1. **What is multinational corporations / multinational companies? Explain with example**

A MNC is a company that owns or controls production in more than one nation. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources. This is done so that the cost of production is low and the MNCs can earn greater profits.

*Example,* Dell is an American company that develops, sells, repairs, and supports computers and related products and services. The research department of the Dell is in USA where it designs the product, and the components are manufactured in China. The final products are assembled in India and Korea and sold to all over the world. T*he company’s customer care is carried out through call centres located in mainly in India, Thailand and Indonesia.*

1. **What are the various ways in which MNCs set up, or control, production in other countries?**

MNCs set up offices and factories for production in regions where they can get cheap labour and other resources. The production process is divided into small parts and spread out across the globe. In general, MNCs 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. In addition, MNCs might look for government policies that look after their interests. Having assured themselves of these conditions, MNCs set up factories and offices for production. To increase production, MNC’s collaborate with some local companies. In most cases, the MNC’s buy local companies and expand their production. Also, 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 MNCs, which then sell these under their own brand names to the customers. These large MNCs have power to determine price, quality, delivery, and labour conditions for these distant producers.

1. **How are local companies benefited by collaborating with multinational companies? Explain with examples.**

The local companies are benefited by collaborating with multinational companies in the following ways:

1. They get money from MNCs for buying new machines to replace the old ones.
2. They bring the latest technology for production.
3. They may build new stores and office buildings, thus providing more employment.
4. **How do multinational companies manage to keep the cost of production of their goods low? Explain with examples.**

The multinational companies manage to keep the cost of production of their goods low in the following ways:

1. They set up production jointly with some of the local companies of these countries. For example, Ford Motors spent Rs. 21700 crores to set up a large plant near Chennai in collaboration with Mahindra and Mahindra. In India, labour and transportation cost is very low which cuts down the cost of production.
2. They buy up local companies and expand production. For example, Cargill Foods, a large American MNC bought Parakh Foods. The company got ready made infrastructure. As production increases, cost comes down.
3. They place orders for production with small producers. They purchase garments, footwear, sports goods and sell them under their brand name.
4. **What would happen if the Government of India puts a heavy tax on the import of Chinese toys? Explain.**

If the Government of India puts a heavy tax on the import of Chinese toys

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
5. **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.**

(i) Foreign trade creates opportunities for producers to reach beyond domestic markets (i.e. the markets of own country). 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.

(ii) With the opening of foreign 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 Bata, Lakhani and international brands like Adidas, Nike, Reebok etc.

1. **Distinguish between foreign trade and foreign investment**

Foreign Trade :- Foreign trade is the trade between different countries of the world. It consists of imports, exports .

The inflow of goods in a country is called import trade whereas outflow of goods from a country is called export trade.

Trade between two or more countries is termed as also foreign trade. It helps in connecting the markets of different countries across the world.  
Foreign Investment :- Foreign Investment provides an inflow of foreign capital and funds and not goods.

Investment made by a MNC or a financial institution in another country is also termed as foreign investment.

1. **In recent years China has been importing steel from India. Explain how the import of steel by China will affect.(a) steel companies in China. (b) steel companies in India. (c) industries buying steel for production of other industrial goods in China**

(a) Steel supply in China will improve. Steel companies in China will face a stiff challenge from Indian companies.

(b) Steel companies in India will expand their production to compete with China. They will have to improve their quality, reduce the cost of production and try to capture the Chinese market.

(c) Other Chinese industries using steel will be benefitted as they will have a greater choice at lower prices,

1. **How will the import of steel from India into the Chinese markets lead to integration of markets for steel in the two countries? Explain**

(a) Due to imports from India, choice in the Chinese market will increase. (b) Producers of steel in both countries will compete with each other to get increased market share. (c) Prices of similar varieties of steel in the Indian and Chinese markets will fluctuate and tend to become equal after some time.

1. **Why had Indian government put barriers to foreign trade and foreign investment after independence? Explain.**

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 nascent 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.

1. **Why have the barriers on foreign trade and foreign investment been removed to a large extent by the Indian government? Explain.**

OR

**‘Barriers on foreign trade and foreign investment were removed to a large extent in India since 1991.’ Justify the statement.**

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.

1. **How did ‘Cargill Foods’ become the largest producer of edible oils in India? Explain.**

Cargill Foods, a very large American MNC, bought Parakh foods, which had a large marketing network in many parts of India. It was a well reputed company. It had four oil refineries, whose control passed to Cargill Foods. Cargill Foods is, now, the largest producer of edible oil in India, with a capacity of making 5 million pouches daily.

1. **Why did Ford Motors want to develop Ford India as a component supplying base for its other plants across the globe? Explain.**

Ford Motors wanted to develop Ford India as a component supplying base for its other plants across the globe because: • Ford Motors was selling 27,000 cars in the Indian market and 24,000 cars were exported from India to South Africa, Mexico and Brazil. India was making components and know how to produce them, so they could be easily manufactured and sent across the globe. • Sending components from India to other plants will reduce the time in manufacturing the components and the orders could be placed immediately. Same plants would not need to be set up at all locations

1. **“Technology has stimulated the globalisation process.” Support the statement with examples.**

Technology has stimulated the process of globalisation in the following ways:

* 1. Transportation technology has witnessed several improvements in past fifty years. This has made much faster delivery of goods across long distances possible at lower costs, such as use of containers have led to huge reduction in port handling costs and increased the speed with which exports can reach markets. Also, the cost of air transport has fallen. Ultimately, it has stimulated the globalisation process.
  2. Telecommunication has also shown remarkable development. Computers, internet, e-mail, voice-mail, etc. are used intensively to contact one another around the world.
  3. There has been a remarkable development in information and communication technology. It has enabled to access information instantly and communicate even in the remotest areas. Call centres use this to satisfy their customers abroad or provide outsourcing services from anywhere.

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

The Indian market has been transformed in recent years. Consumers have a wide variety of goods and services to choose from, which were not available earlier. For example, The latest models of mobile phones, television, digital cameras of leading manufacturers and other well known brands of the world are easily available in the markets. New models of cars and automobiles are launched every season. The top companies in the world have introduced their popular brands in India for various products like shirts, fruit juices, cosmetics, toys, furniture, stationery etc. All this has been possible only due to globalisation.

1. **“Globalisation and greater competition among producers has been of advantageous to consumers.” Justify the statement with examples.**

Globalisation and greater competition among producers have been of advantageous to consumers in the following ways:

* 1. Consumers in today’s world have a wide variety of goods and services to choose from. The latest models of digital cameras, mobile phones and televisions made by the leading manufacturers are available to them.
  2. Consumers now enjoy better and improved quality at lower prices.
  3. It has resulted in higher standards of living.
  4. There has been a varying impact on producers and workers.
  5. Many top Indian companies have been able to establish themselves as multinational corporations.
  6. Latest technology and production methods have raised production standards

1. **How have our markets been transformed? Explain with examples.**

The advent of globalisation and the policy of liberalization has opened the market to the world players. It has given rise to a wide choice of goods and services for the consumer. MNCs have played a vital role in the world market. Foreign trade and investment in the country has increased. It has also resulted in an exchange of technology between countries. In recent times, technology in the areas of telecommunications, computers and the internet has been changing rapidly. Globalisation has also created new opportunities for companies providing services, particularly those involved in IT. Better job opportunities for people have given rise to migration. Globalisation has also enabled some large Indian companies to emerge as multinationals For example, Tata Motors, Infosys, Ranbaxy have expanded their operations around the world.

1. **What is globalisation? Describe the role of Multinational Corporations (MNCs) in promoting the globalisation process.**

Globalisation is this process of rapid integration or interconnection between countries.

MNCs play an important role in promoting the globalisation process in the following ways:

* 1. They serve as agents for the transfer of superior technology. They have provided advanced technology, manufacturing process and improved skills to underdeveloped countries.
  2. They help in the transfer of capital from countries where it is abundant to where it is scarce.
  3. They help in building up a knowledge base and developing of human resources
  4. They help in creating large scale employment opportunities by setting up their branches and subsidiaries.

1. **What is trade? Explain the importance of international trade.**

The exchange of goods among people, states and countries is referred to as trade. The international trade is important because:

* 1. It helps in exchange of surplus goods with those of deficit countries through foreign trade.
  2. It helps in improving the quality of domestic goods.
  3. It contributes to the economic growth of the country by raising income level of the people and increasing foreign exchange reserves.
  4. It enables a country to import advanced technology of other countries to improve its own production.

1. **Describe the impact of globalisation on Indian economy with examples.**

The impact of globalisation on Indian economy is as follows:

* 1. It has created competition among producers, both local and foreign, which is advantageous to the consumers, particularly the well off. Now, there is a greater choice of goods before the consumers.
  2. It has enabled many Indian companies to become multi-national companies such as Tate Motors, Infosys and Ranbaxy.
  3. It has created new employment opportunities for companies providing services specially information technology.
  4. A lot of services such as data entry, accounting, administrative tasks are done cheaply in India and exported to other countries.
  5. New jobs are created in industries such as electronics, cell phones, automobiles and fast food.
  6. It had a negative impact on small manufacturers. Due to competition, some industries has been hit hard such as batteries, capacitors, plastic toys, vegetable oil etc. A number of units have shut down and a lot of workers, have become jobless.

1. **Describe any five factors that promote the Multinational Corporations (MNCs to set up their production units in a particular place.**

The factors that MNCs take into consideration to set up their production units in a particular place are:

* 1. where it is close to the markets.
  2. where the skilled and unskilled labour at low costs is available.
  3. where the favourable government policies looking after their interest are , present.
  4. where the other factors of production such as raw materials, water, electricity and transport are available.
  5. where there are standard safety measures for assured production

1. **Describe the major problems created by the globalisation for a large number of small producers and workers.**

The major problems created by the globalisation for a large number of small producers and workers are:

1. The small producers or workers either have to compete or perish.
2. Small scale industries like batteries, capacitors, plastic toys etc. have been hit hard due to global products and have suffered great losses in their businesses.
3. Several small factory units are forced to shut down.
4. Millions of workers have gone jobless and jobs are no longer secure.
5. It has increased income inequalities among various countries.
6. Unorganised sector has expanded

[any five]

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

The ways in which MNCs controlling and spreading their productions across the world are:

1. By directly setting up factories and offices for production in different countries.

Eg.

1. By setting up production jointly with some of the local companies of other countries.

Eg.

1. By buying up local companies and then expand production.

Eg.

1. By placing orders for production with small producers of the countries such as garments, footwear.

Eg.

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

Eg.

1. **Explain any three ways in which multinational companies are spreading their production.**

**OR**

**How are MNCs spreading their production across countries? Explain with an example**.

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

1. By buying local companies and, then expanding production. 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.
2. 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.
3. By producing jointly with some of the local companies. It benefits the local company in two ways.

1. A MNC can provide money for additional investments.

2. 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

1. **What is foreign trade? How does it integrate markets? Explain with examples.**

**OR**

**How does foreign trade connect the markets of different countries? Explain with example.**

Trade between two countries is called foreign trade. It may take plate through sea, air or land. It creates an opportunity for the producers to reach beyond domestic markets. Foreign trade integrates the markets of different countries as:

* 1. It provides an opportunity for both producers and consumers to reach beyond the markets of their own country.
  2. Producers now compete with markets located in other countries.
  3. There is an expansion of choice of goods beyond the domestic market For example, during the Diwali season, buyers in India have the option of buying either Indian or Chinese decorative lights and bulbs. The Chinese manufacturers get the opportunity to expand their business.

1. **What is globalisation? How does globalisation help in interconnection among different countries? Explain with examples.**

Globalisation is this process of rapid integration or interconnection between countries. Globalisation interconnect different countries by:

* 1. Foreign trade which leads to integration of markets across countries due to which the latest models of goods like digital cameras, mobile phones and televisions etc. are available in one country.
  2. Foreign investment. MNCs invest capital in different countries by (i) jointly producing with local companies, (ii) buying the local companies, (iii) placing orders for production like garments footwear, sports goods etc. with small producers of other countries.

1. **How has improvement in technology stimulated the globalisation process? Explain.**

The improvement in technology has stimulated the globalisation process as:

* 1. There has been many improvements in transport technology in the recent years that have enabled faster delivery of goods across the world.
  2. Development of information technology in the areas of telecommunication like internet has revolutionised the world.
  3. Use of telegraph, mobiles, fax have enabled faster and easier access to information anywhere at any point of time.
  4. All these developments have further decreased the cost of their operations favouring the consumers around the world.
  5. It has opened up horizons for further advancement, research and development of existing means.

1. **How has globalisation benefited India? Explain with five examples.**

The impact of globalisation on India are:

* 1. It has enabled some large Indian companies to emerge as MNCs such as Tata Motors, Infosys.
  2. It has also created new opportunities for companies providing services like information technology.
  3. Greater competition among producers has been of special advantage particularly to the to consumers in the well-off sections in the urban areas.
  4. They have greater choice and enjoy the improved quality and lower prices for various products. Thus, they are enjoying a higher standard of living.
  5. MNCs related to cell phones, automobiles, electronics, soft drinks, fast food or services such as banking in urban areas have increased their investments in India . In these sectors, new jobs have been created and also the companies supplying raw materials to these industries have prospered.
  6. Several of the top Indian companies have been able to benefit from the increased competition. They have invested in new technology and production methods and raised the standard of their products. Some of them have gained from successful collaboration with foreign companies.

1. **How is the Government of India trying to attract more foreign investment? Explain with examples.**

The government of India is trying to attract more foreign investment in the following ways:

* 1. Government has adopted the policy of liberalisation and lifted the trade barriers to allow foreign investment.
  2. In recent years, industrial zones called Special Economic Zones are being set up. These areas have world class facilities such as electricity, water, transport, education and recreational.
  3. The companies setting up production units in Special Economic Zones are exempted from various taxes and duties.
  4. The government also allowed flexibility in labour laws. The workers in the organised sector are protected by the government laws.
  5. The companies in Special Economic Zones instead could ignore many of the laws and engage workers flexibly for shorter periods, when there is a pressure of work.

1. **What is the main aim of World Trade Organisation? Explain its functions.**

The main aim of World Trade Organisation is to liberalise international trade. It says that all barriers to foreign trade and investment are harmful. There should be no barriers. The main functions of World Trade Organisation are:

* 1. establish rules regarding international trade and sees that they are obeyed.
  2. provide a platform to member countries to decide future strategies related to trade.
  3. administer the rules and processes related to dispute settlement.
  4. ensure optimum utilisation of world resources.
  5. assist international organisations such as IMF and 1BPD for establishing coherence in Universal Economic Policy determination.

1. **How has globalisation been advantageous to both the producers as well as the consumers in India?**
2. Advantages of globalisation for consumers are:
   1. They have greater choice.
   2. Better quality of products are available for consumption due to competition.
   3. It has reduced the cost of goods and services considerably.
      1. Advantages of globalisation to producers are:
3. They now have access to international markets for their products.
4. They have easier access to foreign investment to enhance their production
5. Collaboration with MNCs have added up their performance and profits.
6. **Explain four ways in which globalisation and pressure of competition has changed the lives of workers substantially.**

Globalisation and pressure of competition has affected the workers in following ways:

* 1. Casual workers are hired on contract when demand is high and laid off when demand declines.
  2. There is no job security among workers.
  3. They have long working hours and work the night shifts on a regular basis during peak seasons.
  4. They are not given any benefits of pension, overtime, medical leaves etc.

1. **Explain any three conditions that determine MNCs setting up production in other countries.**

The factors that MNCs take into consideration to set up their production units in a particular place are:

* 1. where it is close to the markets.
  2. where the skilled and unskilled labour at low costs is available.
  3. where the favourable government policies looking after their interest are , present.
  4. where the other factors of production such as raw materials, water, electricity and transport are available.
  5. where there are standard safety measures for assured production.

1. **How do large companies often manipulate the markets? Explain with an example.**

The large companies manipulate the market in the following ways:

* 1. Sometimes false information is passed on through media and other sources to attract consumers. For example, a company selling powder milk for babies as the most scientific product claimed it to be better than mother’s milk which although was a false claim.
  2. Some food items were consumed in India for many years although it is very harmful to the health of people. But through attractive and convincing advertisements in media, it was able to control the market such as Maggie noddles manufactured by Nestle were found harmful after testing in India in May 2015.
  3. They may also hide the essential information about the product like expiry date, contents, terms and conditions etc. to keep the consumers in dark.
  4. Sometimes, the expired products are packed in a new packing and again released in the market.
  5. It has also been evident that artificial scarcity is created by the producers and the product is hoarded for sale in future at a high price.

1. **What has been the impact of globalisation on India? Explain.**

The impact of globalisation on the Indian economy is as follows:

* 1. It has created competition among producers, both local and foreign, which is advantageous to the consumers, particularly the well off. Now, there is a greater choice of goods before the consumers.
  2. It has enabled many Indian companies to become multi-national companies such as Tate Motors, Infosys and Ranbaxy.
  3. It has created new employment opportunities for companies providing services specially information technology. A lot of services such as data entry, accounting, administrative tasks are done cheaply in India and exported to other countries.
  4. New jobs are created in industries such as electronics, cell phones, automobiles and fast food.
  5. It had a negative impact on small manufacturers. Due to competition, some industries has been hit hard such as batteries, capacitors, plastic toys, vegetable oil etc.
  6. A number of units have shut down and a lot of workers, have become jobless.

1. **What are the benefits of foreign trade to producers and consumers?**

The benefits of foreign trade to producers and consumers are:

* 1. It created an opportunity for the producers to reach beyond the domestic markets, i.e., markets of their own countries.
  2. It gave consumers a wider choice of good quality goods.
  3. It helps every country to make optimum utilisation of its natural resources.
  4. It integrates markets and allows the international exchange of ideas.
  5. It brings in new technology and expertise. Producers use it for production and are able to compete in the international market.

1. **Explain the role of information technology in globalisation.**

Information and communication technology has stimulated the globalisation process as:

* 1. In recent years, technology in the areas of computers, telecommunication and internet has been changed rapidly.
  2. Telecommunication facilitates including telegraph, telephone, mobile phone, fax are used to contact one another around the world and to get information instantly and to communicate from remote areas. All this has been facilitated by satellite communication devices.
  3. Computers and internet have enabled people to obtain and share information on any subject.

1. **How has transportation technology stimulated the globalisation process? Explain with suitable examples.**

Transportation technology has stimulated the globalisation process in the following ways:

* 1. Faster trains connecting every nook and corner of a country and faster planes that cover the distance within a few hours have enabled the faster delivery of goods Improvements done in transportation technology in the past fifty years have also helped in the quick movement of goods. For example, containers carrying goods have led to huge reduction in port handling costs and an increased speed, with which exports can reach markets.
  2. Reduced cost of air transport has enabled much greater volumes of goods being transported by airlines.

1. **Explain the role of technology in stimulating globalisation process.**

The improvement in technology has stimulated the globalisation process as:

* 1. There has been many improvements in transport technology in the recent years that have enabled faster delivery of goods across the world.
  2. Development of information technology in the areas of telecommunication like internet has revolutionised the world.
  3. Use of telegraph, mobiles, fax have enabled faster and easier access to information anywhere at any point of time.
  4. All these developments have further decreased the cost of their operations favouring the consumers around the world.
  5. It has opened up horizons for further advancement, research and development of existing means.

**or or or or**

Information and communication technology has helped globalisation in the following ways:

Rapid improvement in technology has contributed greatly towards globalisation. Advanced technology in transport systems has helped in the delivery of goods faster across long distances at lower costs.

Development in information and communication technology has also helped a great deal. Telecommunication facilities — telegraph, telephone, mobile phones, fax are used to contact one another quickly around the world, access information instantly and communicate from remote areas. This is possible due to satellite communication devices. 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 of money from one bank to another can be done through e-banking through internet. Internet also allows us to send instant electronic mail (e-mail) and talk (voice-mail) across the world at negligible cost

1. **Explain any four ways by which MNCs exercise control on production.**

Multinational Corporations (MNCs) exercise control on production in the following ways:

* 1. By setting up their factories or production units close to markets where they can get desired type of skilled or unskilled labour at low cost along with other factors of production.
  2. By collaborating with existing local companies of a country.
  3. By buying the local companies and then expand or control its production with the help of modern technology and capital.
  4. By placing orders to small producers and selling these products under their own brand name to the customers worldwide.

1. **How is foreign trade inter-connecting the markets in different countries? Explain with examples.**

Foreign trade is the main channel which connects the markets of various countries. It leads to integration of markets across the countries in following ways:

* 1. It creates opportunities for the producers to reach beyond the domestic markets or the markets of their own countries such as Tata Motors and Ranbaxy of India have emerged as multinational corporations.
  2. Import of goods from various countries provides choice of goods for consumers beyond the goods that are produced domestically. Availability of foreign goods like television, mobiles etc. has increased the choice of the consumers.
  3. Producers of different countries compete with each other although they are thousands of miles away.
  4. It results in bringing down the prices of commodities which further leads to increase in production and supply. Thus, people have access to cheap products which were costlier earlier.

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1. **Why had Indian government put barriers to foreign trade and foreign investment after independence? Explain.   
   Or  
   Why had the Indian government put barriers to foreign trade and foreign investments after independence? Analyse the reasons.** 
   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, fertilisers, petroleum etc. was allowed.
   2. Another reason was 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.

**2. How are MNCs able to cope with large demands from all over the world and control prices?**Large MNCs in developed countries place orders for production with small producers.

1. The MNCs sell these under their own brand names to the customers.
2. As they control the market with the huge demand, they are able to control prices.
3. **“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 —

1. We have a wide variety of goods and services before us in the market.
2. 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.
3. 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.
4. A similar explosion of brands can be seen for many other goods like footwear. For example, Adidas, Nike, Reebok, Puma and many more.
5. **In spite of Globalization, creating good quality products and expanding market, how is it affecting the stability in jobs for the workers?**
6. Employment of ‘flexible workers’.
7. Increased competition, objective to lower costs, the axe falls on the ‘labour costs’—temporary jobs given.
8. Longer working hours for labour to get suitable salaries.
9. **Examine any three conditions which should be taken care of by multinational companies to set up their production units.**

Conditions:

1. 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.
2. 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.
3. 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 tops in this area).
4. All these factors help MNCs in saving costs of production by 50-60%.
5. **How do Multi-National corporations (MNCs) interlink production across countries? Explain with examples.**

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

1. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources; eg., in countries like China, Bangladesh and India. These countries also provide with the advantage of cheap manufacturing locations.
2. 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.
3. 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.  
   eg. Cargill Foods, a very large American MNC has bought over smaller Indian companies such as Farakh Foods.
4. There is another way in which MNCs control production and that is by placing orders for production with small producers in developing nations; eg., garments, footwear, sports items etc. The products are supplied to these MNCs which then sell these under their own brand name to customers. MNCs also enter into close competition with local companies thereby influencing production in distant locations.
5. **Give the meaning of WTO? What is the major aim of WTO? Mention any two shortcomings of WTO?**  
   WTO (World Trade Organization). WTO believes that there should not be any barriers between trade of different countries. Trade between countries should be free.  
   Aims of WTO:

* To liberalize international trade.
* To establish rules regarding international trade.

Two shortcomings of WTO:

1. Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers and continued to provide protection to their producers. For example, farmers in the US receive huge sums of money from the government and as a result can sell the farm products at abnormally low prices in other countries, adversely affecting farmers in those countries.
2. On the other hand WTO rules have forced the developing countries to remove trade barriers.
3. **What is globalization? Explain with three examples how top Indian companies have benefitted from globalization.**   
   Globalization is the process of rapid integration or interconnection among countries. It is the integration between countries through foreign trade and foreign investments by multinational corporations. It means the coming together of various economies of the world to form a global economy.

The top Indian companies have benefitted from the increased competition and globalization.

1. They have invested in new technology and production methods and raised their production standards.
2. Some have gained from successful collaborations with foreign companies.
3. Moreover, globalization has enabled some large Indian companies to emerge as multinationals themselves. For example, Tata Motors, Infosys, Ranbaxy, Asian Paints, Sundaram Fasteners etc.
4. **What is an MNC? Give two examples of Indian companies that have emerged as MNCs. What are the harmful effects of MNCs to a host country? Give three examples.**   
   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.

Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners (nuts and bolts), etc. are some of the Indian companies which are spreading their operations worldwide as MNCs.

Harmful effects of MNCs to a host country:

1. Small producers compete or perish. MNCs have posed major challenges for a large number of small producers and workers. The small manufacturers have been hit hard due to competition. Several of the units have shut down rendering many workers jobless. Batteries, taps, tyres, dairy-products, vegetable oil are some of the industries that are badly affected due to stiff competition from MNCs.
2. Uncertain employment. In order to maximize the profit MNCs look for a location with minimum labour costs. Faced with competition, most employers these days prefer to employ workers on temporary basis so that they do not have to pay workers for the whole year. This has changed the lives of workers and their jobs are no longer secure.
3. The Condition of employment. Workers also have to put in very long working hours and work night shifts on a regular basis during the peak season. Wages are low and workers are forced to work overtime to make both ends meet. The workers are denied their fair share of benefits and no longer get the protection that they enjoyed earlier, for example, the Indian garment export industry often deny their workers their fair share of benefits.
4. **How has globalization been advantageous to both the producers as well as the consumers in India? Explain.**   
   To Producers. Several of the top Indian Companies have been able to benefit from the increased competition.

* They have invested in newer technology and production methods and thereby raised their production standards.
* They have gained from successful collaborations with foreign companies.
* Globalization helped in the development of IT sector.
* Good quality products are being produced at lower prices.  
  To Consumers. There is greater choice before consumers who can enjoy improved quality and lower prices for several products.
* People today, enjoy much higher standards of living than was possible earlier.

1. **How has globalization benefitted India? Explain with five examples.**   
   Globalization has benefitted India in the following ways:  
   1. People with education, skill and wealth have benefitted by globalization.

* Greater competition among producers (both local and foreign) has been advantageous to consumers, particularly the well-off section. Rich people enjoy improved quality at lower prices for several products and enjoy a higher standard of living.
* MNCs have increased their investments in India over the past 20 years in industries such as cell phones, automobiles, electronics, soft drinks, fast food and services such as banking.
* New jobs have been created in all these industries and services.
* Top Indian companies have benefitted from the increased competition. They have invested in newer technology and production methods.
* Some Indian companies have gained from successful collaborations with foreign companies. Globalization has enabled some companies to emerge as multinationals.

1. **How is the Government of India trying to attract more foreign investment? Explain with examples.**   
   In order to attract foreign investment, the Government has taken the following steps:
2. All the barriers and restrictions on foreign trade and investment have been removed to a large extent.
3. Liberalization of investment policies has allowed Indian producers to compete with the producers around the globe.
4. Allowing privatization of many public sector industries by the government.
5. Allowing businesses to make decisions freely about what they wish to import or export.
6. The government has allowed flexibility in labour laws to attract foreign investment for the benefit of companies.
7. **What is the meaning of SEZ? Mention any three features of SEZ.**   
   Answer:  
   SEZ or Special Economic Zones are industrial zones set up by the Central and State Governments with world class facilities in electricity, water, roads, transport, storage, recreational and educational facilities. Three features of SEZ:
8. The companies who set up production units in the SEZs do not have to pay taxes for an initial period of five years.
9. Government has also allowed flexibility in the labour laws to attract foreign investment. This is done to reduce the cost of labour for the company.
10. These are being set up to attract foreign companies to invest in India.
11. **“Advancement of international trade of a country is an index of its economic prosperity.” Justify the statement with five arguments. (2013 OD)**  
      
    “Advancement of international trade of a country is an index to its economic prosperity”.
12. As no country is self-sufficient in all resources, it cannot survive without international trade.
13. If the balance of international trade is favourable, a country will be able to earn more foreign exchange.
14. International trade encourages a country to develop secondary and tertiary sectors for exporting goods which can fetch more foreign exchange.
15. A country’s economic prosperity can be gauged by the health of its international trade.
16. A country can earn large amounts of foreign exchange through international trade.
17. **Explain the role of multinational corporations in the globalization process.**   
    Globalization is the process of rapid integration or inter-connection among countries. MNCs have contributed greatly in the process of globalisation.
18. MNC’s have set up production centres in various countries and are supplying produced goods, services and technology to various countries.
19. The countries of the world have come closer. It has also increased the movement of people between countries.
20. The MNCs provide money for additional investments, for faster production. Also, MNCs bring with them the latest technology for enhancing and improving the production.
21. **How has improvement in technology stimulated the globalization process? Explain with five examples.**   
    Improvements in technology have helped in globalization in the following ways:
22. Rapid improvement in technology has contributed greatly towards globalization. Advanced technology in transport systems has helped in the delivery of goods faster across long distances at lower costs.
23. 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, access information instantly and communicate from remote areas. Teleconferences help in saving frequent long trips across the globe.
24. 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. Internet also allows us to send instant electronic mail (e-mail) and talk (face-to-face) across the world at negligible cost.
25. The cost of air transport has fallen which has enabled much greater volumes of goods being transported by airlines.
26. Technology has made e-banking, e-commerce, e-learning, e-mail and e-governance a reality.
27. **What is globalisation? Describe the role of Multinational Corporations (MNCs) in promoting globalisation process.**   
    Answer:  
    Globalisation is the process of rapid integration or inter-connection among countries. Over the last 20-30 years, these has been a tremendous increase in globalisation with the increase in the number of MNCs.
28. MNCs set up production centres worldwide where cheap labour is available, markets are near and government policies are favourable.
29. They supply produced goods to different countries.
30. Countries of the world have come closer due to increased movement of people between countries.
31. MNCs provide money for additional investments for faster production.
32. MNCs bring with them the latest technology and know-how for enhancing and improving the production process.
33. **What is trade? Explain the importance of international trade. (2015 OD, 2016 D)**The exchange of goods among people, states and countries is referred to as trade.  
    Importance of international trade:
34. International trade of a country is an index to its economic prosperity.
35. It is considered the economic barometer for a country. If the balance of international trade is favourable, a country will be able to earn more foreign exchange.
36. As no country is self-sufficient in all resources it cannot survive without international trade.
37. Countries have trade relations with the major trading blocks.
38. Exchange of commodities and goods have been superseded by the exchange of information and knowledge.
39. **Describe the impact of globalisation on Indian economy with examples. (2016 OD)  
    Or, “Globalisation and greater competition among producers has been of advantage to consumers.” Justify the statement with examples. (2015 OD)**  
    Answer:  
    Impact of Globalisation on the Indian Economy:
40. Greater competition among producers (both local and foreign), has been advantageous to consumers, particularly the well-off section. There is greater choice before the consumers who now enjoy improved quality and lower prices for several products.
41. Globalisation has led to a higher standard of living especially in urban areas.
42. MNCs have increased their investments in India in industries such as electronics, automobiles, cellphones, soft drinks, fast food, banking services etc. thereby providing consumers with a vast variety of products. New job opportunities have been created in these industries and services, thereby increasing purchasing power.
43. Globalisation has enabled some large Indian companies to emerge as MNCs themselves like Tata Motors, Infosys, Ranbaxy, Asian Paints, etc.
44. Globalisation has also created new opportunities for companies providing services particularly those involving IT (Information Technology)- For example, call centres.
45. Top Indian companies have benefitted from the increased competition. They have invested in newer technology and production methods indirectly benefitting the consumers.
46. Local companies supply raw materials to foreign industries and have prospered.  
    However, for a large number of producers and workers the impact has not been uniform, and globalisation has posed major challenges.
47. **How are MNCs spreading their products? Explain with examples. (2014 OD)  
    Or, How are multinational corporations (MNCs) controlling and spreading their production across the world? Explain. (2015 D)**  
    Answer:  
    MNCs set up production in various countries based on the following factors:
48. 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. These countries also provide with the advantage of cheap manufacturing locations.
49. At times, MNCs set up production jointly with some of the local companies of countries around the world. Such joint production also provides benefits to the local company.
50. MNCs with huge amounts of wealth sometimes buy up local companies to expand production, e.g., Cargill Foods, a very large American MNC has bought over smaller Indian companies such as Parakh Foods.
51. There is another way in which MNCs control production and that is 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. MNCs also enter into close competition with local companies thereby influencing production in distant locations.
52. **How do banks play an important role in the economy of India? Explain. (2015 OD)**Answer:
53. Banks help people to save their money and keep their money in safe custody. To ensure safety of their money, people deposit their money with banks. Banks accept deposits and pay interest on deposits. People have the provision to withdraw their money as and when they require.
54. Banks also grant loans to people for a variety of purposes. In times of need individuals, business houses and industries can borrow money from the banks.
55. Credit provided by banks is crucial for the country’s growth and economic development. Credit is needed for all kinds of economic activities, to set up business, buy cars, houses, etc.
56. Banks also help people in obtaining cheap and affordable loans. This can help people to grow crops, do business, set up small-scale industries or trade in goods and also help indirectly in the country’s development. They should do so, so that relatively poor people do not have to depend on informal sources of credit (money-lenders).
57. **Describe the vital and positive role of credit with examples. (2016 D**)  
    Answer:  
    In the festive season, a shoe manufacturer, Ram receives an order from a large trader in town for 3,000 pairs of shoes to be delivered in a month’s time. To complete production on time Ram has to hire workers for stitching and pasting work. He has to purchase the raw materials. To meet these expenses Ram obtains loans from two sources.

First, he asks the leather supplier to supply leather now and promises to pay him later.

Second, he obtains loan in cash from the large traders as advance payment for 1000 pairs of shoes with a promise to deliver the whole order by the end of the month.

At the end of the month, Salim is able to deliver the order, make a good profit and repay the money he had borrowed.

Salim obtains credit to meet the working capital needs of production. The credit helps him to meet the ongoing expenses of production, complete production on time and thus increase his earnings. Credit therefore plays a vital and positive role in this situation.

1. **How can the formal sector loans be made beneficial for poor farmers and workers? Suggest any five measures**. (2016 OD)  
   Formal sector loans can be made beneficial for poor farmers and workers in the following ways:
2. Create greater awareness among farmers about formal sector loans.
3. Process of providing loans should be made easier. It should be simple, fast and timely.
4. More number of Nationalized Banks/cooperative banks should be opened in rural sectors. Banks and cooperatives should increase facility of providing loans so that dependence on informal sources of credit reduces.
5. The benefits of loans should be extended to poor farmers and small scale industries.
6. While formal sector loans need to expand, it is also necessary that everyone receives these loans. It is important that formal credit is distributed more equally so that the poor can benefit from cheaper loans