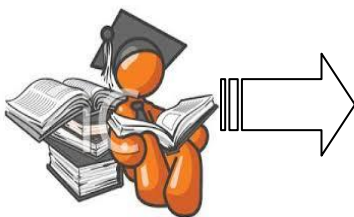


CLASS: X: ECONOMICS
TOPIC/CHAPTER: Globalization

Note: All the examples given in the yellow boxes in this chapter should be learned along with the main answers.



SUMMARY: This chapter looks at globalisation in a more limited sense. It defines globalisation as the integration between countries through foreign trade and foreign investments by multinational corporations (MNCs). Integration of production and integration of markets is a key idea behind understanding the process of globalisation and its impact. This has been dealt with at length in this chapter, highlighting the role of MNCs in the process. Globalisation has been facilitated by three factors highlighted: rapid improvements in technology, liberalisation of trade and investment policies and, pressures from international organisations such as the WTO. The final section covers the impact of globalisation.



SCHOLAR

NOTE: WRITE THE ANSWERS FOR QUESTIONS (A TO F) IN THE NOTE BOOK:-

a) Mention 2 factors which have stimulated globalization process.

CBSE 2016

1 mark

b) Why is 'tax' on imports known as a trade barrier? Why did Indian Government impose barriers on foreign trade and foreign investments after Independence? Give three reasons. (CBSE Board 2015) (1+4)

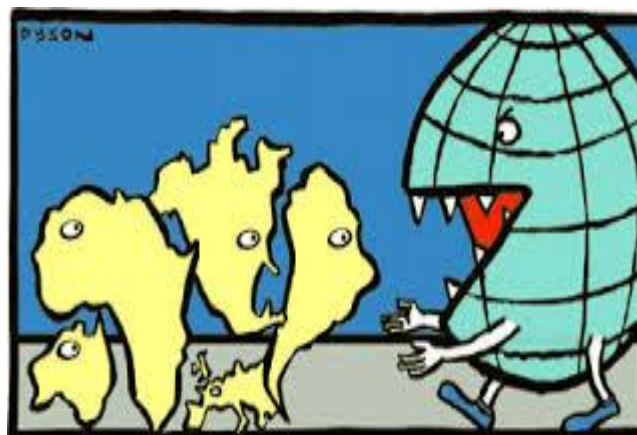
c) What is globalization? Explain its effects on the Indian economy with examples. **CBSE 2016** **(1+4=5)**

d) Explain five ways in which globalization and the pressure of competition has changed the lives of workers substantially? Explain **CBSE SA-II 2012**

e) Explain the role of Information technology in globalization - **CBSE 2015**



1.	What are multinational corporations (MNC s) and describe its peculiar nature with an example. (CBSE 2015) OR Explain how production takes place across the countries with an example. ANS: 1. A MNC is a company that owns or controls production in more than one nation. MNC s set up offices and factories for production in regions where they can get cheap labour and other resources. 2. This is done so that the cost of production is low and the MNC s can earn greater profits. the The MNC is not only selling Consider its finished products globally, but more important, the goods and services are produced globally. As a result, production is organised in increasingly complex ways. 3. following example. 4. The production process is divided into small parts and spread out across the globe. For example, large MNC producing industrial equipment designs its products in research centres in the USA and then has the components manufactured in China. These are then shipped to Mexico and Eastern Europe where the products are assembled and the finished products are sold all over the world .Meanwhile ,the company's customer care is carried out through call centres located in India.In the above example, China provides the advantage of being a cheap manufacturing location. Mexico and Eastern Europe are useful for their closeness to the markets in the US and Europe. And India provide customer care service as she has educated English speaking youth.	5
2	What are the conditions in which MNC set up production? (CBSE 2015) ANS: 1. MNC s set up production where it is close to the markets; where there is skilled and unskilled labour available at low costs; and where the availability of other factors of production is assured. 2. MNC s might look for government policies that look after their interests.	2+1=3

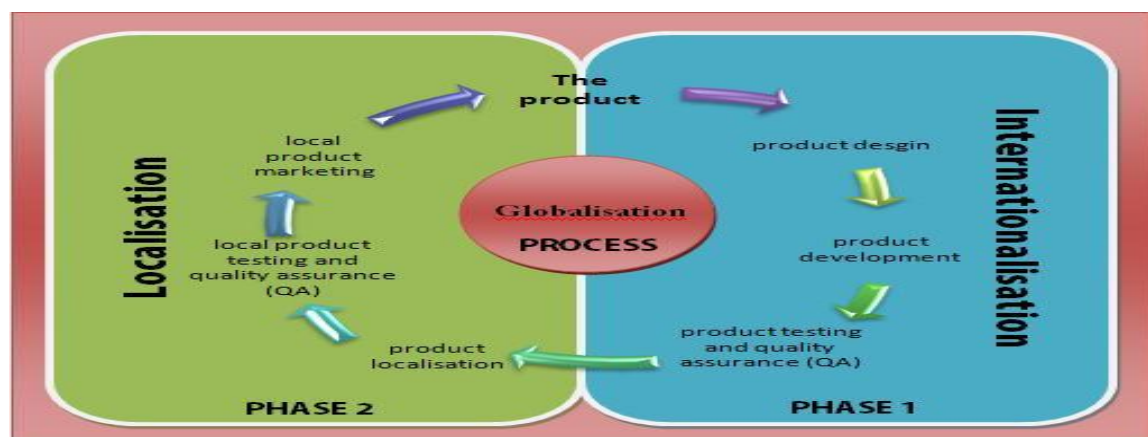


3	Define investment and foreign investment? ANS: 1. The money that is spent to buy assets such as land, building, machines and other equipment is called investment. 2. Investment made by MNCs is called foreign investment. Any investment is made with the hope that these assets will earn profits.	
5	Suggest the ways in which MNC s control production. (CBSE 2015) ANS: 1. MNCs set up production jointly with some of the local companies of these countries. The benefits to the local company of such joint production are First, MNCs can provide money for additional investments, like buying new machines for faster production. Second, MNCs might bring with them the latest technology for production. 2. Large MNCs in developed countries place orders 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 around the world. The products are supplied to the MNC s, which then sell these under their own brand names to the customers. These large MNCs have tremendous power to determine price, quality, delivery, and labour conditions for these distant producers. 3. The most common route for MNC investment is to buy up local companies and then to expand production. MNCs with huge wealth can quite easily do so	3
6	How does foreign trade lead to integration of markets across countries? Explain with an example. ANS: 1. The foreign trade creates an opportunity for the producers to reach beyond the domestic markets. 2. Producers can sell their produce not only in markets located within the country but can also compete in markets located in other countries of the world.	5

	3. Similarly, for the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced. 4. With the opening of trade, goods travel from one market to another. Choice of goods in the markets rises. Prices of similar goods in the 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. Example; Chinese Toys of page- 60	
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7	What is Globalisation? ANS: Globalisation is the process of rapid integration or interconnection between countries.(Globalisation means integrating our economy with world economy. In this process, we become economically interdependent at the global or international level.) 1. It is the result of greater foreign investment and greater foreign trade has been greater integration of production and markets across countries. 2. More and more goods and services, investments and technology are moving between countries. 3. Most regions of the world are in closer contact with each other than a few decades back.	3
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ANS:

(1) Technology

a) Rapid improvement in technology has been one major factor that has stimulated the globalisation process. For instance, the past fifty years have seen several improvements **in transportation technology**. This has made much faster delivery of goods across long distances at lower costs.

Eg: Container Services

b) Growth of Information Technology

1. Even more remarkable have been the developments in **information and communication technology**. In recent times, technology in the areas of telecommunications, computers, Internet has been changing rapidly.
2. Telecommunication facilities (telegraph, telephone including mobile phones, fax) are used to contact one another around the world, to access information instantly, and to communicate from remote areas. This has been facilitated by satellite communication devices.
3. The amazing world of internet can obtain and share information on almost anything we want to know. Internet also allows us to send instant electronic mail (e-mail) and talk (voice-mail).

(2) Liberalization of foreign trade and foreign investment policy

1. **Removing barriers or restrictions set by the government is what is known as liberalisation.**
2. With liberalisation of trade, businesses are allowed to make decisions freely about what they wish to import or export.
3. The government imposes much less restrictions than before and is therefore said to be more liberal.



NEGATIVE EFFECTS



POSITIVE EFFECTS



9	Why Indian government put various barriers in foreign trade and investments before 1991? OR Why did the Indian government put barriers to foreign trade and foreign investment after independence? 1. Tax on imports is an example of trade barrier. It is called a barrier because some restriction has been set up. Governments can use trade barriers to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each, should come into the country. 2. The Indian government, after Independence, had put barriers to foreign trade and foreign investment. This was considered necessary to protect the producers within from foreign competition. 3. Industries were just coming up in the 1950s and 1960s, and competition from imports at that stage would not have allowed these industries to come of only essential items such as machinery, fertilizers, petroleum etc.	3
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10	Assess the far reaching changes brought about by the Government of India after 1991 in its foreign trade and investment policies. ANS: 1. Starting around 1991, some far reaching changes in policy were made in India. The government decided that the time had come for Indian producers to compete with producers around the globe. 2. It felt that competition would improve the performance of producers within the country since they would have to improve their quality. This decision was supported by powerful international organisations. 3. Thus, barriers on foreign trade and foreign investment were removed to a large extent. This meant that goods could be imported and exported easily and also foreign companies could set up factories and offices here.	3
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11	Describe the status of WTO. OR Write a short note on WTO. ANS: 1. World Trade Organisation (WTO) is one such organisation whose aim is to liberalise international trade. Started at the initiative of the developed countries, WTO establishes rules regarding international trade, and sees that these rules are obeyed. 2. 149 countries of the world are currently members of the WTO (2006). 3. Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers. On the other hand, WTO rules have forced the developing countries to remove trade barriers.	3
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12	Discuss the impact of Globalisation in India. ANS: 1. Globalisation and greater competition among producers (both local and foreign producers) has been of advantage to consumers, particularly the well-off sections in the urban areas. Due to greater choice and improved quality and lower prices for several products improved the standards of living than earlier. 2. Among producers and workers, the impact of globalisation has not been uniform ,as illustrated with following examples • MNCs have increased their investments in India over the past 15 years, as they understood that investing in India has been beneficial for them and also they are interested in industries such as cell phones, automobiles, electronics, soft drinks, fast food or services such as banking in urban areas because they have a large number of well-off buyers, new jobs have been created. And also provided raw materials supplied by the local companies to these MNCs have prospered. • Several of the top Indian companies have been benefited from the increased competition by investing in newer technology, production methods and raising their production standards. Some have gained from successful collaborations with foreign companies. 3. Globalisation has enabled some large Indian companies to emerge as multinationals themselves like Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), which are spreading worldwide 4. Globalisation has also created new opportunities for companies providing services, particularly those involving IT. The Indian company producing a magazine for the London based company and call centers are some examples. 5. Besides, a host of services such as data entry, accounting, administrative tasks, and engineering are now being done cheaply in countries such as India and are exported to the developed countries. Any 5 points	5
13	Discuss the special steps taken by government of India to attract foreign companies to invest in India. (CBSE 2015) 1. Industrial zones, called Special Economic Zones (SEZs), are being set up. SEZs are to have world class facilities: electricity, water, roads, and transport, and storage, recreational and educational facilities. 2. Companies who set up production units in the SEZs do not have to pay taxes for an initial period of five years. 3. Government has also allowed flexibility in the labour laws to attract foreign investment. the companies in the organised sector have to obey certain rules that aim to protect the workers' rights. 4. Instead of hiring workers on a regular basis, companies hire workers	5

	'flexibly' for short periods when there is intense pressure of work. This is done to reduce the cost of labour for the company. Foreign companies are demanding more flexibility in labour laws.	
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14	Analyse the major challenges posed by globalization. OR Evaluate the negative impact of globalization on Indian economy. ANS: 1. Rising Competition 2. Uncertain Employment 3. The condition of work and hardships of workers have become common to many industrial and service units in India. Even many organized sector have started to follow unorganized features. 4. Several small scale industries have shut down due to completion which led to many workers jobless. (refer pg 68,69 and 70 for detailed answer with examples in the yellow box)	3
15	Examine in what ways we can attain a fair globalization. ANS: 1. The government can play a major in fair globalisation that would create opportunities for all and ensure that benefits of globalisation are shared equally in a better manner. 2. Its policies must protect the interest of both rich and powerful and all the people in the country 3. Steps should be taken by the government to ensure that labour laws are properly implemented and workers get their rights 4. 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'. 5. It can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO. 6. In the past few years, massive campaigns and representation by people's organizations 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 globalization Any 5 points	5