

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

- Ans.**
- (i) Globalisation is the process of rapid integration or interconnection between countries.
 - (ii) MNCs play crucial role in the process of globalisation.
 - (iii) Due to globalisation more and more goods and services, investments and technology are moving between countries as a result of which the countries of the world come closer to each other.
 - (iv) Not only because of movement of goods and investment but also the countries get connected due to movement of people. People generally move for better jobs and better income or better education. This is also because of globalisation.
 - (v) As far as India is concerned globalisation has created a positive as well as negative impact. But it has brought tremendous development in our economy.
 - (vi) Technology and liberalisation are the two factors that have greatly benefited globalisation in our country.

2. What was the reasons for putting barriers to foreign trade and foreign investment by the Indian Government? Why did it wish to remove this barriers?

- Ans.**
- (i) The Indian Government after independence had put barrier to foreign trade and foreign investments.
 - (ii) This was considered necessary to protect the producers within the country from foreign competition.
 - (iii) Industries were just coming up in 1950s and 1960s, and the competition from imports at that stage would not have allowed these industries to come up.
 - (iv) Thus, India allowed imports of only essential items such as machinery, fertilizers and petroleum.
 - (v) Starting around 1991, the Government decided that the time had come for Indian producers to compete with the producers around the globe.
 - (vi) It felt that competition would improve the performance of producers within the country, since they would have to improve their qualities.
 - (vii) Thus barrier on foreign trade and foreign investment were removed to a large extent.

3. How would flexibility in labour laws help companies?

- Ans.**
- (i) Government has allowed flexibility in the labour laws to attract

foreign investments.

- (ii) The companies in the organized sector had to obey certain rules that aimed to protect the workers rights, but in recent years the Government has allowed companies to ignore many of these.
 - (iii) Instead of hiring workers on a regular basis, companies hire workers “flexibly” for a short period when there is intense pressure of work.
 - (iv) This has helped the companies to reduce the cost of labour.
4. What are the various ways in which MNCs set up or control production in other countries?

Ans. The various ways in which MNCs set up or control production are :

- (i) By setting a partnership with local companies : MNCs set up production jointly with some of the local companies of these countries. The benefit to the local company of such joint production is that they get money for additional investment like buying new machines, for faster productions and they also get new technology for production, brought in the MNCs.
 - (ii) By using local companies for supplies : The another way in which MNCs control production is that they place order for production with small producers. Garments, footwear, sports items are examples of industries where production is carried out by a large number of small producers and the products are supplied to the MNCs. Then the MNCs sell these products under their own brand names to their customers.
 - (iii) By buying the local companies : The most common way for MNCs investment is to buy up local companies and then to expand production. MNCs with huge wealth can do so.
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?

- Ans.**
- (i) Most of big MNCs of the world belongs to developed countries. Their main aim is to spread their wings in different developing countries of the world and maximize their profit.
 - (ii) For this reason they want the developing countries to liberalise their trade and investment.
 - (iii) In return the developing countries should demand the developed countries to share their latest technology and provide employment to the people in the country.

6. “The impact of Globalisation has not been uniform.” Explain this statement?

Ans. The impact of Globalisation has been different for different people. It has created positive as well as negative impact on people.

Following are the effects of Globalisation :

- (i) MNCs have increased their investments in India over the past 15 years because it has been beneficial for them. MNCs have been interested in industries such as cellphones, automobiles, electronics, softdrinks, fastfood or services such as banking in urban areas, which have a number of well-off buyers. In these industries and services new jobs have been created and also local companies supplying raw materials have been benefited.
- (ii) Several 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 standard. Some have gained from successful collaborations from foreign companies.
- (iii) Globalisation has enabled some large companies to emerge as multinationals for eg. Tata Motors, Infosys, Ranbaxy are some Indian companies which are spreading their operations world wide.
- (iv) Globalisation has also created new opportunities for companies providing IT services. For eg. data entry, accounting, call centers, and administrative tasks.
- (v) For a large number of small producers and workers, globalisation has posed major challenges. Industries manufacturing batteries, capacitors, plastics, toys, tyres, dairy products and vegetable oil have been hit hard due to competition. Several units have been shut down rendering many workers jobless. The small industries in India employ largest number of workers in the country after agriculture.
- (vi) Globalisation and pressure of competition has substantially changed the life of workers. Failed with growing competition most employers these days prefer to employ workers “flexibly”. This means that workers jobs are no longer secured.

Therefore it is clear now that Globalisation has benefitted rich people but had a negative impact on the lives of poor people.

7. How has liberalisation of trade and investment policies helped the globalisation process?

Ans. Removing barriers or restrictions set by the government is what is known as “Liberalisation.”

- (i) With liberalisation of trade, businesses are allowed to make decisions freely about what they wish to import or export. Government imposes much less restriction than before and is therefore said to be more liberal.
- (ii) Starting around 1991, some far reaching changes in policies were made in India. The government decided that the time has come for Indian producers to compete with the producers around the globe.
- (iii) It felt that competition would improve the performance of producers within the country since they would have to improve their quality.
- (iv) Thus, barrier on foreign trade and foreign investments were removed to a large extent.
- (v) This meant that, goods could be imported and exported easily and also foreign companies could set up factories and offices here.

In this way liberalisation of trade and investment policies help the globalisation process.

- 8.** How does foreign trade lead to integration of market across countries? Explain with an example other than those given here?

- Ans.**
- (i) Foreign trade creates an opportunity for the producers to reach beyond the domestic markets.
 - (ii) For eg : small traders of ready made garments face stiff competition from MNCs like Spyker, Levis, Killer etc.
 - (iii) Producers can sell their produce not only in the markets located in the countries but can also compete in markets located in other countries of the world.
 - (iv) Similarly for buyers, imports of goods produced in another countries is one way of expanding the choice of goods beyond what is domestically produced.
 - (v) With the opening of trade, goods travel from one market to another as a result the choice of goods in the market rises.
 - (vi) Prices of similar goods in the two markets tends to become equal and producers in two countries closely compete against each other even though they are separated by thousands of miles.
 - (vii) Thus, foreign trade, results in connecting the markets or integration of markets in different countries.

- 9.** Globalization will continue in the future. Can you imagine what the world would be like twenty years from now? Give reasons for your answer.

Ans. After twenty years, world would undergo a positive change which will possess the following features—

Healthy competition, improved productive efficiency, increased volume of output, income and employment, better living standards, greater availability of information and modern technology.

Reasons for the views given above—These are number of favorable factors for globalization.

- (a) Availability of Human Resources both quantity wise and quality wise.
- (b) Broad resource and industrial base of major countries.
- (c) Growing entrepreneurship
- (d) Growing domestic market
- (e) Expanding internal markets
- (f) Economic liberalizations
- (g) Growing Competition

10. Supposing you find two people arguing: One is saying globalization has hurt our country's development. The other is telling globalization is helping India develop. How would you respond to these organizations?

Ans. Benefits of Globalization of India :

- (i) Increase in the volume of trade in goods and services.
- (ii) Inflow of Private Foreign Capital and export orientation of the economy.
- (iii) More availability of investible funds in the form of FDI.
- (iv) Helps in development and strengthening of domestic economics of India.
- (v) Improved productive efficiency and healthy competition.
- (vi) Increased volume of output, income and employment.

Negative Impact/Fears of Globalization :

- (i) It may not help in achieving sustainable growth.
- (ii) It may lead to widening of income inequalities among various countries.
- (iii) It may lead to aggravation of income inequalities within the countries.
- (iv) It may lead to loss of autonomy.
- (v) It may lead to greater dependence of the underdeveloped countries on advanced countries. Whatever be the fears of globalization, I feel that. It has now become a process which is catching the fancy of more

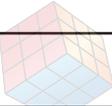
and more nations. India is found to gain much from globalization if proper policies are effectively implemented and economic reforms properly pursued.

11. Fill in the blanks :

Ans. 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 interaction 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 they hope to get high **profits**. While consumers have more choice in the market, the effect of rising trade and commerce has meant greater **competition** among producers.

12. Match the following :

Ans.

'A'	'Answers'
(i) MNCs buy at cheap rates from producers.	Garments, footwear, sports items.
(ii) Quotas and taxes on imports are used to regulate trade.	Trade barriers. 
(iii) Indian companies who have invested abroad.	Tata Motors, Infosys, Ranbaxy.
(iv) IT has helped in spreading of production of services.	Call centres.
(v) Several MNCs have invested in setting up factories in India for production.	Automobiles.

13. Choose the most appropriate option :

- (i) The past two decades of globalisation has seen rapid movement in:
- goods, services and people between countries
 - goods, services and investment between countries.
 - goods, investment and people between countries

Ans. (b) goods, investment and services between countries.

(ii) The most common route for investment by MNCs in countries around the world is to

- set up new factories.
- buy existing local companies.
- form partnerships with local companies.

Ans. (b) buy existing local companies.

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

Ans. (d) none of the above.

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