Class 10

Social Science Economics

Chapter 4 Globalisation and the Indian Economy

Globalisation refers to the integration of the domestic economy with the economies of the world.

An MNC is a company that owns and controls production in more than one nation.

Foreign Investment is investment made by MNCs.

Advantages of Foreign Trade—

1. 'Foreign Trade' has facilitated the travel of goods from one market to another.
2. It provides a choice of goods to the buyers.
3. Producers of different countries have to compete in different markets.
4. Prices of similar goods in two markets in two different countries become almost equal.

SEZs or Special Economic Zones are industrial zones being set up by the Central and State Governments in different parts of the country. SEZs are to have 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. SEZs thus help to attract foreign companies to invest in India.

Reasons to put barriers to foreign trade:

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, fertilizers, petroleum etc. was allowed.
2. 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.

Around 1991, some changes were made in policy by the Indian government as it was decided that the time had come for the Indian producers to compete with foreign producers. This would not only help the Indian producers to improve their performance but also improve their quality.

Liberalization means the removal of barriers and restrictions set by the government on foreign trade. Governments use trade barriers to increase or decrease (regulate) foreign trade to protect the domestic industries from foreign competition. Example, Tax on imports. Around 1991, government India adopted the policy of liberalization.

World Trade Organization (WTO) was started at the initiative of the developed countries. Its main objective is to liberalize international trade.

Privatization means transfer of ownership of property from public sector to private sector.

Business Process Outsourcing (BPO) is the contracting of non primary business activities and functions to a third party service provider.

Economic Reforms or New Economic Policy is policy adopted by the Government of India since July 1991. Its key features are Liberalization, Privatisation and Globalisation (LPG).

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

- 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.
- 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.
- 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. Example, Cargill Foods, An American MNC has bought over small Indian company such as Parakh Foods.
- MNCs control production 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.

Factors which have helped in globalization:

- Technology. Rapid improvement in technology has contributed greatly towards globalization.
- 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. Teleconferences help in saving frequent long trips across the globe.
- 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.

We hope the given Globalisation and the Indian Economy Class 10 Notes Social Science Economics Chapter 4 SST Pdf free download will help you. If you have any query regarding Globalisation and the Indian Economy Class 10 Economics Chapter 4 Notes, drop a comment below and we will get back to you at the earliest

Page 72:
Question 1: What do you understand by globalisation? Explain in your own words.
Answer:

1. Globalization is a process of interaction and integration among the people, companies, and governments of different nations, a process driven by international trade and investment and aided by information technology.
2. Under globalization the countries that hitherto closed to trade and foreign investment open up their economies and go global. The result is increasing interconnectedness and integration of the economies of the world.
3. Under globalization more and more goods and services, investments and technology are moving between countries.
4. In addition to goods, services, investments, and technology, there is a movement of people who move from one country to another in search of better income, better jobs or better education.

Question 2: What was the reason for putting barriers to foreign trade and foreign investment by the Indian government? Why did it wish to remove these barriers?
Answer:
(1) The government had put restrictions on the import of goods to protect domestic producers from foreign competition because industries were coming up in the 1950s and 1960s, and competition from imports at that stage would not have allowed these industries to come up. Thus, the government allowed imports of only essential items such as machinery, fertilizers, and petroleum. These restrictions helped to attain technological capability within the country.

(2) Starting around 1991, the government wished to remove the barriers due to reasons as mentioned below :

- India had attained technological capability.
- The government decided that the time had come for Indian producers to compete with producers around the globe.
- It felt that competition would improve the performance of producers within the country since they would have to improve their quality.
- There would be an unrestricted exchange of capital, technology, and experience between India and other countries of the world.

Thus, barriers to foreign trade and foreign investment were removed. Now goods could be imported and exported easily. The government reduced taxes on imported goods, and encouraged investors from abroad to invest in India.

Question 3: How would flexibility in labour laws help companies?
Answer:
Flexibility in labour laws will help companies in being competitive and progressive. By easing up on labour laws, company heads can negotiate wages and terminate employment, depending on market conditions. This will lead to an increase in the company's competitiveness.

Question 4: What are the various ways in which MNCs set up, or control, production in other countries?
Answer:
MNCs set up, or control, production in other countries in the following ways :

1. MNCs set up production on the basis of the following factors :
   - Closeness of the place to the markets.
   - Availability of skilled and unskilled labour at low costs.
   - Availability of other factors of production e., raw material, etc.
   - Government's favourable policies.
2. After assuring above conditions, MNCs set up factories and offices for production. They buy assets such as land, buildings, machines and other equipment.
3. At times MNCs set up production jointly with local companies because the local company has knowledge of the local business conditions. Moreover the domestic company has an established framework of business. MNCs provide money and latest technology for production.
4. MNCs buy up local companies to expand production. MNCs with huge wealth can quite easily do so.
5. Some MNCs start as an independent entity right from the beginning.
6. While some of the MNCs produce entirely for the local market, many others produce for the exports markets.
7. MNCs in developed countries place orders for production with small producers of developing countries for various products such as garments, footwear. These products are supplied to the MNCs which sell them under their own brand names to the customers. The MNCs decide their price, quality, delivery, and labour conditions for these distant producers.

Thus we see that there are a variety of ways in which MNCs are spreading their production and interacting with local producers in various countries across the globe. As a result, production in these widely dispersed locations is getting interlinked.

Question 5: Why do developed countries want developing countries to liberalise their trade and investment? What do you think should the developing countries demand in return?
Answer:
Developed countries want developing countries to liberalise their trade and investment because then the MNCs belonging to the developed countries can set up factories in less-expensive developing nations, and thereby increase profits, with lower manufacturing costs and the same sale price. In my opinion, the developing countries should demand, in return, for some manner of protection of domestic producers against competition from imports. Also, charges should be levied on MNCs looking to set base in developing nations.

Question 6: "The impact of globalisation has not been uniform." Explain this statement.
Answer:
The impact of globalisation has not been uniform as explained below :
(1) Positive impact :

1. Globalization has resulted in more choices for the consumers who now get better quality and at lower prices several products.
2. This has improved the standard of living of people, particularly living in urban areas.
3. MNCs have increased their investments in developing countries like India in industries such as cell-phones, automobiles, electronics, soft drinks, etc. As a result of it new jobs have been created in developing countries.
4. Some local companies that supply raw materials to MNCs have also benefited.
5. Some local companies in countries like India have been able to invest in newer technology and production methods. They are successful in raising their production standards.
6. Globalisation has enabled some large companies such as Tata Motors, Infosys to emerge as multi-national companies.
7. Companies providing services particularly in the field of information and communication technologies have also benefited by globalisation. Similar is the case in services like data entry, accounting, administrative tasks and engineering.

(2) Negative impact: The impact of globalisation has been harmful too as mentioned below :

1. Creation of special economic zones has disrupted the lives of people who are displaced such as tribals. Sometimes to produce more electricity dams are constructed and their land is submerged and the people are left without any job.
2. **Flexibility in labour laws:** Flexibility in labour laws is allowed by the government to attract foreign investment. This has resulted in worsening the condition of workers because they are appointed on a temporary basis to avoid payment of provident fund and other facilities. No overtime is paid for extra hours of work. The workers are paid low wages.

3. **Effect on small producers:** Globalisation has hit the small producers because they are unable to compete with MNCs or the big producers or manufacturers. Several units have been shut down rendering many workers jobless. In India, small industries which employ about 20 million workers have been hit adversely.
4. From above description, it is clear that the impact of globalisation has not been uniform. It has positive as well as a negative impact.

Question 7: How has liberalisation of trade and investment policies helped the globalisation process?
Answer: Liberalisation of trade and investment policies has helped the globalisation process by making foreign trade and investment easier. Earlier, several developing countries had placed barriers and restrictions on imports and investments from abroad to protect domestic production. However, to improve the quality of domestic goods, these countries have removed the barriers. Thus, liberalisation has led to a further spread of globalisation because now businesses are allowed to make their own decisions on imports and exports. This has led to a deeper integration of national economies into one conglomerate whole.

Question 8: How does foreign trade lead to the integration of markets across countries? Explain with an example other than those given here.
Answer:

1. Foreign trade leads to the integration of markets across countries because it creates an opportunity for the producers to reach beyond the domestic markets i.e., markets of their own countries. Producers can sell their products in the markets of their own country as well as in other countries all over the world. They can also compete in markets located in other countries of the world.
2. The buyers too have a choice between the goods produced in different parts of the world. It enables the consumer to buy according to his requirement.
3. The competition among the producers bring them closer to each other.
4. Sometimes the producers of other countries set up joint ventures as AIG have set up joint venture in insurance sector and are selling their products in India.
   Thus in general, with the opening of trade, goods travel from one market to another. 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.

Question 9: Globalisation will continue in the future. Can you imagine what the world would be like twenty years from now? Give reasons for your answer.
Answer: Globalisation will continue in the future. Twenty years from now, the world will be more globally connected and integrated into one international economy, if this process continues on a fair and equitable basis. Trade and capital flows will increase alongside the mobility of labour. This will occur because liberalisation will get augmented and MNCs will converge with other companies producing the same goods.

Question 10: Supposing you find two people arguing: One is saying globalisation has hurt our country's development. The other is telling, globalisation is helping India develop. How would you respond to these organisations?
Answer:
Both the arguments have some truth as mentioned below :
Globalisation has helped India develop as mentioned below :

- Many MNCs are making an investment in India in different sectors like insurance banking and food processing.
- These investments have benefited people in a, number of ways which has resulted in the development of the country.
- Now people have choices. They can buy anything of their choice costly or cheap.
- People are getting jobs with a handsome salary.
- The living standard of people has increased.
- Many projects are going on with the help of foreign investment. Different states are making efforts to attract foreign companies to make an investment in their states and are successful in their mission.

The globalisation, however, has hurt the country's development as mentioned below :

- For a large number of small producers globalisation has posed many challenges. Batteries, capacitors, plastics toys, tires, dairy products and vegetable oil industries have been hit badly due to competition.
- Many small units have been shut down rendering many workers jobless.
- As the small industries in India employ the largest number of workers (20 million) in the country, next only to agriculture, it has hurt the development.
  Thus, both arguments have some truth in them. However, if steps are taken to have a fair globalization, then the adverse effects may be minimised and may not hurt the country's development.

Question 11: Fill in the blanks.
Indian buyers have a greater choice of goods than they did two decades back. This is closely associated with the process of ______________. Markets in India are selling goods produced in many other countries. This means there is increasing

______________ with other countries. Moreover, the rising number of brands that we see in the markets might be produced by MNCs in India. MNCs are investing in India because _____________. While consumers have more choices in the market, the effect of rising _______________ and ______________has meant greater ________________among the producers.

Answer:

Indian buyers have a greater choice of goods than they did two decades back. This is closely associated with the process of **globalisation**. Markets in India are selling goods produced in many other countries. This means there is increasing **trade** with other countries. Moreover, the rising number of brands that we see in the markets might be produced by MNCs in India. MNCs are investing in India because **of cheaper production costs**. While consumers have more choices in the market, the effect of rising **demand** and **purchasing power** has meant greater **competition** among the producers.

Question 13: Choose the most appropriate option.

(i) The past two decades of globalisation has seen rapid movements in
(a) goods, services and people between countries.
(b) goods, services and investments between countries.
(c) goods, investments and people between countries.

(ii) The most common route for investments by MNCs in countries around the world is to
(a) set up new factories.
(b) buy existing local companies.
(c) form partnerships with local companies.

(iii) Globalisation has led to an improvement in living conditions
(a) of all the people
(b) of people in developed countries
(c) of workers in the developing countries
(d) none of the above

Answer:

(i) (b)
(ii) (b)
(iii) (d)

Multiple Choice Questions

1. Cargill foods is the largest producer of which of the following in India? **[Delhi, 2012]**
(a) Medicines
(b) Asian Paints
(c) Edible oil
(d) Garments

2. W.T.O. was started at the initiative of which one of the following group of countries? **[Delhi, 2012]**
(a) Rich countries
(b) Poor countries
(c) Developed countries
(d) Developing countries

3. Which one of the following organisations lays stress on liberalisation of foreign trade and foreign investment? **[Delhi, 2012]**
(a) International Labour Organisation
(b) International Monetary Fund
(c) World Health Organisation
(d) World Trade Organisation

4. Which one of the following is not characteristic of **'Special Economic Zone'**? **[AI, 2012]**
(a) They do not have to pay taxes for long period.
(b) Government has allowed flexibility in labour laws.
(c) They have world-class facilities.
(d) They do not have to pay taxes for an initial period of five years.

5. Which one of the following Indian industries has been hit hard by globalisation? **[AI, 2012]**
(a) IT

(b) Toymaking
(c) Jute
(d) Cement

6. Which one of the following type of countries has been more benefited from globalisation? **[AI, 2012]**
(a) Rich countries
(b) Poor countries
(c) Developing countries
(d) Developed countries

7. Removing barriers or restrictions set by the government is called: **[CBSE (CCE) 2012]**
(a) Liberalisation
(b) Investment
(c) Fovourable trade
(d) Free trade

8. Investment made by MNCs are termed as: **[CBSE (CCE)2012]**
(a) Indigenous investment
(b) Foreign investment
(c) Entrepreneur's investment
(d) None of the above

9. What is the process of rapid integration or interconnection between countries called? **[CBSE (CCE) 2012]**
(a) Industrialization
(b) Globalization
(c) Liberalization
(d) Privatization

10. Which one of the following is an example of a trade barrier? **[CBSE (CCE) 2012]**
(a) Tax on Exports
(b) Tax on Imports
(c) Free Trade
(d) Restriction on Export

11. Removal of barriers set by the government is known as **[CBSE(CCE)2012]**
(a) Globalisation
(b) Liberalisation
(c) Industralisation
(d) Privatisation

12. Globalisation does **NOT** involve which one of the following? **[Delhi 2011]**
(a) Rapid integration between countries.
(b) More goods and services moving between countries.
(c) Increased taxes on imports.
(d) Movement of people between countries for jobs, education etc.

13. Which of the following is not a feature of a Multi-National Company? **[AI 2011]**
(a) It owns/controls production in more than one nation.
(b) It sets up factories where it is close to the markets.
(c) It organises production in complex ways.
(d) It employs labour only from its own country.

14. Liberalisation involves which one of the following? **[Foreign 2011]**
(a) Removal of trade barriers
(b) Increasing subsidy on fertilisers
(c) Increasing import duties on goods
(d) Increasing export duties on goods

15. The past two decades of globalisation has seen rapid movements in
(a) goods, services and people between countries.
(b) goods, services and investments between countries.
(c) goods, investments and people between countries.

16. The most common route for investments by MNCs in countries around the world is to
(a) set up new factories.
(b) buy existing local companies.
(c) form partnerships with local companies.

17. Globalisation has led to an improvement in living conditions
(a) of all the people
(b) of people in developed countries
(c) of workers in the developing countries
(d) none of the above.

18. Globalisation, by connecting countries, shall result in
(a) lesser competition among producers.
(b) greater competition among producers.
(c) no change in competition among producers.

Additional Questions

19. Company that owns or controls production in more than one nation
(a) Foreign companies
(b) Government companies
(c) Multinational companies
(d) Private companies

20 Investment made by MNCs is called
(a) Mutual investment
(b) Inter-government investment
(c) Portfolio Investment
(d) Foreign investment

21. Benefit to the local company of joint production with MNCs is
(i) Money from MNCs for additional investments
(ii) Moral and Social support
(iii) Latest technology for production
(iv) All of them
(a) (i) and (ii)
(b) (ii) and (iii)
(c) (iii) and (iv)
(d) (i) and (iii)

22. Cargill Foods, a very large American MNC, has bought over smaller Indian companies such as
(a) Parakh Foods
(b) Amul
(c) Britannia
(d) None of the above

23. Cargill is now the largest producer of edible oil in India, with a capacity to make ……….. pouches daily.
(a) 6 million
(b) 5 million
(c) 4 million
(d) 55 million

24. Examples of industries where production is carried out by a large number of small producers around the world
(a) Garments
(b) Footwear
(c) Sport items
(d) All of them

25. Ford motors came to India in
(a) 1996
(b) 1995
(c) 1994
(d) 1990

26. Effect of Chinese toys on Indian toymakers is
(a) No effect
(b) Making profits
(c) Suffering losses
(d) None of them

27. Rapid integration or interconnection between countries is known as
(a) Privatisation
(b) Globalisation
(c) Liberalisation
(d) Socialisation

28. Post 50 years have seen several improvements in
(a) Transportation technology
(b) Information technology
(c) Communication technology
(d) All of them

29. Tax on imports is an example of
(a) Terms of Trade
(b) Collateral
(c) Trade Barriers
(d) Foreign Trade

3B Removing barriers or restrictions set by the government is known as
(a) Privatisation
(b) Liberalisation
(c) Globalisation
(d) Socialisation

31. Around which year, need for removing barriers on foreign trade and foreign investment in India was felt ?
(a) 1990
(b) 1991
(c) 1992
(d) 2000
32. ……………. is one such organisation whose aim is to liberalise international trade
(a) UNICEF
(b) World Bank
(c) WTO
(d) IDBI

33. Till 2006, how many members were there in WTO?
(a) 139
(b) 150
(c) 101
(d) 149

34. Companies who set up production units in the Special Economic Zones (SEZs) do not have to pay taxes for an initial period of
(a) 2 years
(b) 5 years
(c) 4 years
(d) 10 years

35. Industries where small manufacturers have been hit hard due to competition.
(a) Batteries
(b) Tyres
(c) Dairy Products
(d) All of them

36. Number of workers that small industries in India employ
(a) 18 million
(b) 19 million
(c) 20 million
(d) 21 million

37. To get large orders, Indian exporters try hard to cut their own costs by
(a) Reducing cost of raw materials
(b) Reducing advertising and marketing cost
(c) Reducing electricity cost
(d) Cutting labour cost

38. To achieve the goal of fair globalisation, a major role can be played by
(i) People
(ii) Government
(iii) MNCs
(iv) None of the above
(a) (i) and (iii)
(b) (ii) and (iv)
(c) (i) and (ii)
(d) (iii) and (iv)

39. It refers to globalisation which creates opportunities for all and ensures that its benefits are better shared.
(a) Privatisation
(b) Special Economic Zones (SEZ)
(c) WTO
(d) Fair globalisation

40. Allowing private sector to set up more and more of such industries as were previously reserved for the public sector.
(a) Globalisation
(b) Privatisation
(c) Liberalisation
(d) Socialisation

ANSWERS

Multiple Choice Questions

1. (c)	**2.** (c)	**3.** (d)	**4.** (a)	**5.** (b)	**6.** (d)	**7.** (a)	**8.** (b)	**9.** (b)
10. (b)	**11.** (b)	**12.** (c)	**13.** (d)	**14.** (a)	**15.** (a)	**16.** (b)	**17.** (c)	**18.** (b)
19. (c)	**20.** (d)	**21.** (d)	**22.** (a)	**23.** (b)	**24.** (d)	**25.** (b)	**26.** (c)	**27.** (b)
28. (d)	**29.** (c)	**30.** (b)	**31.** (b)	**32.** (c)	**33.** (b)	**34.** (b)	**35.** (d)	**36.** (c)
37. (d)	**38.** (c)	**39.** (d)	**40.** (b)					