

CHAPTER

4

GLOBALISATION AND THE INDIAN ECONOMY

Syllabus

- *Production across countries, Foreign trade and Interaction of Markets*
- *What is Globalization? Factors, WTO, Impact, Fair Globalization.*



TOPIC-1 Globalisation

Quick Review

- Globalisation means integrating or interconnecting the economy of a country with the economies of other countries under conditions of free flow of trade, services, technology, capital and movement of people across international borders.
- Integration of markets in different countries is known as foreign trade.
- **Planning Commission in India has laid emphasis on the development of foreign trade in the five year plans due to the following reasons.**
 - A country can make efficient use of its natural resources.
 - It can export its surplus production.
 - Further, through effective regularisation of foreign trade, employment, output, prices and industrialisation; economic development of a country can properly accelerate.
- Investment made by Multinational Corporations (MNCs) is called foreign investment.
- MNCs are playing a major role in the process of rapid integration or interconnection between countries. Now more regions of the world are in closer contact with each other than a few decades back.
- MNCs play an important role in the Indian economy by setting up production jointly with some of the local companies. *For example*, MNCs can provide money for additional investments like buying new machines for faster production. Take another example—Cargill Foods, a very large American MNC, has bought smaller Indian companies such as Parakh Foods.
- Rapid improvement in information and communication technology has been one major factor that has stimulated the globalisation process. To access information instantly and to communicate from remote areas, devices such as telephones, mobiles and computers are very useful. Further, it has played a major role in spreading out production of services across countries.

TOPIC - 1
Globalisation ... P. 321

TOPIC - 2
Globalisation and its Impact ... P. 326

TOPIC - 3
Challenges and Factors that Enabled
Globalisation ... P. 329

Know the Terms

- **Globalisation** : Globalisation describes a process by which national and regional economies, societies, and cultures have become integrated through the global network of trade, communication, immigration and transportation.
- **Planning Commission** : The Planning Commission was an institution in the Government of India, which formulated India's Five-Year Plans, among other functions.

- **Multinational Corporations (MNCs)** : An enterprise operating in several countries, but managed from one (home) country. Generally, any company or group that derives a quarter of its revenue from operations outside of its home country is considered a multinational corporation.

Know the Links

- www.tutor2u.net/business/external/globalisation_multinationals.htm
 ➤ mnc-n-globalisation.blogspot.com/2009/12/mncs-and-globalisation.html
 ➤ www.powershow.com/view/39321-N2E5N/Globalization



Very Short Answer Type Questions

(1 mark each)

□ Q. 1. What is the meaning of 'Investment'?

(Board Term-II, (Set-II), 2015)

Ans. The money that is spent to buy assets such as land, building, machines and other equipments is called investment. 1

□ Q. 2. What is 'Foreign Investment'?

(Board Term-II, (Set-KCG34U9), 2016)

Ans. Investment made by the MNCs from foreign countries is called foreign investment. 1

□ Q. 3. What attracts the foreign investment?

(Board Term-II, (Set-TCJQ6VD), 2016)

Ans. Infrastructural facilities. 1

□ Q. 4. Why do MNCs Set-up their offices and factories in those regions where they get cheap labour and other resources?

(Board Term-II, Outside Delhi (Set-I, II, III) 2016)

Ans. Because of :

(i) Low cost of production.

(ii) They can earn greater profits. (Any one) 1

□ Q. 5. Amit is using his money to buy assets like house, commercial land and machines. Write what is he actually doing? (Board SQP-2016)

Ans. He is investing his money with a hope of earning profits from these assets. 1

□ Q. 6. Why had the Indian Government put barrier to foreign trade and foreign investment after independence?

(Board Term-II, 2015, Delhi Set-I, II, III)

Ans. To protect the producers within the country from foreign competition. 1



Short Answer Type Questions

(3 marks each)

□ Q. 1. How have our markets been transformed? Explain with examples.

(Board Term-II, (Foreign Set-II), 2016)

OR

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

(Board Term-II, (Delhi Set-I, II, III), 2015)

Ans. Transformation of our markets :

(i) There is relatively a wide choice of goods and services before us in the market.

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

(ii) Every season new model of automobile can be seen on Indian roads and the Indian are buying vehicles produced by the top companies of the world.

(iii) A similar explosion of brands can be seen for many other goods: from shirts to televisions to processed fruit juices.

1×3=3 (CBSE Marking Scheme, 2015)

□ Q. 2. Explain by giving examples that Multinational Corporations (MNCs) are spreading their productions in different ways.

(Board Term-II, (Outside Delhi Set-II), 2016)

OR

□ Explain any three ways in which Multinational Companies have spread their production and interaction with local producers in various countries across the globe.

(Board Term-II, (Set-2080), 2012)

Ans. Multinational Corporations are spreading their productions in different ways :

(i) By setting up partnership with local companies.

(ii) By placing orders with local companies. For example, garments, footwear, sports items, etc.

(iii) By closely competing with the local companies.

(iv) By buying local companies. To take an example, Cargill foods, a very large American MNCs has bought over smaller Indian companies such as Parakh foods. Parakh food had built a large marketing network in various part of India, where its brand was well-reputed.

(Any three) 1×3=3

(CBSE Marking Scheme, 2016)

U Q. 3. Explain any three ways in which MNCs control production in other countries. (Board Term-II, 2014)

OR

U How do MNC manage to keep the cost of production of their goods low? Explain with examples. (Board Term-II, Delhi Set-III, 2013)

OR

U Explain the various ways in which Multinational Corporations Set-up or control production in other countries. (Board Term-II, Set-68006, 2012)

Ans. Multinational Corporations (MNCs) set up their factories close to markets where they can get desired type of skilled or unskilled labour at low costs.

After ensuring these conditions MNCs set up production units in the following ways :

- (i) Jointly with some local companies of the existing country.
- (ii) Buy the local companies and then expand its production with the help of modern technology.
- (iii) They place orders for small producers and sell these products under their own brand name to the customers worldwide. **(Any three) $1 \times 3 = 3$**

R Q. 4. How do the MNCs help in the growth of local companies? (Board Term-II, (OD Set-I), 2013)

Ans. MNCs help in the growth of local companies as :

- (i) MNCs are spreading their production and interacting with local producers in various countries across the globe.
- (ii) By setting up partnerships with local companies.
- (iii) By using the local companies for supply.
- (iv) By closely competing with the local companies or buying them. **$1 \times 3 = 3$**

(CBSE Marking Scheme 2013)

R Q. 5. Where do MNCs Set-up their production units? Explain. (Board Term-II, (Set-2076), 2012)

Ans. (i) MNCs Set-up production units at such a place where they can produce their goods at a minimum cost.

- (ii) The place where markets are closer.
- (iii) The place where skilled and unskilled labour is available at low cost.
- (iv) Other factors of production are assured.
- (v) Government policies are favourable.

(Any three) $1 \times 3 = 3$

(CBSE Marking Scheme, 2012)

A Q. 6. Enumerate any three features of Multinational Corporations. (Board Term-II, 2011)

Ans. Multinational corporation (MNCs) are the companies that own or controls the production of their goods in more than one country.

The main features of MNCs are :

- (i) They Set-up their factories and offices in more than one country.
- (ii) They Set-up their units where the cost of production is low and higher profits can be earned.
- (iii) They set up their units where they can get cheap labour and other resources.

(CBSE Marking Scheme, 2011) 3

A Q. 7. Globalisation and greater competition among producers has been of advantage to consumers." Justify the statement with examples.

(Board Term-II, (Delhi Set-III), 2016)

Ans. (i) Globalisation and competition among producers has enabled the consumer to have a wide range of choice available in market. For example, Chinese mobiles and Indian mobiles both are available. Consumer can compare quality, price, suitability and safety for both types of mobiles.

(ii) People can get better salary and facilities for the specialised skills in other countries due to Globalisation and worldwide competition.

(iii) Globalisation has facilitated improvement in information and communication technology like computers, internet, telephone including mobile phones, etc. **(Any three) $3 \times 1 = 3$**

A Q. 8. "A wide ranging choice of goods are available in the Indian markets." Support the statement with examples in context of Globalisation.

(Board Term -II, (Delhi Set-II), 2016)

Ans. A wide ranging choice of goods :

- (i) We have a wide variety of goods and services before us in the market.
- (ii) The latest models of the digital cameras, mobile phones and televisions made by leading manufacturers of the world are available in the market.
- (iii) Every season, new models of automobiles can be seen on Indian roads.
- (iv) Today Indians are buying cars produced by nearly all the top companies in the world.
- (v) A similar explosion of brands can be seen for many other goods. **$1 \times 3 = 3$**

(CBSE Marking Scheme, 2016)

U Q.9. Explain with three examples how top Indian companies have been benefited from Globalisation. (Board Term-II, (Set-68001), 2012)

Ans. Several top Indian companies have been able to benefit from Globalisation :

- (i) They have invested in newer technology and production methods and raised their production standards.
- (ii) Some have gained from successful collaborations with foreign companies.
- (iii) Globalisation has enabled some large Indian companies to emerge as multinational themselves.

For example, Tata Motors and Infosys. $1 \times 3 = 3$

(CBSE Marking Scheme 2012)

Q. 10. What is Globalisation? Explain.

(Board Term-II, (Set-2076), 2012)

- Ans.** (i) Globalisation is a process of rapid integration or interconnection between countries through foreign trade and foreign investments by multinational Corporations (MNCs).
 (ii) More and more goods and services, investments and technology are moving between countries.
 (iii) Globalisation is the integration between countries through foreign trade and foreign investments by Multinational Companies (MNCs). $1 \times 3 = 3$
 (CBSE Marking Scheme, 2012)

Q. 11. How has Globalisation created new opportunities for companies providing services in India? Explain.

(Board Term-II, (Set-68004), 2012)

- Ans.** (i) Globalisation has created new opportunities for companies providing services particularly those involving IT.
 (ii) The Indian company producing a magazine for the London based company and call centres are some examples.
 (iii) Besides, a host of services such as data entry, accounting, administrative tasks and engineering are now being done cheaply in India and are exported to the developed countries. $1 \times 3 = 3$
 (CBSE Marking Scheme, 2012)

Q. 12. How can the benefits of globalisation be shared better? Explain. (Board Term-II, (Set-68008), 2012)

- Ans.** The benefits of Globalisation can be shared better in the following ways :
 (i) The government policy must protect the interest, not only of the rich and the powerful, but of all the people in the country.
 (ii) The government can ensure that labour laws are properly implemented and workers get their rights.
 (iii) It can support small producers to improve their performance till they become strong enough to compete.

(iv) It can use trade and investment barriers.

(v) It can negotiate at the WTO for 'fairer rules'

(Any three) $1 \times 3 = 3$

(CBSE Marking Scheme 2012)

Q. 13. What is Globalization? How can the government ensure fair Globalisation to its people? Give two points.

(Board Term-II, 2011)

Ans. Globalisation means unification or integration of the domestic economy with the world economy through trade, capital and technology flows. Government can ensure fair globalisation to its people in the following ways :

- (i) Government needs to care about the labour laws so that workers get their rights and support small producers to improve their performance.
 (ii) Government can negotiate with world trade Organisation for fairer rules and can align with developing countries to stand against the domination of developed countries. $1 + 2 = 3$

(CBSE Marking Scheme, 2011)

Q. 14. Should more Indian companies emerge as MNCs? How would it benefit the people in the country?

(Board Term-II, 2011)

Ans. Yes, more Indian companies should emerge as MNCs.

It would benefit the people in the country in the following ways :

- (i) New job opportunities would be created by the emergence of Indian companies as MNCs.
 (ii) Local companies that provide raw materials and other services to these companies to get prospered.
 (iii) It would also lead to rise in production standards, and improvement in the standard of living of the people. $\frac{1}{2} + 2\frac{1}{2} = 3$

(CBSE Marking Scheme, 2011)



Long Answer Type Questions

(5 marks each)

Q. 1. Describe any five factors that promote the Multinational Corporations (MNCs) to Set-up their production units in a particular place.

(Board Term-II, (Foreign Set-I, II, III), 2016)

Ans. Factors that promotes MNCs :

- (i) Close proximity to the market.
 (ii) Availability of skilled and unskilled labour at low cost.
 (iii) Assured production.
 (iv) Governments liberalised policies.

(v) Developed infrastructure.

(vi) Safety measures.

(Any five) $1 \times 5 = 5$

(CBSE Marking Scheme, 2016)

Q. 2. How are Multinational Corporations (MNCs) controlling and spreading their productions across the world? Explain.

(Board Term II, (Delhi Set-I), 2015)

Ans. The Multinational Corporations (MNCs) are controlling and spreading their production across the world in the following ways :

- (i) MNCs Set-up their production units close to market.

- (ii) MNCs Set-up production units jointly with local companies.
- (iii) They Set-up units where there is skilled and unskilled labour available at low cost.
- (iv) Large MNCs in developed countries place orders for productions with small producers.
- (v) They have tremendous power to determine price, quality, delivery and labour conditions for distant producers.
- (vi) By purchasing local companies.

(Any five) $1 \times 5 = 5$
(CBSE Marking Scheme 2015)

A Q. 3. What steps should be taken to make trade more fair between the countries?
(Board Term-II, (Set-KCG34U9, TCJQ6VD), 2016)

Ans. The following steps should be taken :

- (i) Before imposing trade barrier interest of the developing countries should be taken care.
- (ii) Rules and regulations should be uniform.
- (iii) Ensure that the developed countries do not retain trade barriers unfairly.
- (iv) Labour laws should be implemented properly.
- (v) Small producers should be supported to improve their performance till they become strong enough to compete.

$1 \times 5 = 5$
(CBSE Marking Scheme, 2016)

A Q. 4. "Globalisation and greater competition among producers has been advantageous to consumers." Support the statement with examples.
(Board Term-II, (OD Set-I, II, III), 2015)

Ans. Globalisation and greater competition among producers has been advantageous to consumers :

- (i) Globalization and greater competition among producers both local and foreign has been of advantageous to consumers, particularly the well off sections of urban areas.
- (ii) There is greater choice before these consumers who now enjoy improved quality and lower prices for several products.
- (iii) People enjoy higher standards of living.
- (iv) But the impact of globalisation has not been uniform among producers and workers.
- (v) Services of the top Indian companies have been able to benefit from the increased competition.
- (vi) They have invested in newer technology and production methods and raised their production standards.
- (vii) Wide ranging choice of goods in our markets is a recent phenomenon and has brought changes in lives of people.

(Any five) $1 \times 5 = 5$
(CBSE Marking Scheme 2015)

U Q. 5. How has information and communication technology stimulated globalisation process? Explain with examples. (Board Term-II, 2014)

Ans. Rapid improvement in technology has stimulated the globalisation process :

- (i) Transportation technology has made much faster delivery of goods across long distances possible at lower costs.
- (ii) There are even more remarkable developments in information and communication technology.
- (iii) Telecommunication facilities are used to contact one another around the world, to access information instantly, and to communicate from remote areas.
- (iv) Through internet, one can obtain and share information on almost anything. It also allows sending e-mail and talking across the world at negligible costs.
- (v) For example a news magazine published for London readers is to be designed and printed in Delhi. The text of the magazine is sent through Internet to the Delhi office. The designers in the Delhi office get orders on how to design the magazine from the office in London using telecommunication facilities. The designing is done on a computer. After printing, the magazines are sent by air to London. Even the payment of money for designing and printing from a bank in London to a bank in Delhi is done instantly through the Internet.

$1 \times 5 = 5$
(CBSE Marking Scheme, 2014)

U Q. 6. Explain the role of Multinational Corporations in the globalisation process.
(Board Term-II, (OD Set-I), 2014)

Ans. MNCs play an important role in the globalisation process.

- (i) MNCs control production in more than one country.
- (ii) They compete with the local producers directly even after being miles apart, thus integrating the markets.
- (iii) Their working leads to exchange of investments and products which leads to interconnection between diverse countries. Countries get linked when movement of goods, people, investment and services between different countries takes place. They can be linked as producers or consumers of same products or one can be a producer and the other consumer. The recent advancement in technology, transport and communication systems has enhanced globalisation.

(CBSE Marking Scheme, 2014) 5

A Q. 7. "Globalisation has been advantageous to consumers as well as to producers." Support the statement with suitable examples.

(Board Term-II, 2014)

Ans. Globalisation has been advantageous to producers in the following ways :

- (i) The producers now have access to the international markets.
- (ii) Globalisation has also enabled free movement of capital, i.e., via electronic transfers, etc.
- (iii) Globalisation has enabled access to foreign investment in capital and technology via Foreign Direct Investment, etc.

Globalisation has been advantageous to consumers in the following ways :

- (i) Globalisation has led to employment generation, as a result, beneficial to the consumers.
- (ii) Globalisation has also given rise to intense competition due to opening up of markets to foreign companies. As a result, this has led to the increase in product quality and decrease in the prices of the products.
- (iii) The consumers have benefited from the arrival of MNCs as they have now larger choice in the goods that are available to them in the market.

$$2\frac{1}{2} + 2\frac{1}{2} = 5$$

(CBSE Marking Scheme 2014)



TOPIC-2

Globalisation and its Impact

Quick Review

- Impact of globalisation on the country is manifold. This can be understood by these examples.
- MNCs have increased their investment over the past 15 years, which is beneficial for them as well as for Indians also. This is because these MNCs provide employment opportunities to the masses and local companies supplying raw material to these industries have prospered. But globalisation has failed to solve the problem of poverty and it has widened the gap between the rich and the poor. Only skilled and educated class has benefited from globalisation.
- There is a greater choice for consumers, with a variety of goods available at cheap prices. Now they enjoy a much higher standard of living.
- Liberalisation of economy means to free it from direct or physical controls imposed by the government. In other words, Removing barriers or restrictions set by the government is what is known as liberalisation.
- Let us see the effect of foreign trade through the example of Chinese toys in the Indian market. Chinese toys have become more popular in the Indian market because of their cheaper prices and new designs. Now Indian buyers have a greater choice of toys and at lower prices. Simultaneously, Chinese toy makers get the opportunity to expand business. On the other side, Indian toy makers face losses.
- World Trade Organization (WTO) was started at the initiative of developed countries. The main objective of the World Trade Organization is to liberalise international trade. At present, 164 countries (since July 2016) are members of the WTO.
- At present, central and state governments in India are taking special steps to attract foreign companies to invest in India. For this, Special Economic Zones (SEZs) are being Set-up. Special Economic Zones have world class facilities – electricity, telecommunication, broadband internet, roads, transport, storage and recreational facilities – to attract investment from MNCs and other companies.

Know the Terms

- **MRTPA** : MRTPA stands for Monopolies and Restrictive Trade Practices Act. It was an act following the recommendations of Monopoly Inquiry Committee and was passed in 1970.
- **World Bank** : World Bank is an international financial institution that extends financial assistance to their member countries for development purposes.
- **Export Quotas** : It means the fixing of the maximum quantity of commodity that can be exported during a year.
- **Import Quotas** : It means fixing of the maximum quantity of a commodity that can be imported during a year.
- **Consumer** : An individual who buys products or services for personal use and not for manufacture or resale.
- **Liberalisation of Economy** : It means to free it from direct or physical controls imposed by the government.
- **World Trade Organization (WTO)** : It is the only global international organization dealing with the rules of trade between nations.

- **Special Economic Zones (SEZs)** : It is an area in which business and trade laws are different from rest of the country. These are located within a country's national borders, and their aims include: increased trade, increased investment, job creation and effective administration.

Know the Links

- www.authorstream.com/...globalisation...ppt-powerpoint
 ➤ www.fibre2fashion.com/industry-article/8/.../impact-of-globalisation1.as



Very Short Answer Type Questions

(1 mark each)

- [A] Q. 1. Why are MNCs setting their customer care centers in India?**
 (Board Term-II, Set-WVIVSA5, 2015)
Ans. MNCs are setting up their customer care centers in India due to availability of cheap skilled labour and good English speaking people. 1
- [U] Q. 2. Due to which reason the latest models of different items are available within our reach?**
 (Board Term-II, Foreign Set-I, II, III, 2016)
Ans. Due to globalisation, the latest models of digital camera, mobile phone, TV etc are available with us. 1
- [U] Q. 3. How many countries are currently the members of the World Trade Organization (WTO)?**
Ans. It has 164 member countries as on 29 July, 2016. 1
- [A] Q. 4. In which year, the government started to remove barriers on foreign trade and foreign investment.**
Ans. In 1991. 1
- [A] Q. 5. Why are the Chinese toys popular in the world?**
Ans. Chinese toys are comparatively cheaper and have new designs. That is why they are popular in the world. 1
- [A] Q. 6. Name the organization which lay emphasis on liberalisation of foreign trade and foreign investment in India.**
Ans. World Trade Organization (WTO). 1
- [A] Q. 7. Where is the Head Office of WTO?**
Ans. Geneva-Switzerland. 1



Short Answer Type Questions

(3 marks each)

- [U] Q. 1. How does foreign trade integrate the markets of different countries? Explain with examples.**
 (Board Term-II, (Foreign Set-II), 2016)
 OR
[U] "Foreign trade integrates the markets in different countries." Support the statement with arguments.
 (Board Term-II, (OD, Delhi Set-I, II, III), 2015)
 OR
[U] How does foreign trade connect the markets of different countries? Explain with example.
 (Board Term-II, 2014)
 OR
[U] Explain with an example how foreign trade leads to integration of markets across economies.
 (Board Term-II, 2012, 2016)
- Ans. (i)** Through trade, goods can travel from one market to another.
(ii) Choice of goods in the markets rises and prices become equal.
(iii) Producers compete closely with each other
 1×3=3 (CBSE Marking Scheme, 2014)
- [A] Q. 2. Describe any three ways in which countries can be linked through globalisation.**
 (Board Term-II, (Set-RKZQI05), 2015)
Ans. (i) By movement of goods.
(ii) By movement of services.
(iii) By movement of investments.
(iv) By movement of technology.
(v) By the movement of people between countries.
 (Any three) 1 × 3 = 3
 (CBSE Marking Scheme, 2015)
- [U] Q. 3. "Foreign trade is an important component of globalization". Explain any three points in this regard.** (Board Term-II, (Set-WVIVSA5), 2015)
Ans. (i) Foreign trade implies exchange of goods and services across the countries.
(ii) It helps to expand the size of market for producers.
(iii) Producers and consumers can get commodities produced in any part of the world.
(iv) It works to integrate markets in different countries.
 (Any three) 1 × 3 = 3
 (CBSE Marking Scheme, 2015)

- U Q. 4. How did 'Cargill Foods' become the largest producer of edible oils in India? Explain.

(Board Term-II, 2014)

- Ans. (i) Cargill foods is a very large American MNC. It has bought over smaller Indian companies such as Parakh Foods and expanded the range of its production of edible oils in India.
- (ii) Parakh foods had built a large marketing network in various parts of India. Where its brand was well-reputed. Also Parakh foods had four oil refineries whose control has now shifted to Cargill. It has become the largest producer of edible oils in India. It refines processes and markets various edible oils for the food industry.
- (iii) Many popular brands like Sweekar, Nature Fresh, and Gemini are part of Cargill Foods.

$1 \times 3 = 3$

(CBSE Marking Scheme, 2014)

- U Q. 5. Why did 'Ford Motor Company' want to develop Ford India as a component supplying base for its other plants across the globe? Explain.

(Board Term-II, 2014)

- Ans. Ford Motors want to develop Ford India as a component supplying base for its other plants across the globe :
- (i) A number of local manufacturers are supplying components to their Chennai plant and the MNCs feel that they can supply components to other plants across the globe.
- (ii) Cost of labour and material is very low in India.
- (iii) The components can be easily supplied to other MNC car manufacturers in India and China.

$1 \times 3 = 3$ (CBSE Marking Scheme, 2014)

- R Q. 6. What are the Special Economic Zones (SEZs)? Why is the government setting up SEZs?

(Board Term-II, 2012, 2016)

- Ans. SEZs or Special Economic Zones are industrial areas with world class facilities.
- (i) Companies who set-up units in SEZs are exempted from tax for 5 years.
- (ii) They are set-up to attract foreign investment.

$1\frac{1}{2} + 1\frac{1}{2} = 3$ (CBSE Marking Scheme, 2012)

- A Q. 7. Describe the impact of globalisation on small producers. (Board Term-II, (Set-II078), 2012)

- Ans. (i) Globalisation encourages competition. Big industries and companies have been able to compete, but the small producers were hit badly.

- (ii) They could not stand the competition and had to shut down. Some industries like batteries, capacitors, plastics, toys, tyres, dairy products and vegetable oils are the industries which have suffered a lot.

- (iii) Due to this, a lot of people lost their jobs and faced unemployment. $1 \times 3 = 3$

(CBSE Marking Scheme, 2012)

- U Q. 8. How globalisation has affected the lives of the people? Explain with any three examples.

(Board Term-II, (Set-II079), 2012)

- Ans. Effect of globalisation on the lives of people are :

- (i) Increased their investment in industries such as cell phones, automobiles, electronics, soft drinks, fast food or services such as banking in urban areas.
- (ii) New jobs have been created.
- (iii) Local companies supplying raw materials to these industries have prospered.
- (iv) Increased competition.
- (v) Several top Indian companies have been able to benefit from the increased competition. They have invested in newer technology and production methods and raised their production standards. Some have gained from successful collaborations with foreign companies.
- (vi) New opportunities for service such as data entry, accounting, administrative tasks, engineering are now being done cheaply in countries such as India and are exported to the developed countries.

(Any three) $1 \times 3 = 3$

(CBSE Marking Scheme, 2012)

- A Q. 9. Analyse any three impacts of globalization in India. (Board Term-II, 2011)

- Ans. Impacts of globalization in India are as follows :

- (i) Globalization improves the productivity and efficiency in the use of resources through the process of competition.
- (ii) Due to Globalization, growth rate of economy has gone up with the increase in foreign investment and foreign technology in India.
- (iii) It allows the consumers to enjoy a wider range of goods and services at a lower cost. $1 \times 3 = 3$



Long Answer Type Questions

(5 marks each)

- [A] Q.1. Describe the major problems created by the globalisation for a large number of small producers and workers.

(Board Term-II, Foreign Set-I, II, III, 2016)

Ans. Globalisation for small producers and workers:

- (i) It has led to widening of income inequalities among various countries.
- (ii) Workers jobs are no longer secure.
- (iii) Expansion of unorganized sector.
- (iv) Small manufacturers have been hit hard due to severe competition.
- (v) Several units have been shut down rendering many workers jobless.
- (vi) Lives of workers are on the whims of employers.
- (vii) Workers are denied their fair share of benefits.

(Any five) $1 \times 5 = 5$

(CBSE Marking Scheme, 2016)

- [A] Q. 2. Describe the impacts of globalisation on Indian economy with examples.

(Board Term-II, Outside Delhi Set-I, II, III)

Ans. Impacts of globalization on Indian economy :

- (i) Higher standard of living in urban areas.

- (ii) The impact has not been uniform among producers and workers.
- (iii) There is greater choice before the consumers who now enjoy improved quality and lower prices for several products.
- (iv) MNCs have increased their investments in India leading to more job opportunities.
- (v) Globalization has enabled some large Indian companies to emerge as MNCs themselves like Tata Motors, Infosys, Ranbaxy, Asian Paints, etc.
- (vi) Globalisation has also created new opportunities for companies providing services particularly those involving IT (Information Technology). For example: The Indian company producing a magazine for the London based company and call centers.
- (vii) Local companies supply raw materials to foreign industries and have prospered. However, for a large number of producers and workers, globalisation has posed major challenges.

(Any five) $1 \times 5 = 5$

(CBSE Marking Scheme, 2016)



TOPIC-3

Challenges and Factors that Enabled Globalisation

Quick Review

- Globalisation and liberalisation have posed major challenges for small producers and workers.
- Small manufacturers have been hit hard due to competition. Several of the units have shut down rendering many workers jobless.
- Around 20 millions of workers are employed in small industries. Because of growing competition, most employers these days prefer to employ workers flexibly. This means that workers have no secure jobs. This can be explained with the help of an example: 35 year old Sushila got a job after searching for six months. She is a temporary worker. She did not get any benefit such as provident fund, medical allowance, bonus, etc.
- **A day off from work means no wage.**
- Competition among the garment exporters has allowed the MNCs to make large profits, but workers are denied their fair share of benefits brought about by globalisation.
- **The government can take steps to ensure that the benefits of globalisation reach everyone :**
- Formulate labour laws that are effective and watertight to ensure rights of workers.
- Have policies to protect the interests of the small producers against the MNCs.
- Trade barriers to protect the domestic economy from foreign trade and unfair competition from developed countries.
- Align with other developing countries to negotiate with WTO to impose trade restrictions like imposition of tariff and quotas.

- Factors that enabled globalisation: Globalisation means unification or integration of the domestic economy with the world economy through trade, capital and technological flows.
- **Factors that supported globalisation in India are as follows :**
 - Reduction of trade barriers with a view to allowing free flow of goods to and from other countries.
 - Involvement of various local producers with MNCs in various ways.
 - Some of the large Indian companies like Tata Motors, Infosys (IT), Ranbaxy, Asian Paints, etc. emerged as MNCs and start working globally companies.

Know the Terms

- **MRTPA :** MRTPA stands for Monopolies and Provident Fund: It is an employee benefit scheme generally prescribed by a statutory body of the government which provides facilities to the employees of an organization with regard to medical assistance, retirement, education of children, insurance support and housing.
- **Tariff :** A tax or duty to be paid on a particular class of imports or exports.
- **Labour Law :** It is the body of laws, administrative rulings, and precedents which address the legal rights of, and restrictions on, working people and their organizations. It is also called employment law.

Know the Links

- www.authorstream.com/...globalisation...ppt-powerpoint
- www.fibre2fashion.com/industry-article/8/.../impact-of-globalisation1.as



Very Short Answer Type Questions

(1 mark each)

- | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>[A] Q. 1. Give one of the major factors that stimulated globalisation.</p> <p>Ans. Technology. 1</p> <p>[U] Q. 2. By 2006, how many countries were the members of the World Trade Organisation?</p> | <p>Ans. 149. 1</p> <p>[U] Q. 3. What is the main aim of Special Economic Zones (SEZ) developed by the Government of India?</p> <p>Ans. To attract foreign companies to invest in India 1</p> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



Short Answer Type Questions

(3 marks each)

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>[A] Q. 1. Elaborate any three disadvantages of Multi-national Corporations.</p> <p style="text-align: right;">(Board Term-II, (Set-68012), 2012)</p> <p>Ans. The disadvantages of MNCs are :</p> <ul style="list-style-type: none"> (i) Small manufacturers like—batteries, capacitors, plastic toys, tyres, dairy products and vegetable oil were victims of competition. (ii) Closing down of small units rendered many workers jobless. (iii) Most employers prefer to employ workers 'flexibly', this means that workers jobs are no longer secure. Small Indian companies were hard hit because of Government's changed policies such as allowing import of the goods which were previously not allowed. 1 × 3 = 3 | <p>[U] Q. 2. Explain the meaning of fair globalisation.</p> <p style="text-align: right;">(Board Term-II, (Set-2078), 2012)</p> <p>Ans. Fair globalisation would create opportunities for all and also ensures that the benefits of globalization are shared by all.</p> <ul style="list-style-type: none"> (i) Government can play a major role in making this possible. Its policies must protect the interest of rich and poor both. (ii) Labour laws are properly implemented and the workers get their rights. (iii) It can support small producers by putting some restrictions or barriers. (iv) It can negotiate at the WTO for fairer rules. <p style="text-align: right;">(Any three) 1 × 3 = 3
(CBSE Marking Scheme, 2012)</p> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



Long Answer Type Question

(5 marks)

- Q. 1.** "Fair globalisation would create opportunities for all and also ensure that benefits of globalisation are shared better." Support the statement.

(Board Term-II, 2015, Foreign Set-I, II, III)

Ans. Fair globalisation create opportunities :

If globalisation is not proving to be a fair deal. Fair globalisation would create opportunities for all and also ensure that benefits of globalisation are shared better.

- (i) Government policies must protect the interests not only of the rich and powerful but of all the people in the country.

- (ii) Government can ensure that labour laws are properly implemented and the workers get their rights.
 (iii) Government can support small producers to improve their performance till they become strong enough to compete.
 (iv) If necessary the government can use trade and investment barriers.
 (v) It can negotiate at the WTO for fairer rules.
 (vi) It can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

(Any five) $1 \times 5 = 5$

(CBSE Marking Scheme, 2015)



High Order Thinking Skills (HOTS) Questions

- Q. 1.** Differentiate between investment and foreign investment?

(Board Term-II, (Delhi Set-I, II, III), 2016)

Ans. The money that is spending to buy assets (land, building, machines and other equipments) is called investment, while the investment made by the MNC's is called foreign investment. 1

- Q. 2.** "Information and Communication technology has played a major role in spreading out production of services across countries." Justify the statement with examples.

(Board Term-II, (Foreign Set-I), 2016)

OR

Technology has stimulated the Globalisation process." Support the statement with examples.

(Board Term-II, (Foreign Set-I, II, III), 2015)

Ans. Rapid improvement in transportation technology has been one of the major factors that have stimulated the globalisation process.

- (i) There are fast trains connecting every nook and corner of a country and faster planes that cover the distance within a few hours between one country to another.

(ii) Similarly, the cost of air transport has fallen.

(iii) In recent times communication and information technology got a boost from the invention of computers and internet etc.

(iv) Information Technology (IT) has played a major role in spreading out production of services. For example, a news magazine published for London readers is to be designed and printed in Delhi.

(Any three) $1 \times 3 = 3$

- Q. 3.** Differentiate between Foreign Trade and Foreign Investment.(Board Term-II, (Set-TCJQ6VD), 2016)

Ans. Foreign Trade : The process of buying and selling goods and services between two or more than two countries is known as Foreign Trade.

Foreign Investment : Foreign investment involves capital flows from one country to another, granting extensive ownership stakes in domestic companies and assets.

$1\frac{1}{2} + 1\frac{1}{2} = 3$

- Q. 4.** The impact of globalisation has not been uniform." Demonstrate with the help of illustrations".

(Board SQP 2016)

Ans. (i) While globalisation has benefited well-off consumers and also producers with skill, education and wealth, many small producers and workers have suffered as a result of the rising competition.

(ii) Removal of trade barriers and liberalisation policies of the governments to facilitate globalisation have hit the local producers and manufactures hard.

(iii) Globalisation and the pressure of competition have substantially changed the lives of workers. Faced with grow in competition, most employers these days prefer to employ workers 'flexibly'. This means that workers' jobs are no longer secure.

Illustration : Any one case—either from the text book or beyond it, e.g., MNCs and Workers, MNCs and Local Manufactures/industries, Withdrawal of Subsidies, etc.

$3 + 2 = 5$ (CBSE Marking Scheme, 2016)

- Q. 5.** "Barriers on foreign trade and foreign investment were removed to a large extent in India since 1991." Justify the statement.

(Board Term-II, (Delhi Set-I), 2016)

Ans. Removal of barriers on foreign trade and foreign investment :

(i) Barriers on foreign trade and foreign investment were partially removed.

(ii) Goods could be imported and exported easily.

(iii) Foreign companies could Set-up factories and offices here.

(iv) Indian producers got opportunities to compete with producers around the globe.

(Any three) $1 \times 3 = 3$
(CBSE Marking Scheme, 2016)

Q. 6. Why had the Indian government put barriers to foreign trade and foreign investment after independence? Analyse the reasons.

(Board Term-II, (Outside Delhi Set-I), 2016)

OR

Why had Indian government put barriers to foreign trade and foreign investment after independence? Explain. (Board Term-II, 2014)

Ans. Reasons for putting trade barriers to foreign trade and investment by the Indian government after Independence are :

- (i) To protect local producers and goods from foreign competition.
- (ii) Industries needed protection so that they could grow and develop in order to be ready to compete with developed countries later on.
- (iii) It imposed restrictions on the import of certain goods.

Reasons to remove barriers were :

- (i) To face competition and improve quality of products.
- (ii) To attract foreign investments.
- (iii) To place orders for production.

$\frac{1}{2} + 1\frac{1}{2} = 3$ (CBSE Marking Scheme, 2014)



Value Based Questions

Q. 1. "World Trade Organization rules have forced the developing countries to remove trade barriers." Explain the values hampered due to this.

(Board Term-II, (Set-KCG34U9), 2016, 2012)

Ans. Values hampered due to this are :

- (i) Equal benefits and opportunities for all the people.
- (ii) Equality.
- (iii) Fair trade rules and practices.

(CBSE Marking Scheme, 2016) $1 \times 3 = 3$

Q. 2. "Information and communication technology has played a major role in spreading out production of services across countries." Support the statement with suitable examples.

(Board Term-II, Set-2022, 2012)

- Ans.**
- (i) Telecommunication facilities are used to contact and communicate and to access information.
 - (ii) Internet includes transfer of technology, money and capital across countries.
 - (iii) Speedy transfer of information technology, money and capital integrate different countries of the world.

$1 \times 3 = 3$

□□