

Social Science Class 10

Important Questions Economics

Chapter 4

Globalisation and the Indian Economy

Very Short Answer Questions (VSA) 1 Mark

Question 1.

What are Multi-National Corporations (MNCs)?

Answer:

A Multi-National Corporation (MNC) is a company that owns or controls production in more than one nation. The goods and services are produced globally. The production process is divided into small parts and spread out across the globe.

Question 2.

Explain 'what is investment? Give a few examples of investment.

Answer:

Investment is buying of an asset in the form of a factory, a machine, land and building, etc. (Physical assets) or shares (monetary assets) for the purpose of making or sharing profits of the enterprises concerned.

Common investments are: buying land, factories, machines for faster production, buying small local companies to expand production, cheap labour, skilled engineers, IT personnel, etc.

Question 3.

In which year did the government decide to remove barriers on foreign trade and investment in India?

Answer:

1991

Question 4.

Why is 'tax' on imports known as a trade barrier?

Answer:

Tax on imports is known as a trade barrier because it increases the price of imported commodities. It is called a barrier because some restriction has been set up.

Question 5.

Which organization lays stress on liberalization of foreign trade and foreign investment?

Answer:

World Trade Organization (W.T.O).

Question 6.

Give one characteristic feature of a 'Special Economic Zone'?

Answer:

Special Economic Zones or SEZs are industrial zones set up by the government having world class facilities such as electricity, water, roads, transport, storage, recreational and educational

facilities. Companies who set up production units in SEZs are exempted from taxes for an initial period of five years.

Question 7.

Name an important barrier on foreign trade.

Answer:

Tax on imports is an important barrier on foreign trade.

Question 8.

What is meant by “fair globalization”?

Answer:

Fair globalization means globalization that would create opportunities for all and ensure that its benefits are shared better.

Question 9.

What do you understand by the term ‘Foreign Direct Investment’?

Answer:

FDI is the investment of foreign capital in the economic and productive activities of a country by foreign companies or MNCs with the aim of expanding capacity and production to earn profits.

Question 10.

Why had the Indian Government put barriers to foreign trade and foreign investment after independence? State any one reason.

Answer:

The Indian government after independence had put barriers to foreign trade and investment.

1. This was done to protect the producers within the country from foreign competition.
2. To protect the Indian economy from foreign infiltration in industries affecting the economic growth of the country as planned.

Question 11.

What is meant by trade barrier?

Answer:

Barriers or restrictions that are imposed by the government on free import and export activities are called trade barriers. Tax on imports is an example of a trade barrier because it increases the price of imported • commodities. The government can use a trade barrier like ‘tax’ to increase or decrease (regulate) foreign trade and to decide what kind of goods and how much of what should come into the country.

Question 12.

Differentiate between investment and foreign investment.

Answer:

The money that is spent to buy assets (land, building, machines and other equipment’s) is called investment, while the investment made by the MNCs is called foreign investment.

Question 13.

Why do MNCs set up their offices and factories in those regions where they get cheap labour and other resources?

Answer:

MNCs set up offices and factories for products in regions where they can get cheap labour and other resources so that—

1. the cost of production is low
2. the MNCs can earn greater profits.

Question 14.

In which year had the Indian Government adopted the policy of liberalisation, privatisation and globalisation?

Answer:

Since 1991.

Question 15.

Why the private sector was subjected to many controls and regulations?

Answer:

The private sector was subjected to many controls and regulations so: that wealth could not get concentrated in a few hands.

Question 16.

Point out the main features of economic reforms.

Answer:

The main features of economic reforms are

1. Liberalisation
2. Privatisation
3. Globalisation.

Question 17.

What is meant by the term LQP and LPG in economic reforms?

Answer:

LQP: The term LQP means Licence, Quota and Permit. This was the Indian Economic pattern before 1991

LPG: It is meant by Liberalisation, Privatisation and Globalisation. LPG replaced LQP in 1991.

Question 18.

What is meant by Tariff?

Answer:

Tariff is meant by the tax or levy imposed on each unit of a commodity imported into the country.

Question 19.

Name a country which provides the advantage of being a cheap manufacturing location.

Answer:

China.

Question 20.

Name two countries which are useful for their location to the markets in the USA and Europe.

Answer:

Mexico is close to the USA, and the Eastern European countries are close to Europe.

Question 21.

What is meant by investment?

Answer:

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

Question 22.

Why foreign investment is called foreign?

Answer:

Investment made by MNCs is called foreign investment.

Question 23.

What is the basic utility of foreign trade?

Answer:

Foreign trade leads to connecting the markets or integration of markets in different countries.

Question 24.

Define the form 'Globalisation'.

Answer:

Globalisation is the process through which rapid integration is made possible. It is interconnection between countries.

Question 25.

Give an example of trade barrier.

Answer:

Tax on import is an example of trade barrier.

Question 26.

Explain the term 'Liberalisation'.

Answer:

Removing barriers or restrictions set by the government is what is known as liberalisation.

Question 27.

What are the implications of fair globalisation?

Answer:

Fair globalisation would imply

1. opportunities for all, and
2. benefits of globalisation are shared and ensured for all equally.

Question 28.

What is WTO?

Answer:

WTO stands for World Trade Organisation.

Question 29.

What is the main task of WTO

Answer:

The main task of WTO is to formulate rules and regulations with regard to trade among the different countries.

Question 30.

What is globalisation?

Answer:

Globalisation means integrating our economy with the world economy. Globalisation makes us economically interdependent at the global or international level. Globalisation also facilitates those who have capital to establish enterprises produce goods for sale and export them.

Question 31.

Define liberalisation?

Answer:

The term liberalisation contains two components

1. To allow private sector to run those activities which we restricted earlier only to public sector.
2. Realisation of all the rules and regulations which put restrictions in the growth of the private sector.
Thus liberalisation is the process that provides more and more facilities to the private sector so that it can make fast progress.

Question 32.

Define sustainable economic development.

Answer:

Sustainable economic development is meant by the development that takes place without damaging the environment. This kind of development does not compromise on the needs of the future generation. Sustainable economic development, in fact, is an issue that has emerged from rapid industrialisation of the world in the past century. The need for sustainable development stems from the concern for environment.

Question 33.

What is WTO and when and why was it set up?

Answer:

WTO stands for the World Trade Organisation. It was set up in 1995 by the member countries of the United Nations. The main purpose of its setting up was to promote trade among the countries.

Question 34.

Describe the main steps that have been taken for globalisation of the economy?

Answer:

Following are the steps that have mainly been taken for the globalisation of the economy

1. Devaluation of rupee.
2. Full convertibility of rupee.
3. Long-period trade policy for removal of restrictions.
4. Encouragement to open competition.
5. Modification of custom and tariff.

Question 35.

Point out the main objectives of new Economic policy.

Answer:

The main objectives of the new economic policy are the following

1. Liberalisation of economy.
2. Dispensing with too many controls.
3. Expansion of private sector.
4. Encouragement of foreign direct investment
5. Controlling fiscal deficit.

Question 36.

Point out the significant advantage of globalisation?

Answer:

The significant advantages of globalisation are the following

1. Globalisation provides scope' to every nation to special. Specialize in the production of the commodity that it can produce most effectively.
2. Commodities produced at low cost are made available at cheap prices to producers and consumers throughout the world.
3. Due to the globalisation, consumers can get the commodities produced in any part of the World.

4. Globalisation has provided the producers the scope to sell their goods throughout the world.
5. Due to globalisation technology has spread fastly towards advancement.
6. Globalisation has given scope for formation of multi-national companies and banks.

Question 37.

Explain with example how a MNC functions in another country.

Answer:

MNCs invest to buy up local companies and in turn expands production. MNCs, with huge wealth, can do this easily. To take an 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 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.

Question 38.

Why do you think the company wants to develop India as a base for manufacturing car components for its global operations? Discuss the following factors:

- (a) cost of labour and other resources in India.
- (b) the presence of several local manufacturers who supply auto-parts to Ford Motors
- (c) closeness to a large number of buyers in India and

Answer:

India provides Ford Motors an opportunity for market in other countries.

(a) Cost of labour and other resources, in India, is relatively very low

(b) Motor raw-material industries in India is very rich industries provide Ford Motors necessary auto parts at low price.

(c) India's geographical location is good for Ford Motors markets close to other nations in the region.

Question 39.

Nearly all major multinationals are American, Japanese or European, such as Nike, Coca-Cola, Pepsi, Honda, and Nokia. Can you guess why?

Answer:

Nearly all MNCs are American, Japanese, Europeans such as Coca-Cola, Pepsi, Honda, Nokia etc. This is because these countries are technologically more advanced. They have had expertise in the field, working at home. Now with a view to capture the world market, these companies are expanding. Ford Motors, an American company is one of the world's largest automobile manufacturers with production spread over 140 plants in 26 countries of the world, Ford Motors came to India.

In 1995 and spent ₹ 1700 crores to set up a large plant near Chennai. This was done in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks. By the year 2004, Ford Motors was selling 27,000 cars in the Indian markets. An additional 24,000 cars were exported from India to south Africa, Mexico and Brazil. The company wants to develop Ford India as a component supplying base for its global operations.

Question 40.

Write a short essay on WTO in your own words?

Answer:

WTO stands for the World Trade Organisation. It was set up in 1995 by the member countries of

the United Nations. The foundation aim of the WTO was to promote trade among the member countries.

The headquarters of WTO is located in Geneva. It has significantly influenced the liberalisation as well as globalization process in most of the developing countries. WTO aims at conducting international trade among countries of the world in an open, uniform and nondiscriminatory manner, while facilitating trade among countries, WTO expects countries to follow what it wants.

WTO deals with three issues

1. Bilateral agreements
2. import quotas
3. export quotas.

All of these three issues are very significant for India as well as for all other developing countries. Bilateral agreements play crucial role in the trade relations among countries. In order to prevent competition from the producers of other countries with local manufacturers, it is common for countries to impose taxes on the imported goods.

WTO is in fact not only regulating the international trade of goods but also the services. All the members of WTO have to adopt laws and policies in order to comply with the WTO rules.

Question 41.

Point out the impact of the World Trade Organisation on the Indian Economy?

Answer:

The main impact of the World Trade Organisation on the Indian economy can be described in the following points

1. It has provided an opportunity to India for trading with other member countries.
2. India is now able to export its goods and services to other countries with less restriction from those countries.
3. Thanks to the WTO that it is expected that the technology from developed countries will be available to India at a reduced cost.
4. Since a major share of world trade is taking places among the developed countries themselves, the benefit of being a member of WTO to the developing countries, especially to India, is very limited.
5. It is feared that once India abides by the rules and regulations of WTO, the prices of many essential and life-saving drugs may go up.
6. It is alleged that WTO is being used by the developed countries to support globalisation in areas that are not directly related to trade. These rules often interfere in the management of the domestic economy of a country.

Question 42.

Point out the advantages as well as disadvantages of globalisation or to what extent globalisation is beneficial for the Indian economy? Give your own arguments.

Answer:

Globalisation means opening up the economic system for the other countries across the world. It provides opportunity for bilateral as well as free trade. It is actually integrating ones economy with the world economy. Globalisation takes place at various levels. It makes an economically interdependent world.

Argument in favour of the Globalisation

1. Globalisation is the idea that has a support base from all the leading international organisations like UN, OECD, WTO.

2. Because of the globalisation, the growth of trade between the nations increases the wealth of everyone.
3. Due to the globalisation, the world prosperity is enhanced by greater exchange between nations and this also makes possible that everyone abides by the rules.

Question 43.

To what extent WTO can be beneficial for India?

Answer:

1. WTO can be beneficial for India for the following reasons
2. If India succeeds in producing quality goods, its market will naturally expand.
3. WTO may help in rooting out the concern of labour. It will provide a high speed to the production process.
4. It will make the Indian labourers realise that they have no alternative of hard work.
5. In order to boost agricultural exports, India should make effort that the restrictions imposed on the export of agricultural products to developed countries due to domestic subsidies and barriers to trade be removed.
6. A proper check on multilateral and multinational companies should also be kept so that they might not harm fabric industry of India.

Question 44.

Explain the various liberalisation measures undertaken by the Government of India.

Answer:

The liberalisation process that has been undertaken by the Indian government since 1991 are as follows

The Indian Government has opened many industrial activities for the private sector which were reserved for the public sector earlier.

Formerly, the private sector had to request to get prior permission from the Government for manufacturing a large number of goods. At present this system was done away with and only for the manufacturing of a few things like alcohol, industrial expertise, hazardous chemicals, cigarettes, electronics, drugs and pharmaceuticals.

The number of industries reserved for public sector has been reduced from 17 to 3.

Because of the liberalisation, the private sector has been freed from many regulations like

1. permission to import raw materials
2. licensing
3. regulation on price and distribution
4. restriction on investment by large business companies.

Question 45.

Describe the changes that have occurred in India due to the adoption of the policy of liberalisation and globalisation.

Answer:

Following are the changes which have occurred in India due to the adoption of the policy of liberalisation and globalisation:

1. Communication sector has seen much progress.
2. Telephone facilities have spread to the far village areas also.
3. Colour televisions have become more cheaper.
4. Food processing companies like Coca-Cola, Pepsi etc. have entered the country and are providing cold drinks and products as well.

5. The share of our country in the world market in the field of goods and services has increased.
6. It has provided the scope to do better with better quality.

Question 46.

Explain with examples that the top Indian companies have benefitted from competition. How has globalisation created new opportunities?

Answer:

Several of the 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. Moreover, globalization has enabled some large Indian companies to emerge as multinationals themselves. Tata Motors (automobiles), Infosys (I), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners (nuts and bolts) are some Indian companies which are spreading their operations worldwide.

Globalisation has also created new opportunities for companies providing services, particularly those involving information and communication technologies. The Indian company producing a magazine for the London based company and call centre and some examples. Besides, a host of services such as data entry, accounting, administrative tasks, engineering, etc. are now being done cheaply in countries such as India and are exported to the developed countries.

Question 47.

How can we make globalisation 'fair'?

Answer:

Since globalisation is now a reality, the question is how to make globalisation more fair' Fair globalisation would create opportunities for all and also ensure that the benefits of globalisation are shared better.

The government can play a major role in making this possible.

Its policies must protect the interests, not only of the rich and the powerful but all the people in the country. For instance, the government can ensure that labour laws are properly implemented and the workers get their rights.

It can support small producers to improve their performance till the time they become strong enough to compete. If necessary, the government can use trade and investment barriers. It can negotiate at the WTO for "fairer rules. It can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

In the past few years, massive campaigns and representation by people's organisations have influenced important decisions relating to trade and investments at the WTO. This has demonstrated that people also can play an important role in the struggle for fair globalisation.

Short Answer Questions (SA) 3 Marks

Question 48.

Explain the role of government to make globalization fair.

Answer:

The government can play a major role in making fair globalization possible:

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

1. Government should ensure that labour laws are implemented and workers' rights are protected.
2. Government should support small producers to improve their performance till the time they become strong enough to compete with foreign competition.
3. If necessary, government should use trade and investment barriers.
4. It can negotiate with WTO for fairer rules.
5. It can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

Question 49.

Explain any three advantages of globalization.

Answer:

Globalization means integrating the economy of the country with the world economy.

1. Under this process, goods and services along with capital, resources and technology can move freely from one nation to another.
2. It has increased the movement of people between countries. People usually move from one country to another in search of better income, better jobs or better education. Earlier the movement of people between countries was less due to various restrictions.
3. Rapid improvement in technology has been one major factor that has stimulated the globalization process. For instance, advancement in transportation technology has made much faster delivery of goods across long distances possible at lower costs. Container services have led to huge reduction in port handling costs. The cost of air transport has fallen which has enabled much greater volumes of goods being transported by airlines.
4. Developments in information and communication technology (IT in short) has brought a revolution in telecommunications. It has made e-banking, e-commerce, e-learning, e-mail and e-governance a reality.
5. Globalization has resulted in greater competition among producers and has been of advantage to consumers, particularly the well-off section. Rich people now enjoy improved quality and lower prices for several products.

Question 50.

What is a trade barrier? Why did the Indian Government put up trade barriers after Independence? Explain.

Answer:

The restrictions set by the Government to regulate foreign trade are called trade barriers. Tax on imports is an example of a trade barrier.

The Indian Government had put barriers to foreign trade and foreign investment after independence to protect the domestic producers from foreign competition. Imports at that stage would not have allowed local industries to come up. India allowed imports of only essential items such as machinery, fertilizers, petroleum, etc.

Question 51.

What would happen if Government of India puts heavy tax on import of Chinese toys? Explain any three points.

Answer:

If Government of India puts heavy tax on import of Chinese toys

1. The cost of Chinese toys will increase.
2. Less Chinese toys would come in the Indian market.
3. Indian buyers would have lesser choice in the market and toys will become more expensive.

4. For Indian toy makers this would provide an opportunity to expand business as there will be less competition in the market.

Question 52.

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

Or

Explain the conditions that determine MNCs setting up production in other countries?

Answer:

1. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources. Example, Countries like China, Bangladesh and India. They also provide with the advantage of cheap manufacturing locations.
2. MNCs also need close-by markets for their manufacturing goods. Mexico and Eastern Europe are useful for their closeness to the markets in the US and Europe.
3. Besides these, MNCs also require skilled engineers and IT personnel and a large number of English speaking people who are able to provide customer care services (India possibly tops in this area).
4. All these factors help MNCs in saving costs of production by 50-60%.

Question 53.

How do we participate in the market as producers and consumers? Explain with three examples.

Answer:

We participate in the market both as producers and consumers.

1. As producers of goods and services we could be working in any of the sectors like agriculture, industry or services.
For example, a farmer who sells wheat to a flour mill. The man at the mill grinds the wheat and sells the flour to a biscuit company. The biscuit company uses flour, sugar and oil to make packets of biscuits. It sells the biscuits in the market to the consumer. Biscuits are the final goods, i.e., the goods that reach the consumer and people as consumers buy.
2. We as producers in the market could be made to sell the produce to the moneylender at a low rate in return for a timely loan.
For example, in case of small farmers; the failure of crops often makes loan repayment impossible. They have to sell a part of their land to repay the loans.
3. As consumers we participate in the market when we purchase goods and services that we need. As individual consumers we often find ourselves in a weak position. Whenever there is a complaint regarding a good or service that had been bought, the seller tries to shift all the responsibility on to the buyer.
For example, a long battle had to be fought with court cases to make cigarette manufacturing companies accept that their product could cause cancer.

Question 54.

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

Answer:

When local companies enter into a joint venture with MNCs:

1. First, the MNCs provide money for additional investments for faster production.
2. Second, MNCs bring with them the latest technology for enhancing and improving the production.
3. Some Indian companies have gained from successful collaborations with foreign companies. Globalization has enabled some companies to emerge as multinationals.

4. Parakh Foods was a small company which has been bought over by a large American Company — Cargill Foods. Parakh foods had built a large marketing network in various parts of India as a well- reputed brand. Parakh Foods had four oil refineries whose control has now shifted to Cargill. Cargill is now the largest manufacturer of edible oil in India making five million pouches daily.

Question 55.

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

Or
“Foreign trade integrates the markets in different countries.” Support the statement with arguments.

Answer:

(i) Foreign trade creates opportunities for producers to reach beyond domestic markets. Producers can compete in markets located in other countries of the world. Similarly, for the buyers, import of goods from another country leads to expanding choice of goods beyond what is domestically produced. Buyers can thus choose from a wide range of products to suit their individual tastes.

(ii) With the opening of trade, goods travel from one market to another. Choice of goods in the market rises. Prices of similar goods in two markets tend to become equal, and producers in the two countries now closely compete against each other even though they are separated by thousands of miles. Foreign trade, thus, results in connecting the markets or integration of markets in different countries.

For example. There are endless number of footwear brands available in the Indian market. A consumer who is aware of international trends can choose between a local brand like Bata, Lakhani and international brands like Adidas, Nike, and Reebok etc.

Question 56.

Define the term liberalization. Explain the reasons why the Indian Government started the policy of liberalization in 1991.

Or
‘Barriers on foreign trade and foreign investment were removed to a large extent in India since 1991’. Justify the statement.

Answer:

Removing barriers or restrictions set by the government on foreign trade and foreign investment is what is known as liberalization. The Indian Government removed these barriers because:

1. Liberalization of trade and investment policies allows Indian producers to compete with producers around the globe leading to an improvement in performance and quality of products.
2. After the barriers on foreign trade and foreign investment were removed to a large extent, goods could be imported and exported easily and also foreign companies could set up factories and offices in India. This has led to an increase in trade with different countries.
3. Businesses are allowed to make decisions freely about what they wish to import or export due to the liberal policies of the government.
4. Doors of investment opened up for MNCs. They have been investing large sums of money in India and have been seeking to earn large profits.

Question 57.

How has information and communication technology stimulated globalisation process? Explain with examples.

Answer:

Information and communication technology has helped globalisation in the following ways:

1. Rapid improvement in technology has contributed greatly towards globalisation. Advanced technology in transport systems has helped in the delivery of goods faster across long distances at lower costs.
2. Development in information and communication technology has also helped a great deal. Telecommunication facilities — telegraph, telephone, mobile phones, fax are used to contact one another quickly around the world, access information instantly and communicate from remote areas. This is possible due to satellite communication devices. Teleconferences help in saving frequent long trips across the globe.
3. Information technology has also played an important role in spreading out production of services across countries. Orders are placed through internet, designing is done on computers, even payment of money from one bank to another can be done through e-banking through internet. Internet also allows us to send instant electronic mail (e-mail) and talk (voice-mail) across the world at negligible cost.

Question 58.

Why had Indian government put barriers to foreign trade and foreign investment after independence? Explain.

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

Answer:

1. The Indian government after independence had put barriers to foreign trade and investment. This was done to protect the producers within the country from foreign competition. Industries were just coming up in the 1950s and 1960s and competition from imports at that stage would not have allowed these industries to develop and grow. Imports of only essential items such as machinery, fertilisers, petroleum etc. was allowed.
2. Another reason was to protect the Indian economy from foreign infiltration in industries affecting the economic growth of the country as planned. India wanted to move faster to catch up with the main industries in the world market and therefore had to keep an extra watch on its progress in international trade and give incentives to the more rapidly growing industries through fiscal tariff and other means.

Question 59.

How are MNCs able to cope with large demands from all over the world and control prices? (2014 OD)

Answer:

1. Large MNCs in developed countries place orders for production with small producers.
2. The MNCs sell these under their own brand names to the customers.
3. As they control the market with the huge demand, they are able to control prices.

Question 60.

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

Answer:

Globalisation has led to integration of markets across countries. The Indian markets are now flooded with a wide ranging choice of goods. Import from other countries has led to an expanding choice of goods beyond what is domestically produced —

1. We have a wide variety of goods and services before us in the market.

2. The latest models of digital cameras, mobile phones and televisions made by leading manufacturers of the world like Sony, Samsung etc. are available in the market.
3. Every season, new models of automobiles can be seen on Indian roads. Today Indians are buying cars produced by nearly all the top companies in the world.
4. A similar explosion of brands can be seen for many other goods like footwear. For example, Adidas, Nike, Reebok, Puma and many more.

Question 61.

In spite of Globalization, creating good quality products and expanding market, how is it affecting the stability in jobs for the workers?

Answer:

1. Employment of 'flexible workers'.
2. Increased competition, objective to lower costs, the axe falls on the 'labour costs'— temporary jobs given.
3. Longer working hours for labour to get suitable salaries.

Question 62.

Examine any three conditions which should be taken care of by multinational companies to set up their production units.

Answer:

Conditions:

1. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources. Example, Countries like China, Bangladesh and India. They also provide with the advantage of cheap manufacturing locations.
2. MNCs also need close-by markets for their manufacturing goods. Mexico and Eastern Europe are useful for their closeness to the markets in the US and Europe.
3. Besides these, MNCs also require skilled engineers and IT personnel and a large number of English speaking people who are able to provide customer care services (India possibly tops in this area).
4. All these factors help MNCs in saving costs of production by 50-60%.

Question 63.

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

Answer:

MNCs set up production in various countries based on the following factors:

1. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources; eg., in countries like China, Bangladesh and India. These countries also provide with the advantage of cheap manufacturing locations.
2. At times, MNCs set up production jointly with some of the local companies of countries around the world. The benefit of such joint production to the local company is two-fold. First, the MNCs can provide money for additional investments for faster production. Secondly, the MNCs bring with them the latest technology for enhancing and improving production.
3. Some MNCs are so big that their wealth exceeds the entire budgets of some developing countries. This is the reason why they buy up local companies to expand production. eg. Cargill Foods, a very large American MNC has bought over smaller Indian companies such as Farakh Foods.
4. There is another way in which MNCs control production and that is by placing orders for production with small producers in developing nations; eg., garments, footwear, sports items etc. The products are supplied to these MNCs which then sell these under their own brand

name to customers. MNCs also enter into close competition with local company's thereby influencing production in distant locations.

Long Answer Questions 5 Marks

Question 64.

Give the meaning of WTO? What is the major aim of WTO? Mention any two shortcomings of WTO?

Answer:

WTO (World Trade Organization). WTO believes that there should not be any barriers between trade of different countries. Trade between countries should be free.

Aims of WTO:

1. To liberalize international trade.
2. To establish rules regarding international trade.

Two shortcomings of WTO:

1. Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers and continued to provide protection to their producers. For example, farmers in the US receive huge sums of money from the government and as a result can sell the farm products at abnormally low prices in other countries, adversely affecting farmers in those countries.
2. On the other hand WTO rules have forced the developing countries to remove trade barriers.

Question 65.

What is globalization? Explain with three examples how top Indian companies have benefitted from globalization.

Answer:

Globalization is the process of rapid integration or interconnection among countries. It is the integration between countries through foreign trade and foreign investments by multinational corporations. It means the coming together of various economies of the world to form a global economy.

The top Indian companies have benefitted from the increased competition and globalization.

1. They have invested in new technology and production methods and raised their production standards.
2. Some have gained from successful collaborations with foreign companies.
3. Moreover, globalization has enabled some large Indian companies to emerge as multinationals themselves. For example, Tata Motors, Infosys, Ranbaxy, Asian Paints, Sundaram Fasteners etc.

Question 66.

What is an MNC? Give two examples of Indian companies that have emerged as MNCs. What are the harmful effects of MNCs to a host country? Give three examples.

Answer:

A Multi-National Corporation (MNC) is a company that owns or controls production in more than one nation. The goods and services are produced globally. The production process is divided into small parts and spread out across the globe.

Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners (nuts and bolts), etc. are some of the Indian companies which are spreading their operations worldwide as MNCs.

Harmful effects of MNCs to a host country:

1. Small producers compete or perish. MNCs have posed major challenges for a large number of small producers and workers. The small manufacturers have been hit hard due to competition. Several of the units have shut down rendering many workers jobless. Batteries, taps, tyres, dairy-products, vegetable oil are some of the industries that are badly affected due to stiff competition from MNCs.
2. Uncertain employment. In order to maximize the profit MNCs look for a location with minimum labour costs. Faced with competition, most employers these days prefer to employ workers on temporary basis so that they do not have to pay workers for the whole year. This has changed the lives of workers and their jobs are no longer secure.
3. The Condition of employment. Workers also have to put in very long working hours and work night shifts on a regular basis during the peak season. Wages are low and workers are forced to work overtime to make both ends meet. The workers are denied their fair share of benefits and no longer get the protection that they enjoyed earlier, for example, the Indian garment export industry often deny their workers their fair share of benefits.

Question 67.

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

Answer:

To Producers. Several of the top Indian Companies have been able to benefit from the increased competition.

1. They have invested in newer technology and production methods and thereby raised their production standards.
2. They have gained from successful collaborations with foreign companies.
3. Globalization helped in the development of IT sector.
4. Good quality products are being produced at lower prices.
To Consumers. There is greater choice before consumers who can enjoy improved quality and lower prices for several products.
5. People today, enjoy much higher standards of living than was possible earlier.

Question 68.

How has globalization benefitted India? Explain with five examples.

Answer:

Globalization has benefitted India in the following ways:

1. People with education, skill and wealth have benefitted by globalization.

1. Greater competition among producers (both local and foreign) has been advantageous to consumers, particularly the well-off section. Rich people enjoy improved quality at lower prices for several products and enjoy a higher standard of living.
2. MNCs have increased their investments in India over the past 20 years in industries such as cell phones, automobiles, electronics, soft drinks, fast food and services such as banking.
3. New jobs have been created in all these industries and services.
4. Top Indian companies have benefitted from the increased competition. They have invested in newer technology and production methods.
5. Some Indian companies have gained from successful collaborations with foreign companies. Globalization has enabled some companies to emerge as multinationals.

Question 69.

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

Answer:

In order to attract foreign investment, the Government has taken the following steps:

1. All the barriers and restrictions on foreign trade and investment have been removed to a large extent.
2. Liberalization of investment policies has allowed Indian producers to compete with the producers around the globe.
3. Allowing privatization of many public sector industries by the government.
4. Allowing businesses to make decisions freely about what they wish to import or export.
5. The government has allowed flexibility in labour laws to attract foreign investment for the benefit of companies.

Question 70.

What is the meaning of SEZ? Mention any three features of SEZ.

Answer:

SEZ or Special Economic Zones are industrial zones set up by the Central and State Governments with world class facilities in electricity, water, roads, transport, storage, recreational and educational facilities. Three features of SEZ:

1. The companies who set up production units in the SEZs do not have to pay taxes for an initial period of five years.
2. Government has also allowed flexibility in the labour laws to attract foreign investment. This is done to reduce the cost of labour for the company.
3. These are being set up to attract foreign companies to invest in India.

Question 71.

“Advancement of international trade of a country is an index of its economic prosperity.” Justify the statement with five arguments.

Answer:

“Advancement of international trade of a country is an index to its economic prosperity”.

1. As no country is self-sufficient in all resources, it cannot survive without international trade.
2. If the balance of international trade is favourable, a country will be able to earn more foreign exchange.
3. International trade encourages a country to develop secondary and tertiary sectors for exporting goods which can fetch more foreign exchange.
4. A country's economic prosperity can be gauged by the health of its international trade.
5. A country can earn large amounts of foreign exchange through international trade.

Question 72.

Explain the role of multinational corporations in the globalization process.

Answer:

Globalization is the process of rapid integration or inter-connection among countries. MNCs have contributed greatly in the process of globalisation.

1. MNC's have set up production centres in various countries and are supplying produced goods, services and technology to various countries.
2. The countries of the world have come closer. It has also increased the movement of people between countries.
3. The MNCs provide money for additional investments, for faster production. Also, MNCs bring with them the latest technology for enhancing and improving the production.

Question 73.

How has improvement in technology stimulated the globalization process? Explain with five examples.

Answer:

Improvements in technology have helped in globalization in the following ways:

1. Rapid improvement in technology has contributed greatly towards globalization. Advanced technology in transport systems has helped in the delivery of goods faster across long distances at lower costs.
2. Development in information and communication technology has also helped a great deal. Telecommunication facilities—telegraph, telephone (including mobile phones), fax are now used to contact one another quickly around the world, access information instantly and communicate from remote areas. Teleconferences help in saving frequent long trips across the globe.
3. Information technology has also played an important role in spreading out production of services across countries. Orders are placed through internet, designing is done on computers, even payment for designing and printing can be arranged through internet. Internet also allows us to send instant electronic mail (e-mail) and talk (face-to-face) across the world at negligible cost.
4. The cost of air transport has fallen which has enabled much greater volumes of goods being transported by airlines.
5. Technology has made e-banking, e-commerce, e-learning, e-mail and e-governance a reality.

Question 74.

What is globalisation? Describe the role of Multinational Corporations (MNCs) in promoting globalisation process.

Answer:

Globalisation is the process of rapid integration or inter-connection among countries. Over the last 20-30 years, there has been a tremendous increase in globalisation with the increase in the number of MNCs.

1. MNCs set up production centres worldwide where cheap labour is available, markets are near and government policies are favourable.
2. They supply produced goods to different countries.
3. Countries of the world have come closer due to increased movement of people between countries.
4. MNCs provide money for additional investments for faster production.
5. MNCs bring with them the latest technology and know-how for enhancing and improving the production process.

Question 75.

What is trade? Explain the importance of international trade.

Answer:

The exchange of goods among people, states and countries is referred to as trade.

Importance of international trade:

1. International trade of a country is an index to its economic prosperity.
2. It is considered the economic barometer for a country. If the balance of international trade is favourable, a country will be able to earn more foreign exchange.
3. As no country is self-sufficient in all resources it cannot survive without international trade.
4. Countries have trade relations with the major trading blocks.
5. Exchange of commodities and goods have been superseded by the exchange of information and knowledge.

Question 76.

Describe the impact of globalisation on Indian economy with examples.

Or, "Globalisation and greater competition among producers has been of advantage to consumers." Justify the statement with examples.

Answer:

Impact of Globalisation on the Indian Economy:

1. Greater competition among producers (both local and foreign), has been advantageous to consumers, particularly the well-off section. There is greater choice before the consumers who now enjoy improved quality and lower prices for several products.
2. Globalisation has led to a higher standard of living especially in urban areas.
3. MNCs have increased their investments in India in industries such as electronics, automobiles, cellphones, soft drinks, fast food, banking services etc. thereby providing consumers with a vast variety of products. New job opportunities have been created in these industries and services, thereby increasing purchasing power.
4. Globalisation has enabled some large Indian companies to emerge as MNCs themselves like Tata Motors, Infosys, Ranbaxy, Asian Paints, etc.
5. Globalisation has also created new opportunities for companies providing services particularly those involving IT (Information Technology)- For example, call centres.
6. Top Indian companies have benefitted from the increased competition. They have invested in newer technology and production methods indirectly benefitting the consumers.
7. Local companies supply raw materials to foreign industries and have prospered. However, for a large number of producers and workers the impact has not been uniform, and globalisation has posed major challenges.

Question 77.

How are MNCs spreading their products? Explain with examples.

Or, How are multinational corporations (MNCs) controlling and spreading their production across the world? Explain.

Answer:

MNCs set up production in various countries based on the following factors:

1. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources; e.g., in countries like China, Bangladesh and India. These countries also provide with the advantage of cheap manufacturing locations.
2. At times, MNCs set up production jointly with some of the local companies of countries around the world. Such joint production also provides benefits to the local company.
3. MNCs with huge amounts of wealth sometimes buy up local companies to expand production, e.g., Cargill Foods, a very large American MNC has bought over smaller Indian companies such as Parakh Foods.
4. There is another way in which MNCs control production and that is by placing orders for production with small producers in developing nations; e.g., garments, footwear, sports items etc. The products are supplied to these MNCs which then sell these under their own brand name to customers. MNCs also enter into close competition with local company's thereby influencing production in distant locations.

Question 78.

How do banks play an important role in the economy of India? Explain.

Answer:

1. Banks help people to save their money and keep their money in safe custody. To ensure safety of their money, people deposit their money with banks. Banks accept deposits and pay interest on deposits. People have the provision to withdraw their money as and when they require.

2. Banks also grant loans to people for a variety of purposes. In times of need individuals, business houses and industries can borrow money from the banks.
3. Credit provided by banks is crucial for the country's growth and economic development. Credit is needed for all kinds of economic activities, to set up business, buy cars, houses, etc.
4. Banks also help people in obtaining cheap and affordable loans. This can help people to grow crops, do business, set up small-scale industries or trade in goods and also help indirectly in the country's development. They should do so, so that relatively poor people do not have to depend on informal sources of credit (money-lenders).

Question 79.

Describe the vital and positive role of credit with examples.

Answer:

In the festive season, a shoe manufacturer, Ram receives an order from a large trader in town for 3,000 pairs of shoes to be delivered in a month's time. To complete production on time Ram has to hire workers for stitching and pasting work. He has to purchase the raw materials. To meet these expenses Ram obtains loans from two sources.

First, he asks the leather supplier to supply leather now and promises to pay him later.

Second, he obtains loan in cash from the large traders as advance payment for 1000 pairs of shoes with a promise to deliver the whole order by the end of the month.

At the end of the month, Salim is able to deliver the order, make a good profit and repay the money he had borrowed.

Salim obtains credit to meet the working capital needs of production. The credit helps him to meet the ongoing expenses of production, complete production on time and thus increase his earnings. Credit therefore plays a vital and positive role in this situation.

Question 80.

How can the formal sector loans be made beneficial for poor farmers and workers? Suggest any five measures.

Answer:

Formal sector loans can be made beneficial for poor farmers and workers in the following ways:

1. Create greater awareness among farmers about formal sector loans.
2. Process of providing loans should be made easier. It should be simple, fast and timely.
3. More number of Nationalized Banks/cooperative banks should be opened in rural sectors. Banks and cooperatives should increase facility of providing loans so that dependence on informal sources of credit reduces.
4. The benefits of loans should be extended to poor farmers and small scale industries.
5. While formal sector loans need to expand, it is also necessary that everyone receives these loans. It is important that formal credit is distributed more equally so that the poor can benefit from cheaper loans.