ECONOMICS

Chapter 4 Globalisation

Q1. What do you understand by globalisation? Explain in your own words.

Ans.

- Globalisation refers to the process of integration of economy of the world under conditions of free flow of trade capital and movement of persons across borders.
- In this process goods and services are produced and marketed throughout the world .
- The companies set of their production units or branches in more than one country for its operations.
- There is increase in foreign trade(import and export).
- Improved techniques of production
- Flow of capital from one country to another
- Migration of people from one country to another

Q2. Which two benefits local companies get when they set up production in association with multinational companies?

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Ans.

a) Multinational companies can provide money for additional investments like buying new machines for faster production.

b) MNCs might bring with them the latest technology for production.

Q3. What do you to understand by the terms- investment and foreign investment?

Ans.

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

b) Any investment done by multinational company is called **foreign investment.**

Q4. What is the impact of globalisation on the consumers in India?
Ans.

a) Globalisation and greater competition among producers both local and foreign have been of advantage to the consumers particularly the well off sections in the urban areas.

b) There is greater choice to the consumers because variety of goods are available in the market.

c) The quality of the products have improved.

d) Prices of many goods have decreased.

e) As a result these days people enjoy higher standard of living.

Q5. Mention three ways in which multinational companies are spreading their production units across the globe.

Ans.
a) Setting of partnerships with the local companies.

b) Using the local companies for supplies.

c) Closely competing with the local companies for buying them up.

Q6. What factors are kept in mind by the multinational companies while setting up their production units?
Ans. Following are the factors which multinational companies consider before setting up production units :-

a) Nearness to the market.

b) Availability of skilled and unskilled labour at low cost.

c) Availability of other factors of productions such as raw material, transport etc.

d) Support from the government like setting up Special Economic Zones(SEZ)

e) Assured profit.

f) Support from local manufacturers and suppliers.

Q7. What is trade barrier? Why did the Indian government put up trade barriers after independence?

Ans. Trade barriers refers to some restrictions imposed by the government to regulate foreign trade and to decide what kind of goods and how much of these should come into the country.

The Indian government put trade barriers after independence because of the following reasons:

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

b) Industries were just coming up in 1950s and 1960s .The competition from imports at this stage would not have allowed them to flourish.

c) Import of only essential items was allowed such as fertilizers, machines,petroleum etc.

Q8. What are special economic zones? Write two characteristics of special economic zones.

a) To attract foreign investment in India, the central and state governments have set up industrial zones which are known as **special economic zones.**

b) These zones are expected to have world class facilities such as electricity, water, road ,transport ,storage, recreational and educational.

c) The companies setting up their production units in the special economic zones are exempted from the payment of taxes for the initial 5 years.

Q9. What is the effect of globalisation on small producers and workers?
Ans.

a) Small producers and workers have been hit hard the most because of the rising competition.

b) Several of the small units have been shut down thereby rendering many workers jobless.

c) Large multinational companies especially in the garment industry in Europe and America order their products from Indian exporters. They look for the cheapest goods in order to maximise their profits.

d) So, to get the large orders from them the exporters try to cut labour cost .

e) Wages given are low and workers are forced to work overtime to make both ends meet.

f) Multinational companies are able to make large profits but the workers are denied their fair share of the benefits of globalisation.

Q10: **Why do developed countries want developing countries to liberalise their trade and investment? What do you think should the developing countries demand in return?**

Ans: 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.

In my opinion the developing countries should demand :-

a) Protection of domestic producers against competition from imports.
b) Also, charges should be levied on MNCs looking to set base in developing nations.

Q11. Explain the role of government to make globalization fair.
Ans:
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.

Role of the government:-

a) Government should ensure that labour laws are implemented and workers' rights are protected.

b) Government should support small producers to improve their performance till the time they become strong enough to compete with foreign competition.

c) If necessary, government should use trade and investment barriers.

d) It can negotiate with WTO for fairer rules.

e) It can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

Q12. What would happen if Government of India puts heavy tax on import of Chinese toys? Explain any three points.

Ans.

If Government of India puts heavy tax on import of Chinese toys, then:

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.

CHAPTER -4 GLOBALISATION