globalisation process?-? Explain with suitable examples.

**Ans :**

(CBSE 2011)

Development in technology is one of the most important factor that has enabled the process of globalization.

Developments in transport technology: the world has done tremendous improvements in the field of transportation technology. Now we have different fastest means of transport with the help of which we can reach to different parts of the world in less time and can control trade and integrate the markets easily.

50. Explain how globalisation can be made fairer. (CBSE 2010)

**Ans :**

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

- Government policies should protect both rich and the poor.
- Labour laws should be implemented properly and the workers get equal rights.
- Government should support the small producers so that they can improve their performance and compete.
- Government should use trade barriers if required.
- Government should negotiate the WTO for fairer rules.
- All the developing countries government should group together to fight against the developed countries at WTO.
- Governments can campaign and protest regarding the unfair rules.

## FIVE MARKS QUESTIONS

51. How has foreign trade been integrating markets of different countries? Explain with examples.

**Ans :** (CBSE 2018)

Foreign trade means trade with other countries. When we trade with other countries then we connect with the markets of different countries.

For example, Chinese toys in the Indian market. In this process the goods and services are produced and sold at global level. There is movement of technology and people between the countries. It gives opportunity to the local producers to reach beyond the domestic market. Buyers get different choice, price and quality.

An MNC from USA producing the industrial equipment is designing its product in the research centres of the

US, its components are manufactured in China, the assembling and the export work is done from Mexico and Eastern Europe and its call centres are there in India.

52. How do we feel the impact of globalization on our daily life? Explain with examples. (CBSE 2018)

**Ans :**

This is true to say that now there is wide ranging choice of goods available in the Indian markets. It is possible due to the policy of liberalisation, privatization and globalisation followed by India since 1991. Before 1990, we had limited brands and limited variety of products in the market but now the market is flooded with variety of brands. For example, earlier we had just Ambassador and Fiat cars on the Indian roads but now we have so many brands from all over the world. The same happened in the field of T.V, mobile phones, garments etc.

53. Describe the contribution of technology in promoting the process of globalization. (Delhi 2017)

or

How has improvement in technology stimulated the

globalisation process? Explain. (CBSE 2013)

or

Explain the role of technology in stimulating globalisation process.

**Ans :** (CBSE 2010)

It is true to say that the Information and Communication Technology has stimulated the globalisation process and played a major role in spreading our production of services across countries. Technological development: development in technology is one of the most important factor that has enabled the process of globalization. It can be studied under two different headings:

- Developments in transport technology: The world has done tremendous improvements in the field of transportation technology. Now we have different fastest means of transport with the help of which we can reach to different parts of the world in less time and can control trade and integrate the markets easily.
- Developments in ICT (Information and Communication Technology): It includes telephones, mobile phones, computers, internet, fax, e-mails etc. A remarkable development can be seen in the field of ICT throughout the world. Now the world is just a click away. With the help of ICT we can share and obtain information instantly across the globe at negligible cost.

54. Explain by giving examples how multinational corporations are spreading their products in different ways. (CBSE 2016, 2013)

or

How are multinational corporations spreading their products? Explain with examples.

**Ans :** (CBSE 2014)

The following are the three ways in which multinational corporations are spreading their products in different ways:

- Buying up the local companies: This is most common route for MNC investment and expanding production. MNCs can do so because they have huge wealth. For example: Cargill Foods an American MNC has bought Indian company named Parakh Food. Now the control on the large marketing network and the four oil refineries has shifted to the Cargill Food. Cargill Food has now become the largest producer of edible oil in India.
- Joining hand with local companies: Sometimes the MNCs join hands with the local companies and do the production. In this process, the local companies get twin benefits: (i) they get foreign investment and (ii) MNCs provide newer technology to them for the production. For example: In 1995, Ford Motors an American company joined hand with the Indian company called Mahindra and Mahindra (manufacturer of jeeps and trucks).
- By placing orders: Sometimes MNCs just place orders with small producers around the world for the production of garments, footwear and sports items. After that, the products are supplied to the MNCs and sold under the brand name of the MNCs.

55. Analyse any five positive effects of globalization on the Indian economy.

**Ans :** (All India 2017)

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

- Producers: The big producers who join hands with the MNCs are getting the profit and expanded their business across the globe.
  - Workers: MNCs helped in reducing the unemployment in India.
  - Buyers: The buyers are getting variety of brands with quality at cheaper rates.
  - The Indian producers are getting an opportunity to reach beyond the domestic market.
  - The Indian producers got foreign investment and newer technologies from the MNCs.
56. What is liberalization? Describe any four effects of liberalization on the Indian economy. (All India 2017)

**Ans :**

Removing trade barriers set by the government is termed as liberalisation. If the country uses the policy of liberalisation then it means that it allows other countries to interact, which will lead to globalisation. The four effects of liberalisation on the Indian economy are:

- The MNCs of other countries started coming to India.
  - The Indian producers got an opportunity to reach beyond the domestic market.
  - The Indian producers got foreign investment and newer technologies from the MNCs.
  - The Indian buyers are getting variety of brands with quality at cheaper rates.
57. Define 'Globalisation'. Describe any four benefits of globalisation to the Indian economy.

**Ans :** (Foreign 2017)

Globalisation can be defined as the process of rapid interconnection or integration between the markets.

The four benefits of globalization to the Indian economy are:

- Producers: The big producers who join hands with the MNCs are getting the profit and expanded their, business across the globe.
  - Workers: MNCs helped in reducing the unemployment in India.
  - Buyers: The buyers are getting variety of brands with quality at cheaper rates.
  - The Indian producers are getting an opportunity to reach beyond the domestic market.
  - The Indian producers got foreign investment and newer technologies from the MNCs.
58. Describe any three ways by which multinational companies are spreading their products across the world.

**Ans :** (CBSE 2017)

The following are the three ways in which multinational corporations are spreading their products in different ways

- Buying up the local companies: This is most common route for MNC investment and expanding production. MNCs can do so because

they have huge wealth. For example: Cargill foods an American MNC has bought Indian company named Parakh Food. Now the control on the large marketing network and the four oil refineries has shifted to the Cargill Food. Cargill Food has now become the largest producer of edible oil in India.

- Joining hand with local companies: Sometimes the MNCs join hands with the local companies and do the production. In this process, the local companies get twin benefits: a) they get foreign investment and b) MNCs provide newer technology to them for the production. For example: In 1995 Ford Motors an American company joining hand with the Indian company called Mahindra and Mahindra (manufacturer of jeeps and trucks).
- By placing orders: Sometimes MNCs just place orders with small producers around the world for the production of garments, footwear and sports items. After that, the products are supplied to the MNCs and sold under the brand name of the MNCs.

59. Describe the impact of globalisation on Indian economy with examples. (CBSE 2016)

**Ans :**

The impact of globalization on the Indian economy can be noticed both as positive and negative. These are:

Positive impact:

- Producers: The big producers who join hands with the MNCs are getting the profit and expanded their business across the globe.
- Workers: MNCs helped in reducing the unemployment in India.
- Buyers: The buyers are getting variety of brands with quality at cheaper rates.
- The Indian producers are getting an opportunity to reach beyond the domestic market.
- The Indian producers got foreign investment and newer technologies from the MNCs.

Negative impact:

- The local small producers are not able to compete with the MNCs and they have to shut down their business.
- Mostly MNCs produce goods and services for the rich people so the poor people are not able to enjoy the benefits of globalisation much.
- Due to the globalisation the MNCs don't hire the workers on permanent basis. They use flexibility in labour law policy.

60. Describe any five factors that promote the MNCs to set up their production units in a particular place. (CBSE 2016)

**Ans :**

The five factors that promote the MNCs to set up their production units in a particular place are:

- They set up their production units where there is easy availability of cheap and skilled labour.
- They look for the locations from the markets are close so that they will have to pay less transportation cost in supplying the final goods to the consumers.
- They set up their business in the countries where

the government policies are favourable for them. Such as in India the Indian government has given them the benefit of flexibility in labour laws.

- d. MNCs set up their units where they get easy availability of raw materials.
- e. They start their offices and get world class facilities like education, health and concession on tax.

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

**Ans :** (CBSE 2016)

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:

- a. Due to the globalisation the MNCs don't hire the workers on permanent basis.
- b. They use flexibility in labour law policy.

**62.** How are MNCs controlling and spreading their productions across the world? Explain.

**Ans :** (CBSE 2015)

The following are the three ways in which multinational corporations are controlling and spreading their production across the world:

- a. Buying up the local companies: This is most common route for MNC investment and expanding production. MNCs can do so because they have huge wealth. For example: Cargill Foods an American MNC has bought Indian company named Parakh Food, Now the control on the large marketing network and the four oil refineries has shifted to the Cargill Food. Cargill Food has now become the largest producer of edible oil in India.
- b. Joining hand with local companies: Sometimes the MNCs join hands with the local companies and do the production. In this process, the local companies get twin benefits: (z) they get foreign investment and (ii) MNCs provide newer technology to them for the production. For example: In 1995 Ford Motors an American company joining hand with the Indian company called Mahindra and Mahindra (manufacturer of jeeps and trucks).
- c. By placing orders: Sometimes MNCs just place orders with small producers around the world for the production of garments, footwear and sports items. After that, the products are supplied to the MNCs and sold under the brand name of the MNCs.

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

**Ans :** (CBSE 2015)

Yes, it is true to say that Fair globalisation would create opportunities for all and also ensure that

benefits of globalisation are shared better. /

- a. At present the globalisation is not free and fair. The developed countries are dominating over the developing countries. The MNCs have huge wealth and thus they influence the labour, price and market conditions.
- b. In practice it can be seen that developing countries follow the rules whereas the developed countries have not liberalized their trade policies.
- c. Also it is seen that the MNCs are producing goods mostly for the rich buyers. The workers are not getting permanent jobs due to the policies like flexibility in labour laws.
- d. MNCs have better technology and capital investment which makes them superior in the market and the other producers are out of the race.

**64.** Explain the role of MNCs in the globalisation process.

**Ans :** (CBSE 2014)

Globalisation can defined as the process of rapid interconnection or integration between the markets. MNCs play a vital role in promoting globalisation process as:

- a. By producing goods and services at global level.
- b. Goods and services are sold at global level.
- c. Investments, technology and people are moving between countries.
- d. It gives opportunity to the local producers to reach beyond the domestic market.
- e. MNCs by the foreign trade connects/ integrates the markets in the world.

**65.** "Globalisation has been advantageous to both consumers as well as producers." Support the statement with suitable examples.

**Ans :** (CBSE 2014)

Yes, it is true to say that the Globalisation has been advantageous to both consumers as well as producers because: Consumers:

- a. They get different brands of the product.
- b. They get the goods and services at cheaper rate.
- c. They get better quality products.

Producers:

- a. The local producers joining hands with MNCs get a chance to expand their business.
- b. They get the newer technology from the MNCs.
- c. They get the investment done by MNCs in their companies.

For example: In 1995 Ford Motors an American company joined hand with the Indian company called Mahindra and Mahindra (manufacturer of jeeps and trucks).

**66.** How have our markets been transformed in recent years? Explain with examples.

**Ans :** (CBSE 2013)

This is true to say that now there is wide ranging choice of goods are available in the Indian markets. It is possible due to the policy of liberalisation, privatisation and globalisation followed by India since 1991. Before 1990, we had limited brands and limited variety of products in the market but now the market is flooded with variety of brands. For example, earlier

we had just Ambassador and Fiat cars on the Indian roads but now we have so many brands from all over the world. The same happened in the field of TV, mobile phones, garments etc. ,

67. How has globalisation benefitted India? Explain with five examples.

**Ans :** (CBSE 2013)

The process of globalisation has benefitted India in the following ways:

Consumers:

- They get different brands of the product.
- They get the goods and services at cheaper rate.
- They get better quality products.

Producers:

- The local producers joining hands with MNCs get a chance to expand their business.
- They get the newer technology from the MNCs.
- They get the investment done by MNCs in their companies.

Workers:

- MNCs helped in reducing the unemployment in India.
- It provided job opportunities to the people, (c) It helped in improving the standard of living of the workers.

68. How is the government of India trying to attract more foreign investment? Explain with examples.

**Ans :** (CBSE 2013)

The government of India trying to attract more foreign investment through the following ways:

- SEZ (Special Economic Zone): Governments are creating SEZs where they provide world class facilities for electricity, roads, water, transport, recreational and educational facilities. MNCs will not have to pay taxes for the initial period of five years if they set up their production units in the SEZs.
- Flexibility in Labour Laws: Governments has given the permission to the MNCs to hire the workers flexibly i.e., hiring the workers on temporary basis and also ignoring the labour laws. This will help the MNCs in reducing their labour cost and the total cost of production.

69. Explain any three ways by which MNCs exercise control on production.

**Ans :** (CBSE 2010)

The following are the three ways in which multinational corporations are spreading their products in different ways

- Buying up the Local Companies: This is most common route for MNC investment and expanding production. MNCs can do so because they have huge wealth. For example: Cargill Foods an American MNC has bought Indian company named Parakh Food. Now the control on the large marketing network and the four oil refineries has shifted to the Cargill Food. Cargill Food has now become the largest producer of edible oil in India.
- Joining hand with local companies: Sometimes the MNCs join hands with the local companies and do the production. In this process, the local companies get twin benefits: (t) they

get foreign investment and (ii) MNCs provide newer technology to them for the production. For example: In 1995 Ford Motors an American company joined hand with the Indian company called Mahindra and Mahindra (manufacturer of jeeps and trucks).

- By placing orders: Sometimes MNCs just place orders with small producers around the world for the production of garments, footwear and sports items. After that, the products are supplied to the MNCs and sold under the brand name of the MNCs,

70. How is foreign trade interconnecting the markets in different countries? Explain with examples.

**Ans :** (CBSE 2010)

Foreign trade means trade with other . countries. When we trade with other countries then we connect with the markets of different countries.

For example, Chinese toys in the Indian market. In this process the goods and services and produced and sold at global level. There is movement of technology and people between the countries. It gives opportunity to the local producers to reach beyond the domestic market. Buyers get different choice, price and quality.

An MNC from USA producing the industrial equipment is designing its product in the research centres of the US, its components are manufactured in China, the assembling and the export work is done from Mexico and Eastern Europe and its call centres are there is India.