

Chapter-4

Globalisation and Indian Economy

1 marks Questions

1. MNC stands for

- (i) Multinational Corporation**
- (ii) Multination Corporation**
- (iii) Multinational Cities**
- (iv) Multinational Council**

Ans. (i) Multinational Corporation

2. Investment made by MNCs is called

- (i) Investment**
- (ii) Foreign Trade**
- (iii) Foreign Investment**
- (iv) Disinvestment**

Ans. (iii) Foreign Investment

3. Process of integration of different countries is called

- (i) Liberalisation**
- (ii) Privatisation**
- (iii) Globalisation**
- (iv) None of the above**

Ans. (iii) Globalisation

4. MNCs do not increase

-
- (i) Competition**
 - (ii) Price war**
 - (iii) Quality**
 - (iv) None of the above**

Ans. (iv) None of the above

5. This helps to create an opportunity for the producers to reach beyond the domestic market

- (i) Foreign trade**
- (ii) Domestic trade**
- (iii) Internal trade**
- (iv) Trade barrier**

Ans. (i) Foreign trade

6. Foreign Trade

- (i) Increases choice of goods**
- (ii) Decreases prices of goods**
- (iii) Increases competition in the market**
- (iv) Decreases earnings**

Ans. (iv) Decreases earnings

7. Globalisation was stimulated by

- (i) Money**
- (ii) Transportation**
- (iii) Population**
- (iv) Computers**

Ans. (ii) Transportation

8. Production of services across countries has been facilitated by

- (i) Money**
- (ii) Machine**
- (iii) Labour**
- (iv) Information and communication technology**

Ans. (iv) Information and communication technology

9. Tax on imports is an example of

- (i) Investment**
- (ii) Disinvestment**
- (iii) Trade barrier**
- (iv) Privatisation**

Ans. (iii) Trade barrier

10. Liberalisation does not include

- (i) Removing trade barriers**
- (ii) Liberal policies**
- (iii) Introducing quota system**
- (iv) Disinvestment**

Ans. (iii) Introducing quota system

11. What will happen if the trade barriers are removed from the import of Chinese toys to India?

Ans. The price of Chinese toys will decrease and the demand for Indian toys will also decrease. The sale of Chinese toys in India will also increase due to less price as compared to the price of Indian manufactured.

12. What is outsourcing?

Ans. Outsourcing implies obtaining goods and services from outside sources.

13. Name the process which helps in rapid integration or interconnection between countries?

Ans. Globalisation

14. What do you mean by Trade Barriers?

Ans. Imposing import duties and quantitative restrictions on imports and exports are called as trade barriers.

15. Name the agency that forces the developing countries to liberalize the trade?

Ans. World Trade Organisations.

16. What can be used to reduce foreign trade?

Ans. Trade barriers

17. What is the per day capacity of the Cargill Foods to make Oil Pouches?

Ans. Five million pouches

18. Give any two factors which enabled globalisation.

Ans. A. Advancement in technology

B. Liberalization of foreign investment and trade

19. What is the total share of agriculture in GDP in US?

Ans. 1%

20. Name the institution that put pressure on the developing countries to liberalize

trade and investment?

Ans. World Trade Organization

21. When was the WTO established?

Ans. January 1, 1995

22. Give a most common route for investments by MNCs in developing countries around the world?

Ans. The common route is by forming partnership with local companies.

23. Where did the Ford Motors set up their large plant in India?

Ans. Ford Motors set their plant at Chennai

24. In which year the government of India decided to remove trade barriers on foreign investment and foreign trade?

Ans. In 1991

25. Which institution laid emphasis on liberalization of foreign trade and foreign investment in the developing countries?

Ans. World Trade Organisation

26. What is foreign investment?

Ans. 5%

27. Name the institution that has tremendous power to determine price, quality and labour conditions for distant producers.

Ans. Multinational Companies.

28. In how many countries the production process of Ford motors spread?

Ans. 26 countries

29. In which year the demonstration against WTO held in Hong Kong?

Ans. 2005

30. Write four functions of WTO.

Ans. Four functions of WTO are:

- (i) Administering trade agreements between nations.
 - (ii) Forum for trade negotiations.
 - (iii) Handling trade disputes.
 - (iv) Maintaining national trade policy.
-

31. What is the impact of WTO on Indian economy?

Ans. The impact of WTO on Indian economy is:

- (i) An opportunity to India for trading with other member countries.
 - (ii) Availability of foreign technology to India at a reduced cost.
 - (iii) Many laws of WTO are unfavorable to the developing countries like India.
 - (iv) Certain clauses of WTO agreement on agriculture put restrictions on the provision of subsidized food grains in India.
-

32. What is trade barrier? How governments can use trade barriers?

Ans. Any kind of restrictions imposed on trade is called a trade barrier. Governments can use trade barriers to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each, should come into the country.

33. What is privatization and liberalization?

Ans. Privatization means allowing the private sector to set up industries which were earlier reserved for the public sector. Removing barriers or restrictions set by the government on trade is called liberalization. Thus, privatization and liberalization results in freedom from closed and regulated economy.

34. How MNCs can spread their production?

Ans. MNCs can spread their production by:-

1. Setting up joint production units with local companies.
 2. To Buy up local companies and expanding its production base.
 3. Placing orders with small producers
-

35. Mention three factors responsible for globalization.

Ans. (i) Growth of MNCs.

(ii) Growth of technology.

(iii) Development in transport and communication technology.

3 marks Questions

1. What do you mean by Globalization? What are the effects of globalization in India?

Ans. Globalization is the integration or interconnection between the countries through trade and foreign investments by multinational corporations (MNCs).

Positive impacts:-

- 1) Greater choice and improved quality of goods at competitive price and hence raises standard of living.
- 2) MNCs have increased investments in India.
- 3) Top Indian companies emerged as multinationals.
- 4) Created new opportunities for companies providing services like IT sector.
- 5) Collaborations with foreign companies help a lot to domestic entrepreneurs.

Negative impacts:-

- 1) Indian Economy faced the problem of brain drain.
 - 2) Globalization has failed to mark its impact on unemployment and poverty.
 - 3) Cut in farm subsidies.
 - 4) Closure of small industries.
-

2. What is WTO? What are the aims of WTO? What are the drawbacks of WTO?

Ans. WTO is World trade organization. It is an organization which is in favour of increasing the world trade through globalization.

The aims of WTO are:

- (i) To liberalise international trade by allowing free trade for all.
- (ii) To promote international trade among the countries of the world in an open uniform and nondiscriminatory manner.

(iii) Removal of both the import and export restrictions.

The drawbacks of WTO are:

- 1) WTO is dominated by the developed country
 - 2) WTO is used by developed countries to support globalization in areas that are not directly related to trade.
 - 3) Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers.
-

3. What are MNCs? How the MNCs functions? What are the main guiding factors of MNCs?

Ans. MNCs are Multinational corporations. It is a company that owns or controls production in more than one Nation. MNCs set up offices and factories for production in region where they can get cheap labour and other resources, closer to the markets. This is done to reduce the cost of production and the MNCs can earn greater profits. MNCs not only sell its finished products globally but also the goods and services are produced globally. The production process is divided into small parts and spread across the globe.

The main guiding factors of MNCs are:

- (i) Cheap production
 - (ii) Closeness of production unit to the markets.
 - (iii) Favourable government policies.
-

4. What are the ways through which MNCs spread their production and interact with local producers?

Ans. There are a variety of ways in which MNCs spread their production and interact with local producers in various countries across the globe.

- (i) Setting up partnerships with local companies,
- (ii) Using the local companies for supplies
- (iii) Closely competing with the local companies or buying them up,
- (iv) MNCs are exerting a strong influence on production at these distant locations so that they could produce at cheapest price and earn profit.

5. How does the rise of the Multinational Companies affect the poor workers? Explain.

- Ans.** 1. Their jobs are no longer secure.
2. Many workers lost their jobs.
3. Their wages and remunerations are very low.
4. They have to put in very long working hours very rigid.
-

6. Give some factors on the bases of which MNCs set up production units in the developing countries?

- Ans.** MNCs set up production on the basis of following factors:
1. Closeness of the place to the markets.
 2. Availability of skilled and unskilled labour at low costs.
 3. Availability of other factors of production i.e., raw material, energy etc.
 4. Government's favourable policies.
-

7. Name any five Indian companies which have emerged as Multinational Companies due to globalisation and name the products in which they deals?

- Ans.** 1. Tata Motors in automobiles
2. Ranbaxy in Medicine
3. Asian Paints in Paints
4. Infosys in information technology
5. Sundaram Fasteners in **nuts and bolts**
-

8. Explain any three social values which are promoted by Globalisation?

- Ans.** 1. Globalisation is this process of rapid integration or interconnection between countries. Globalisation promotes **world brotherhood** among the citizens of the different countries.
2. It promotes equality among people and different countries of the world by promoting **economic opportunities**.
3. Globalisation encourages **unity and integration** among the people.

4. Globalisation helps in the promotion of **cultural exchange**.

9. Explain the different ways by which Multinational Corporations manage to keep the cost of production of their goods low?

Ans. 1. MNCs setup production units in those countries where labour is available at **cheaper rate** and has large market to sell their products.

2. MNCs setup **production units** jointly with some of the local companies of the countries.

3. MNCs **buy up local companies** and then expand production.

4. Maximum MNCs **place orders** for production to small producers and sell them under their own brand name.

10. Explain any two factors which enable globalisation in India?

Ans. 1. Liberalization and removal of trade barriers by the Indian Government facilitate globalization. This enables MNCs to come and invest in India.

2. Advancement in Transportation facilities made the faster delivery of goods across long distances possible at cheap costs.

3. Advancement in Information and Technology played a major role in spreading out production of services across the countries. Telecommunication facilities are used to contact one another around the world to access information instantly and to communicate from remote areas. Computers have now entered almost every field. So as the internet is available at reasonable rates.

11. Can you suggest some ways to make globalisation 'Fair' in India?

Ans. 1. Efforts by the Government: The government can play a major role in making this possible. Its policies must protect the interests of all the sections of society. For example Government can ensure that labour laws are properly implemented and workers get their rights.

2. Efforts by the People: People can also play an important role in the struggle for fair

globalisation. Massive campaigns and representation by the people's organizations can influence the important decisions related to trade and foreign investment.

12. How use of containers has helped much greater volumes of goods being transported by airlines?

Ans. Yes, the use of containers has helped much greater volumes of goods being transported by airlines. Goods are placed in containers that can be loaded intact into planes. Containers have led to huge reduction in port handling costs and increased the speed with which exports can reach markets. Similarly, the cost of air transport has fallen. This has enabled much greater volumes of goods being transported by airlines. Airlines are the fastest mean of transportation.

13. Explain any three factors which are responsible of globalisation in India.

Ans. 1. Advancement in Information and Technology played a major role in spreading out production of services across the countries. Telecommunication facilities are used to contact one another around the world to access information instantly and to communicate from remote areas. Computers have now entered almost every field. So as the internet is available at reasonable rates

2. Liberalization and removal of trade barriers by the Indian Government facilitate globalization. This enables MNCs to come and invest in India.

3. Advancement in Transportation facilities made the faster delivery of goods across long distances possible at cheap costs.

14. How far is it correct to say that globalisation and greater competition among producers both local and foreign producers has been of advantage to consumers?

Ans. 1. Globalisation and greater competition among producers both local and foreign producers has been of advantage to consumers particularly the well-off sections in the urban areas.

2. There is greater choice before the consumers who now enjoy improved quality of lower

prices for several products.

3. As a result, these people enjoy much higher standards of living than was possible earlier.

15. Highlight any three disadvantages of Multinational Corporations.

Ans. 1. Due to globalisation several manufacturing units have **shut down**. Batteries, capacitors, plastic, toys, tyres, dairy products and vegetable oils are some examples of industries.

2. Due to shutting down of industrial units many **workers become jobless**. Workers' jobs are no **longer secure**.

3. Globalisation and the pressure of competition have substantially **changed the lives of workers**.

16. What do you understand by liberalization of foreign trade? Give any two benefits of adopting liberalization of trade and investment policies.

Ans. Liberalization: Liberalization of foreign trade means the **removal of trade barriers** or restrictions set by the government to **attract foreign investment**. Following are the benefits of adopting liberalization of trade and investment policies:

1. With liberalization of trade businesses are allowed to make **decisions freely** about what they wish to import or export.

2. Foreign companies could **set up factories and offices** in other countries.

17. What do you think can be done so that trade between countries is become fair?

Ans. The following steps should be taken to make trade between countries more fair:

1. There should be uniform rules and regulations made by WTO.

2. The interests of the developing countries should be protected.

3. There should be no trade barriers except in the interests of the developing countries.

18. Explain the way by which government regulate the foreign trade.

Ans. 1. Tax on imports is an example of trade barriers.

2. It is called trade barriers because some restrictions have been setup.

3. Government can use trade barriers to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each, should come into the country.

19. How do the MNCs help in the growth of local Companies?

Ans. 1. MNCs are spreading their production and interacting with local producers in various countries across the globe.

2. By setting p partnerships with local companies.

3. By using the local companies for supply.

4. By closely competing with local companies or buying them.

20. Can list any three different ways by which foreign trade results in connecting the markets or integration of markets in different countries?

Ans. 1. Foreign trade creates an opportunity for the producers to reach beyond the domestic markets, i.e., markets of their own countries.

2. Producers can sell their produce not only in markets located within the country but can also compete in markets located in other countries.

3. For the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.

21. Why did ford Motors Company want to develop ford India as a component supplying bases for its other plants across the globe? Explain.

Ans. 1. Because there is great demand of Ford cars in the Indian market. By the year 2004 Ford Motors was selling 27000 cars in Indian market.

2. The availability of cheap labour, raw material and energy are the major reasons to develop Ford India as a component supplying base.

3. The location of India on the head of Indian Ocean helps Ford Motors to export their products to South Africa, Mexico and Brazil.

22. Explain with an example the major route by which MNCs set up their business units in Developing countries?

Ans. The most common route for MNCs investments is to **buy up local companies** and then to expand production. MNCs with huge wealth can quite easily do so.

Example: **Cargill Foods**, a very large **American MNC**, has **bought over smaller** Indian companies such as **Parakh Foods**. 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. Cargill is now **the largest** producer of edible oil in India, with a capacity to make **5 million** pouches daily.

23. How would you explain that the globalisation give opportunity to the producers to reach up to the buyers of the World?

Ans. 1. Globalization creates opportunity for the producers to reach beyond the domestic market, i.e., markets of their own their countries.

2. Producers can sell their produce not only n markets located within the country but can also compete in markets located in other countries of the world.

3. Producers are able to get advance technology and foreign investment through investment.

24. Name the products in which ‘Sundaram Fasteners’ a MNC deals. Why do you call ‘Sundaram fastener’s a MNC?

Ans. 1. Sundaram Fasteners’ a MNC and it deals in Nuts and Bolts.

2. This company has huge capital.

3. This company has huge network of trade.

4. This company is spreading their operation worldwide.

25. Explain the meaning of fair globalisation. Why there is a need to make globalisation fair? Explain.

Ans. Globalisation is the process of rapid integration or interconnection between countries. MNCs are playing a major role in globalisation process. More and more goods and services, investments and technology are moving between countries.

1. Fair globalisation would create opportunities for all and also ensure that the benefits of globalisation are shared better.
 2. Fair globalisation must protect the interests not only of the rich and powerful, but all the people in the country.
-

26. What can be done by government so that the workers can get a fair share of benefits brought by globalisation?

- Ans.**
1. The government can play a major role in making this possible. Its policies must protect the interests not only of the rich and powerful, but all the people in the country
 2. The government can ensure that labour laws are properly implemented and the workers get their rights.
 3. Government can negotiate at the WTO for fairer labour laws.
-

27. Explain the way which is by the Indian garment exporters to cut down the cost of production to compete in the global market?

- Ans.**
1. The Indian garment exporters try hard to cut their own costs. As costs of raw materials cannot be reduced, exporters try to cut labour costs to compete in the global market.
 2. Where earlier a factory used to employ workers on a permanent basis, now they employ workers only on a temporary basis so that they do not have to pay workers for whole year.

3. Workers also have to put in very long working hours and work night shifts on a regular basis during the peak season.

4. Wages are low and workers are forced to work overtime to make both ends meet.

28. Can you elaborate the effects of government's decision on the small production unit of Ravi?

Ans. 1. Ravi had started his own company producing capacitors in 1992. Within three years he was able to expand production and had 20 workers working under him.

2. His struggle to run his company started when the government removed restrictions on import on capacitors as per its agreement at WTO in 2001.

3. Now his main clients start buying capacitors from MNCs because companies are selling capacitors at very low price.

4. Ravi Now produces less than half the capacitors that he produced in the year 2000 and has only seven workers working for him.

29. In what three ways has liberalization of trade and investment policies helped the globalisation process?

Ans. 1. With liberalization of trade, industrialists are allowed to make decisions freely about what they wish to import and export.

2. Goods now be imported and exported easily.

3. Companies can set their manufacturing units any other country of the world.

4. The process of foreign trade and investment has been increased by the MNCs.

5. Domestic companies are free to compete with producers around the world.

30. What are SEZs? Explain the facilities which SEZs have?

Ans. 1. The central and state governments in India are taking special steps to attract foreign

companies to invest in India. Industrial Zones called special economic Zones are being set up.

2. SEZs are to have world class facilities: electricity, water, roads, transports, and storage, recreational and educational facilities.

3. Companies who set up production units in the SEZs do not have to pay taxes for an initial period of five years.

31. Why the MNCs are interested to set up their manufacturing units in developing countries

Ans. 1. MNCs set up production where it is close to the markets, where there is skilled and unskilled labour available at low costs.

2. In developing countries labour laws are not properly followed and the labour is available at very low cost in these countries.

3. In developing countries the availability of other factors of production is assured. Raw material is also available at low price.

4. MNCs look for government policies that look for their interests. The governments of developing countries need the help of MNCs to set up industries in their countries. That's why that government makes policies according to the interests of MNCs.

32. Mention the reasons that forced Indian Government for putting barriers to foreign trade and foreign investment just after independence?

Ans. Following are the reasons that forced the Indian Government for putting Barriers:

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

2. To save our freedom from Neo Colonialism.

3. To regulate foreign Trade.

4. To decide what kind of goods and how much of each should come into country.

33. Suggest any three ways by which globalization can be made fairer so that it benefits all people.

Ans. 1. Government can ensure that labour laws should be properly implemented and the workers get their rights.

2. It can support small producers to improve their performance till the time they become strong enough to compete.

3. People can play an important role in the struggle for fair globalisation through massive struggle and movements.

4. Government can put pressure on WTO to make policies fairer.

34. Why did the Government of India change the old economic policy in 1991?

Ans. Following are the reasons.

1. The time had come for the Indian producers to compete with producers around the globe as competition would improve performance.

2. Powerful international organizations like WTO and World Bank forced the government to take this step.

3. Liberalization was adapted to encouraged free movement of goods, services and manpower across countries

5 marks Questions

1. How would flexibility in labour laws help Multinational Companies?

- Ans.** 1. In the absence of strict laws most of the companies employ workers on temporary bases so that they do not have to pay workers for the whole year.
2. Workers also have to put in very long working hours and work night shifts on a regular basis during the peak seasons.
3. Wages are low and workers are forced to work overtime to make both ends meet.
4. To earn huge profits employers try to cut the labour cost by different ways.
5. Thus in the absence of labour laws, companies exploit the workers.
6. Flexibility in labour laws have helped the companies to increase their income granted by not paying reasonable wages and other benefits such as provident fund insurance etc.
-

2. Why did the Government of India remove trade barriers? Explain the reasons.

- Ans.** 1. The government of India decided that the Time had come for Indian traders to compete with the producers and manufacturers of the world.
2. Government felt that competition would improve the performance of producers.
3. The decision to remove trade barriers was supported by powerful international organizations like World Bank, World Trade Organization and International Monetary fund.
4. Businessmen are allowed to take decisions freely about their imports and exports. In this way Government decentralized the power to the businessmen.

5. Advance technology and Foreign Investment is required for the development of country.

3. “Be careful! That’s our world you are playing with! Some day you’ll have to pay a price!” How would you prioritize the facts behind this warning?

Ans. 1. This indicates that Globalisation is a process of **earning huge profit** by the MNCs. The main motive the MNCs to earn huge profit. To achieve this motive, these MNCs **exploit the resources** of earth without caring environment.

2. MNCs put pressure on the governments of the developing countries to **mend their policies** according to them.

3. Some critics said globalisation is a form of **neo-colonialism**.

4. The manufacturing units of the MNCs are the major cause of **spreading pollution** in the environment.

5. Globalisation **widens the gap** between rich and poor.

One day all the effects of globalisation bring disaster in the world. The people of the whole world will suffer from it.

4. Can you illustrate the features of the New Economic policy introduced in 1991?

Ans. 1. Liberalized policy towards foreign trade and foreign investment.

2. Introduction of **foreign capital investment**

3. Removal of **trade barriers**.

4. Reduction in the role of **Public sector**

5. Promotion to **private sector**

6. Reforms in the **financial sector**.

7. Liberalization of **import licensing**.

8. Freedom is given to the MNCs to set up there **industrial units**.

5. Why is it important for Government to focus on the protection of unemployed and those who are working in unorganized sector?

Ans. Due to following factors it is important for Government to focus on the protection of unemployed and those who are working in unorganized sector.

1. Government has to ensure equality among rich and poor citizens of the countries.
2. Citizens are the important assets of the countries so it is the duty of government to take care of its citizens.
3. Unemployment will cause anarchy in the country.
4. Massive campaigns and representation by people's organization have influenced the government.
5. For the welfare of labour and those who are working in unorganized sector, Government has made labour laws so it is the duty of government to follow that laws.

6. Explain the factors which facilitate Globalisation.

- Ans.**
1. Rapid improvement in Technology.
 2. Liberalization of trade and investment policies.
 3. Pressure from international organizations like WTO and World Bank.
 4. Improvement of transport facilities.
 5. Improvement in communication facilities.
 6. Dependence of Developing countries upon Developed Countries

7. How has Information and Communication Technology played a big role in bringing the whole world close to each other?

Ans. 1. In recent times technology in the areas of telecommunications, computers, and internet has been changing rapidly.

-
2. Telegraph, telephone, internet, mobile phone and fax are used to contact one another around the world, to access information instantly and to communication from remote areas.
 3. This has been facilitated by satellite communication devices.
 4. Through internet information can be shared and obtained, anytime and anywhere.

Internet also allows us to send instant electronic mail and talk across the world at negligible costs.

8. In what ways the globalisation affected the life of Sushila?

- Ans.** 1. Sushila has spent many years as a worker in garment export industry in Delhi. She was employed as a permanent worker entitled to health insurance, provident fund, over time at durable rate.
2. In 1990 her factory was closed due to the introduction of new economy policy which was introduced by the Indian Government. She becomes unemployed.
3. After searching a job for six months, she finally got a job 30 km away from her home.
4. Even working in this factory for several years, she is a temporary worker and earns less than half of what she was earning earlier.
5. She leaves her house every morning, seven days a week at 7:30 a.m. and returns at 10 p.m. A day off from work means no wage.
6. She has none of the benefits she used to get earlier.
-

9. Explain the factors which facilitated the Globalisation?

- Ans.** 1. Rapid improvement in technology has been one major factor that has enabled the globalisation process.
2. Improvement in information technology has played a major role in spreading out production of services across countries. Telecommunication facilities are used to contact one another around the world to access information instantly and to communicate from remote areas.

-
3. Improvement in transportation has made possible much faster delivery of goods across long distances at low cost.
 4. Due to the pressure of WTO many developing countries have removed many of the trade barriers to foreign trade and investment and thus promoted and facilitate the globalisation.
 5. Multilateral trade agreement has promoted foreign trade and free flow of investments.
-

10. “WTO is not making rules fairly” Explain the term with an example.

Ans. 1. To regulate World Trade Organisation is one such organization whose aim is to liberalize international trade.

2. WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers.

3. On the other hand WTO rules have forced the developing countries to remove trade barriers and subsidy.

4. For Example: The farmers of US receive massive sums of money from the US government for production and for exports to other countries. Due to this massive money US farmers can sell the farm products at abnormally low prices. Developed countries have reduced trade barriers as per WTO but the governments of developed countries have ignored the rules of WTO.

MCQ

1. MNC stands for

- (i) Multinational Corporation (ii) Multination Corporation**
(iii) Multinational Cities (iv) Multinational Council

Ans.(i) Multinational Corporation

2. Investment made by MNCs is called

- (i) Investment (ii) Foreign Trade**
(iii) Foreign Investment (iv) Disinvestment

Ans.(iii) Foreign Investment

3. Process of integration of different countries is called

- (i) Liberalisation (ii) Privatisation**
(iii) Globalisation (iv) None of the above

Ans.(iii) Globalisation

4. MNCs do not increase

- (i) Competition (ii) Price war (iii) Quality (iv) None of the above**

Ans.(iv) None of the above

5. This helps to create an opportunity for the producers to reach beyond the domestic market

- (i) Foreign trade (ii) Domestic trade (iii) Internal trade (iv) Trade barrier**

Ans.(i) Foreign trade

6. Foreign Trade

(i) Increases choice of goods (ii) Decreases prices of goods

(iii) Increases competition in the market (iv) Decreases earnings

Ans. (iv) Decreases earnings

7. Globalisation was stimulated by

(i) Money (ii) Transportation (iii) Population (iv) Computers

Ans.(ii) Transportation

8. Production of services across countries has been facilitated by

(i) Money (ii) Machine (iii) Labour (iv) Information and communication technology

Ans.(iv) Information and communication technology

9. Tax on imports is an example of

(i) Investment (ii) Disinvestment (iii) Trade barrier (iv) Privatisation

Ans.(iii) Trade barrier

10. Liberalisation does not include

(i) Removing trade barriers (ii) Liberal policies

(iii) Introducing quota system (iv) Disinvestment

Ans.(iii) Introducing quota system

SHORT TYPE QUESTION ANSWERS

Q.1 Write four functions of WTO.

Ans. Four functions of WTO are:

-
- (i) Administering trade agreements between nations. (ii) Forum for trade negotiations.
- (iii) Handling trade disputes. (iv) Maintaining national trade policy.

Q.2 What is the impact of WTO on Indian economy?

Ans. The impact of WTO on Indian economy is:

- (i) An opportunity to India for trading with other member countries.
- (ii) Availability of foreign technology to India at a reduced cost.⁸⁹
- (iii) Many laws of WTO are unfavorable to the developing countries like India.
- (iv) Certain clauses of WTO agreement on agriculture put restrictions on the provision of subsidized food grains in India.

Q.3 What is trade barrier? How governments can use trade barriers?

Ans. Any kind of restrictions imposed on trade is called a trade barrier.

Governments can use trade barriers to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each, should come into the country.

Q. 4What is privatization and liberalization?

Ans. Privatization means allowing the private sector to set up industries which were earlier reserved for the public sector. Removing barriers or restrictions set by the government on trade is called liberalization. Thus, privatization and liberalization results in freedom from closed and regulated economy.

Q. 5How MNCs can spread their production?

Ans. MNCs can spread their production by:-

1. Setting up joint production units with local companies.
2. To Buy up local companies and expanding its production base.
3. Placing orders with small producers

Q.6 Mention three factors responsible for globalization.

Ans. (i) Growth of MNCs.

(ii) Growth of technology.

(iii) Development in transport and communication technology.

LONG TYPE QUESTION ANSWERS

Q.1 What do you mean by Globalization? What are the effects of globalization in India?

Ans. Globalization is the integration or interconnection between the countries through trade and foreign investments by multinational corporations (MNCs).

Positive impacts:-

- 1) Greater choice and improved quality of goods at competitive price and hence raises standard of living.
- 2) MNCs have increased investments in India.
- 3) Top Indian companies emerged as multinationals.
- 4) Created new opportunities for companies providing services like IT sector.
- 5) Collaborations with foreign companies help a lot to domestic entrepreneurs.

Negative impacts:-

- 1) Indian Economy faced the problem of brain drain.
- 2) Globalization has failed to mark its impact on unemployment and poverty.
- 3) Cut in farm subsidies.
- 4) Closure of small industries.

Q.2 What is WTO? What are the aims of WTO? What are the drawbacks of WTO?

Ans. WTO is World trade organization. It is an organization which is in favour of increasing

the world trade through globalization.

The aims of WTO are:

- (i) To liberalise international trade by allowing free trade for all.
- (ii) To promote international trade among the countries of the world in an open uniform and nondiscriminatory manner.⁹⁰
- (iii) Removal of both the import and export restrictions.

The drawbacks of WTO are:

- 1) WTO is dominated by the developed country
- 2) WTO is used by developed countries to support globalization in areas that are not directly related to trade.
- 3) Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers.

Q.3 What are MNCs? How the MNCs functions? What are the main guiding factors of MNCs?

Ans. MNCs are Multinational corporations. It is a company that owns or controls production in more than one Nation. MNCs set up offices and factories for production in region where they can get cheap labour and other resources, closer to the markets. This is done to reduce the cost of production and the MNCs can earn greater profits. MNCs not only sell its finished products globally but also the goods and services are produced globally. The production process is divided into small parts and spread across the globe.

The main guiding factors of MNCs are:

- (i) Cheap production
- (ii) Closeness of production unit to the markets.
- (iii) Favourable government policies.

Q.4 What are the ways through which MNCs spread their production and interact with

local producers?

Ans. There are a variety of ways in which MNCs spread their production and interact with local producers in various countries across the globe.

- (i) Setting up partnerships with local companies,
- (ii) Using the local companies for supplies
- (iii) Closely competing with the local companies or buying them up,
- (iv) MNCs are exerting a strong influence on production at these distant locations so that they could produce at cheapest price and earn profit.