



INDIAN SCHOOL AL WADI AL KABIR

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Question Bank	Topic :Globalisation and the Indian economy	Year:2020-21

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

- 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.
- We have a wide variety of goods and services before us in the market.
- 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.
- 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.
- A similar explosion of brands can be seen for many other goods like footwear. For example, Adidas, Nike, Reebok, Puma and many more.

2) What are Multi-National Corporations (MNCs)?

- 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.

3) 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

- 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.
- 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.
- 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 top in this area).
- Favourable government policies looking after their interest are also important.
- All these factors help MNCs in saving costs of production by 50-60%.

4) Differentiate between investment and foreign investment.

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

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

Multinational Corporations (MNCs) are spreading their production in different ways. Some of them are:

a) **By producing jointly with some of the local companies.** It benefits the local company in two ways.

- A MNC can provide money for additional investments.
- A MNC can bring latest technology for production.

For example, Ford Motors set up a large plant near Chennai, in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks

b) **By buying local companies and, then expanding production.** This is the most common route of investment made by MNC.

For example, Cargill Foods, a very large American MNC, purchased small Indian company, Parakh foods.

Cargill Foods is, now, the largest producer of edible oil in India with a capacity making 5 million pouches daily.

c) **By placing orders for production with small producers.** Garments, footwears, sports items are examples where production is carried out by small producers for large MNCs around the world.

By buying mass produced goods of domestic industries and, then sell it under their own brand name at much higher rates in foreign countries.

Garments, footwear, sports items are examples of industries where production is carried out by a large number of small producers around the world.

MNC s have power to determine price, quality, delivery and labour conditions for these distant producers.

6) 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.

- 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. 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 Lakhani and international brands like Adidas, Nike, Reebok etc.

7) What is Globalization? Explain the factors which enabled globalization

Globalization is the process of rapid integration and interconnection between countries.

Factors which enabled Globalization are:

Transportation Technology: Improvements in transportation technology has made much faster delivery of goods across long distance possible at lower cost. Containers have led to huge reduction in port handling costs and increased the speed with which exports can reach markets.

Information and Communication Technology:

Improvement in this technology has helped in spreading out production of goods and services across countries. Technology in the areas of telecommunications, computers and internet has been changing rapidly and are used to contact one another around the world, to access information instantly, and to communicate from remote areas.

Liberalisation of foreign investment policy:

With liberalisation of trade, businesses are allowed to make decisions freely about import or export.

World Trade Organisation:

International organisations like WTO asked other countries to remove the trade barriers for trade and investment and establishes rules regarding the international trade and sees that these rules are obeyed.

8) What is meant by trade barrier?

- 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.

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

OR

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

The Indian government put barriers on foreign trade and foreign investment after independence because:

- It was considered necessary to protect the producers within the country from foreign competition.

- In 1950s and 1960s, the industries were in growing stage and competition from imports at that stage would not have allowed these industries to develop. Therefore, India allowed the imports of only essential items like machinery, fertilizers, petroleum etc.
- In 1991, the Indian government decided that the time has come for Indian producers to compete with producers around the world.
- It felt that foreign competition would improve the quality of goods produced by Indian producers within the country.
- Thus, barriers on foreign trade and foreign investment were removed to a large extent. It meant goods could be imported or exported easily and foreign companies could set up factories and offices in India.

10) Write a brief note on WTO

- World Trade Organisation (WTO) is an organisation whose aim is to liberalise international trade. It was set up in 1995. It helps to remove trade barriers and create a free environment for foreign trade.
- It establishes rules regarding international trade and sees that these rules are obeyed. 164 countries are at present members of the WTO
- WTO deals with regulation of trade between participating countries. WTO provides a forum for negotiations and for settling disputes. It is also a centre of economic research and analysis.
- It is an organisation that intends to supervise and liberalise international trade. It oversees the implementation, administration and operations of the covered agreements.
- Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed nations have unfairly retained trade barriers. On the other hand, WTO rules have forced the developing countries to remove trade barriers.

11) Describe the impact of globalisation on Indian economy with examples.

The Globalisation has impacted Indian economy in the following ways:

Advantages /Positive Impact of Globalization

- Greater choice to the consumers-- Globalisation has offered a greater choice and variety of products for consumers to choose from.
- Increase in quality and standard of production-- Due to globalisation there is greater competition between both local and foreign producers. This forces them to produce goods of better quality.
- Increase in foreign investment-- Over the past twenty years, the foreign investment has increased.
- Emergence of Indian companies as multinational -- Several of the top Indian companies like Tata Motors, Infosys, Ranbaxy have been able to get benefit from the increased competition created as a result of Globalisation.
- Creation of new opportunities-- Globalisation has created new opportunities for Indian companies, particularly providing services like IT.
- Creation of new jobs -- Globalisation has created new jobs and has helped in reducing unemployment rate to an extent.
- A host of services such as data entry, accounting, administrative tasks, engineering are now being done cheaply in India.

Disadvantages/Negative impact of Globalisation

- Small manufactures like-batteries, capacitors, plastic toys, tyres, dairy products and vegetable oil were victims of competition.
- Closing down of small units rendered many workers jobless. There is uncertainty in employment.
- Most employers prefer to employ workers 'flexibility', this means that workers jobs are no longer secure.
- Small Indian companies were hard hit because of Governments changed policies such as allowing import of the goods which were previously not allowed

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

OR

How can government play a major role in making globalisation fair?

The government can take the following steps to ensure better sharing benefits of fair globalisation.

- a)Government policies must protect the interests of not only rich and powerful but of all the people in the country.
- b)Government should ensure that labour laws are implemented properly and workers get their due share.
- c)Small producers should be supported to improve their productivity and performance so that they can compete for international market.
- d)Government can use trade and investment barriers, if needed.
- e)Government should be ready to negotiate at WTO for ensuring fairer rules.
- f)If necessary, government should align with countries with similar interests to oppose the domination of major and powerful players in WTO.

13) Explain the two steps taken by the government to attract foreign investment in India

SEZ (Special Economic Zone)

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

Flexibility in Labour Laws

Government has given the permission to the MNCs to hire the workers flexibility ie, hiring the workers on temporary basis and also ignoring the labour laws. This will help the MNCs

14) What does ICT stand for?

ICT stands for Information and Communication Technology

15) Name two trade barriers used by the government

Tax and Quota are the two trade barriers used by the government