GLOBALISATION AND THE INDIAN ECONOMY

The entire world is interconnected today through trade and cultural ties. This interconnectedness across countries has many dimensions - cultural, political, social and economic. This chapter looks at globalisation. It defines globalisation as the integration between countries through foreign trade and foreign investments by multinational corporations. MNCs have been a major force in the globalisation process connecting distant regions of the world. Three of these have been highlighted: rapid improvements in technology, liberalisation of trade and investment policies and pressures from international organisations such as the WTO. This chapter focuses on these values.

TOPIC 1

CHANGING MARKET TRENDS

Today, consumers have a wide choice of goods and services before them. Various digital cameras, mobile phones and televisions made by the leading manufacturers of the world can be bought and used. Citizens of any country can buy anything, produced in any country of the world. This transformation and integration in markets is a recent phenomenon.

Until the middle of the twentieth century, production was largely organised within countries. Only raw material, food stuff and finished products were transported back and forth across countries. Colonies such as India exported raw materials and food stuff and imported finished goods.

Earlier, trade was the main channel connecting distant countries. Today, multinational companies have integrated them further. MNCs have set up offices and factories for production in regions with cheap labour and other resources. This helps MNCs earn more profits. MNCs help to sell and produce the goods and services globally. Production is organised in different ways. The production process is divided into small parts and spread out across the globe.

(1) China provides the advantage of being a cheap manufacturing location.

(2) Mexico and Eastern Europe are close to markets in the US and Europe.

(3) India has highly skilled engineers to aid technical aspects of production. It also has educated English speaking youth to provide customer care services.

This reduces the cost of production for MNCs.

Frequently Asked

➥ *A multi-national corporation or MNC is a company that owns or controls production in more than one nation.*

MNCs also set up production jointly with local companies in various countries.

It benefits the local companies in following ways:

(1) MNCs can provide money for additional investments.

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

Frequently Asked

➥ *MNCs set up production in areas which are:*

(1) Close to the markets,

(2) Hubs of skilled and unskilled labour available at low costs;

(3) Other factors like transportation are easily available.

➥ *In addition, MNCs often look for government policies to keep their interests up. MNCs set up factories and offices for production.*

Important

➥ *The money spent to buy assets such as land, building, machines and other equipment is called investment. Investment made by MNCs is called foreign investment. Any investment is made with the hope that these assets will earn profits.*

MNCs invest usually by buying up local companies and then to expand production. This expands its reach to different local markets and increases its production capacity. Richest MNCs around the world have more wealth and greater budgets than the governments of some developing country.

MNCs control production by placing orders for production with small producers. Production is carried out by a large number of small producers around the world. Products are then supplied to the MNCs, which sell them under their own brand names to the customers.

Important

➥ *MNCs have tremendous power to determine price, quality, delivery, and labour conditions for these distant producers.*

➥ *MNCs spread their production through interaction with local producers in various countries across the globe.*

MNCs thus exert influence on production at these distant locations by:

(1) setting up partnerships with local companies,

(2) using the local companies for supplies,

(3) closely competing with the local companies

(4) buying local companies

As a result, production in these widely dispersed locations is getting interlinked.

(1) MNCs sell and produce various products globally. They integrate various countries and their markets by their expanded branches.
(2) It is because of the expansion of these Multi National Corporations that advanced technology reaches the remotest countries across the world.
(3) Greater foreign trade and investment by MNCs help in quicker integration of production and markets across various countries.
(4) MNCs control the production, price, quality, delivery and labour conditions for producers across various countries, this brings markets and producers in different countries closer.
(5) MNCs help boost businesses in developing and underdeveloped countries, and provide employment opportunities to their citizens.
(6) MNCs help to move more goods and services across various countries easily.

(Any 3 of 6 points can be written to get full marks)

Related Theory

➥ *A multinational corporation (MNC) is a corporate organisation that owns or controls the production of goods or services in at least one country other than its home country.*

9. Examine any three conditions which should be taken care of by multinational companies to set up their production units.

Ans. Factors that encourage the multinational corporations (MNCs) to set up their production units in a particular place are:

(1) Proximity to the markets as it helps them to sell their products easily.
(2) Availability of skilled and unskilled labourers at cheap rate which helps them in cutting costs and aids in production work.
(3) Presence of favourable government policies looking after their interest or which could support their operations.
(4) Availability of other factors of production such as raw materials, water, electricity and transport also matters, as it eases the production and transportation of finished goods.
(5) Presence of standard safety measures for assured production as it helps them to grow and stay assured.

(Any 3 of 5 points can be written to get full marks)

Related Theory

➥ *A multinational corporation (MNC) is a corporate organisation that owns or controls production of goods or services in at least one country other than its home country.*

TOPIC 2

FOREIGN TRADE AND INVESTMENT

MNCs have been boosting foreign trade for the past few decades. They control a significant portion of foreign trade. Foreign investment by MNCs has been rising. Most activities in MNCs involve substantial trade in goods and services. The result of greater foreign investment and greater foreign trade has been greater integration of production and markets across countries. This process comprises rapid integration or interconnection between countries and is called Globalisation.

MNCs play instrumental roles in Globalisation. Goods and services, investments and technology are flowing between countries on a larger scale. Countries are building closer relationships.

Countries are also connected through movement of people in search of better income, better jobs or better education between them. There has not been an exponential rise in movement between countries due to various restrictions.

MOST LIKELY Questions

Very Short Answer Type Questions
[2 marks]

10. What attracts the foreign investment?

Ans. Companies and Firms attract foreign investment.

11. What is the basic function of foreign trade?

Ans. Foreign trade helps in the integration of markets in different countries.

Related Theory

➥ *Foreign trade creates an opportunity for the producers to reach beyond their domestic markets. They are able to export their products and sell them*

Foreign trade was the main channel connecting countries. Trading interests attracted various trading companies such as the East India Company to India. Foreign trade thus creates an opportunity for the producers to reach beyond their local and domestic markets.

Producers can also compete in markets located in other countries of the world.

For consumers, import of goods produced in another country helps expand the choice of goods beyond items produced domestically.

Prices of similar goods in the two markets tend to become competitive and producers in the two countries compete against each other despite being separated by miles. Foreign trade integrates or connects the markets of different countries.

MOST LIKELY Questions

Very Short Answer Type Questions
[2 marks]

1. Differentiate between multinational corporations and domestic companies.

Ans. Multinational corporations operate in two or more countries while domestic companies restrict their operations to a single country.

Related Theory

→ *Multinational companies move to other countries and expand their business for various reasons. They also give a tough competition to domestic companies.*

2. Where do MNCs prefer to set up their offices and factories?

Ans. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources.

Explanation: Every MNC wants to attain maximum profit off their business. One of the easiest way to do is to reduce the cost of production by either updating the infrastructure, to include better technology, or by employing cheap labour, finding cheaper sources of energy to be used.

3. How has globalisation enabled the national companies to emerge as Multinational Companies (MNCs)?

Ans. Globalisation enabled the national companies to emerge as MNCs:

New opportunities have been provided to the companies/ Helped in collaboration with foreign companies/ Technological and production inputs.

4. Which is the most common route for investment by MNCs in countries around the world?

Ans. The easiest way for MNCs is to invest around the world is to buy up local companies and then to expand production by controlling the means.

5. The MNC's of a country sets up a production jointly with the local company of other country. State any one benefit of this joint production to the local company.

Ans. Benefits of Joint Production:

(1) MNC can provide money for additional investment.

(2) MNC might bring latest technology for production.

(Any 1 to be mentioned)

Short Answer Type Questions (SA)
[3 marks]

6. Elaborate any three disadvantages of multinational corporations?

Ans. The disadvantages of MNCs are as follows:

(1) Manufacturers of batteries, capacitors, plastic toys, tyres, dairy products and vegetable oil have faced severe losses.

(2) MNCs have led to closing down of small units which has rendered many workers jobless.

(3) Most employers prefer to employ workers 'flexibly', which means seasonal unemployment has increased drastically.

7. How do MNCs help in the growth of local producers?

Ans. Large MNCs set up production units jointly with local companies in a country. At times, they buy local companies and thereafter they expand their production activities. They place orders at the local producers and manufacturers to produce goods and thereafter sell it under their label or brand.

(1) Footwear, garments and sports items are some commodities which are thereby produced at local levels around the world.

(2) The local producers are able to employ more people.

(3) They are also able to buy newer technology and produce better quality of goods.

8. Describe the contribution of multinational corporations to promote globalisation.

Ans. The importance of multinational companies (MNCs) in the process of globalisation is as follows:

in different countries. World Trade Organization makes laws and rules for foreign trade.

12. Distinguish between investment and foreign investment.

Ans. When land, assets or buildings are purchased and kept hold of, they are considered as investments, whereas when multinational corporations (MNC's) invest money or finances in a project of another company in another country, it is considered as foreign investment.

13. Define the term 'investment'.

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

Explanation: Any investment is made with the hope that these assets will earn profits.

Related Theory

→ *Investment made by MNCs is called foreign investment.*

14. Why did the Indian government remove barriers to a large extent on foreign trade and foreign investment?

Ans. They removed the trade barriers to help the native industries and boost their trade by letting the foreign competition in the country's market.

Short Answer Type Questions (SA)

[3 marks]

15. How does International Trade affect the economy of a country? Elaborate.

Ans. The advancement of international trade of a country is an index to its economic prosperity. This is because of the following reasons:

(1) It boosts the trade of the country and attracts greater foreign investment.

(2) It is a great source of earning foreign reserves which help a country expand and sustain in the world economy.

(3) The coming up of MNCs give opportunities for employment in the country.

Hence, it is an economic barometer of the country.

16. "Foreign trade integrates the markets in different countries." Support the statement with arguments.

Ans. Foreign trade integrates the market in different countries because:

(1) 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 also can compete in markets located in other countries of the world.

(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) Choice of goods in the markets rises.

(5) Prices of similar goods in the two markets tend to become equal.

(6) Producers in the two countries now closely compete against each other.

(7) Any other relevant point.

(Any 3 points to be explained)

Related Theory

→ *Foreign trade is the trade between different countries of the world. It consists of imports and exports. The inflow of goods in to a country is called import trade, whereas outflow of goods from a country is called export trade.*

Long Answer Type Questions (LA)

[4 & 5 marks]

17. How can consumers and producers be benefited by foreign trade? Explain with examples.

Ans. Globalisation and greater competition among producers has been advantages to consumers :

(1) Globalisation and greater competition among producers both local and foreign has been of advantage to consumers, particularly the well off sections of urban areas.

(2) There is greater choice before these consumers who now enjoy improved quality and lower prices for several products.

(3) People enjoy higher standards of living.

(4) But the impact of globalization has not been uniform among producers and workers.

(5) Services of the top Indian companies have been able to benefit from the increased competition.

(6) They have invested in newer technology and production methods and raised their production standards.

(7) Wide ranging choice of goods in our markets is a recent phenomenon and have brought changes in lives of people.

(Any 5 points to be explained)

TOPIC 3

FACTORS THAT HAVE ENABLED GLOBALISATION

Technology

Rapid improvement in technology stimulated the globalisation process. Transportation technology has made delivery of goods across long distances faster and cheaper. The developments in information and communication technology has helped in quicker flow of ideas and culture. The internet, telecommunication facilities (telegraph, telephone including mobile phones, fax) facilitated by satellite communication devices have made it easy to communicate, interact even in the remotest areas of the world.

The internet has made it possible for one to obtain and share information. The Internet helps us to send instant electronic mail (e-mail) and talk (voice-mail) across the world at negligible costs.

Information and Communication technology helped spread production of services across countries.

Liberalisation of Foreign Trade and Foreign Investment Policy

Tax on imports is an example of a trade barrier. Indian Government used this to protect Indian industries after gaining Independence from foreign competition and continues to use the same today for boosting native enterprises. Governments can use trade barriers to increase or decrease (regulate) foreign trade.

Industries were beginning to establish themselves and the competition from imports at that stage would not have allowed these industries to prosper initially. India allowed imports of only essential items such as machinery, fertilisers, petroleum etc. All countries give or have given protection to domestic producers through a variety of means.

Starting around 1991, Indian government changed their approach because they felt competition would boost these industries and give them greater markets to trade. It would also contribute in terms of quality. Hence barriers were strategically lifted and the Indian market was opened to the world. This meant that goods could be imported and exported easily and also foreign companies could set up factories and offices in India.

Important

➥ *Information and communication technology (or IT in short) has played a major role in spreading out production of services across countries*

Frequently Asked

➥ *Removing barriers or restrictions set by the government is what is known as liberalisation. With liberalisation of trade, businesses are allowed to make decisions freely about what they wish to import or export.*

MOST LIKELY Questions

Very Short Answer Type Questions

[2 marks]

18. Define the term liberalisation.

Ans. Liberalisation refers to the removal or partial or complete loosening of the restrictions set by the government on foreign investment and trade. It also eases up the process of import and export.

Short Answer Type Questions (SA)

[3 marks]

19. How has technology stimulated the globalisation process? Explain with examples.

Ans. Technology and globalization:

(1) Improvement in transport technology has made faster delivery of goods across long distances at lower costs.

(2) Information and communication technology like computer, internet, and telecommunication has developed.

(3) Telephones (mobiles, fax) are used to contact one another.

(4) Information is being accessed easily even to the remote areas.

(5) Satellite communication devices are of great use.

(6) Any other relevant point.

(Any 3 points to be explained.)

Related Theory

➥ *Information and communication technology also helps to connect different countries together. People can talk to their friends who live faraway in some other country through emails, social media, etc. The internet also helps in encouraging digitalisation by allowing people to do online shopping from anywhere in the world, by helping them digital payments.*

Long Answer Type Questions (LA)

[4 & 5 marks]

20. Describe the role of technology in promoting globalisation process.

Ans. The contribution of technology in globalization is as follows:

(1) There have been many improvements in the transport sector, which helps in the export and import of goods. This increases trade relations between countries.

(2) Since technology improves eficiency, the process of exchange has become faster and cheaper.

(3) Development in information and communications technology has been the most beneficial since information can now sent across the world.

(4) Developments in IT have also led to the production of services through outsourcing like call centres, online teaching, etc.

(5) Telecommunications have improved contact between people. People living in two different countries can easily remain in touch with minimal prices.

(6) Now, people can place an order for anything from any part of the world and it is at there doorstep with in the next few days.

(Any 5 of 6 points can be written to get full marks)

TOPIC 4

WORLD TRADE ORGANISATION

The decision to liberalise Indian trade was supported by various International Organisations. They support open economy and restriction-free trade. They say that all countries in the world should liberalise their policies.

The World Trade Organisation (WTO) aims to liberalise international trade. WTO establishes rules regarding international trade and regulates their implementation.

About 164 countries of the world are members of the WTO.

In practice, WTO is dominated by Western developed countries. They have unfairly retained trade barriers. WTO rules have forced the developing countries to remove trade barriers. For example, the trade on the agricultural products is one example.

MOST LIKELY Questions

Very Short Answer Type Questions

[2 marks]

21. Which organisation lay stress on liberalisation of foreign trade and foreign investment?

Ans. The World Trade Organisation was created to lay stress on liberalisation of foreign trade. It has an aim to regulate and monitor if appropriate rules were being implemented by the countries.

TOPIC 5

IMPACT OF GLOBALISATION ON INDIA

Globalisation and greater competition among indgenous and foreign producers has been advantageous to consumers especially those who belong to the urban areas. Consumers are able to enjoy improved quality and lower prices for several products. People enjoy higher standards of living today.

However, among producers and workers, the impact of globalisation has not been uniform.

For the past two decades, MNCs have been increasing their investments in India which shows that investing in India has been beneficial for them. They have been interested in fields and industries like mobile phones, automobiles, electronics, soft drinks, fast food or services such as banking in urban areas. These products are popular and have numerous customers. Employment has been created. The local companies supplying raw materials have prospered.

Frequently Asked

➥ *The central and state governments have created special zones to attract foreign investment. Industrial zones called Special Economic Zones (SEZs) have been set up.*

➥ *SEZs are to have world class facilities:*

(1) Electricity and Water

(2) Roads, transport, storage, recreational and educational facilities.

(3) Companies with production units in the SEZs do not have to pay taxes for an initial period of five years.

Most successful Indian companies have been able to benefit from the increased competition. They have invested in newer technology and production methods and raised their production standards. They have also gained through their foreign collaborations.

Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners (nuts and bolts) have been successful enough to emerge as MNCs themselves.

Globalisation has created new opportunities for companies providing certain services like IT. Services like data entry, accounting, administrative tasks, engineering are now being produced in India and exported to other countries.

Globalisation has posed major challenges for both small and new producers. Producers and manufacturers of batteries, capacitors, plastics, toys, tyres, dairy products, and vegetable oil have been hit hard due to competition. Various units had to be shut down due rendering workers homeless.

Important

➥ *Small industries in India employ the largest number of workers (20 million) in the country, next only to agriculture.*

MNCs in the garment industry in Europe and America order their products from Indian exporters. These MNCs look for the cheapest goods in order to maximise their profits. To attract these companies, Indian producers try to cut labour costs. They employ workers on a temporary basis to avoid partying them for the entire year.

Workers put in very long working hours and work night shifts regularly. Wages are low and workers are forced to work overtime. Despite this hard work, the workers are denied their fair share of benefits brought about by globalisation.

MNCs achieve profits while the workers suffer.

MOST LIKELY Questions

Very Short Answer Type Questions
[2 marks]

22. Name some Indian companies which are now emerging as Multi National Corporations.

Ans. Tata motors, Infosys, Ranbaxy, Asian paints and Sundaram fasteners are some Indian companies which are spreading their operations worldwide.

Explanation: MNCs or Multi National Corporations are companies which are based in various countries and their market and production are both expanded across various countries and continents.

Short Answer Type Questions (SA)
[3 marks]

23. Why is the government setting up special economic zones?

Ans. SEZs are specially established Economic Zones or territories where world class facilities like water, electricity, roads and transport, recreation, education are available and facilitated to the companies that set their units there.

(1) They have been set up to encourage foreign investment and attract more business to India.

(2) To facilitate this, taxes are remitted for the companies which are established there.

(3) This attracts new technology and customers to Indian markets too.

24. Mention any three points about how Globalisation has changed the Indian market completely in the recent years?

Ans. Our markets have been changed drastically in the recent years:

(1) The choice among various goods and services has risen dramatically. Indians are now able to choose from the vast variety to buy, Chinese, American, Spanish and French goods.

(2) All the variety of products from international brands and manufacturing producers can be availed now by the consumers.

(3) Prices of a lot of products have decreased drastically due to the competition among producers. Items like textiles which were rare and very expensive right after Independence are cheap and affordable today.

25. How has globalisation affected the life of Indians? Explain with examples.

Ans. The impact of globalisation on India is as follows:

(1) It has led to an increment in foreign investment in India.

(2) It has resulted in greater cultural exchange because of greater movement of the people. This has greatly helped the tourism sector in India.
(3) It has led to opening up of the Indian markets to foreign goods.
(4) Increased competition among companies has led to improvement of quality and reduction in prices of the products.
(5) Access to newer technology and improved ways of production from the more advanced countries has resulted in eficiency in the local industries.
(6) Globalisation has created new opportunities for Indian companies, particularly by providing services like IT.

(Any 3 of 6 points can be written to get full marks)

26. Critically examine the impact of globalization in India.

Ans. Impact of Globalization in India:

(1) Stiff competition for local producers and manufacturers.
(2) No job security.
(3) Workers are denied their fair share of benefit.
(4) Long working hours and low wages to the worker.
(5) Expansion of unorganized sector.
(6) New opportunities for IT sector.
(7) Increase in investment and foreign trade.
(8) Any other relevant point.

(Any 3 to be explained.)

27. How has competition benefitted people in India? Give any three points.

Ans. Competition has benefitted people in India in the following ways:

(1) People have a greater choice as consumers. They can afford to buy products of improved quality and lower prices.
(2) More jobs have been created in different sectors such as cell phones, automobiles, fast foods and banking and insurance.
(3) Small companies have got new technology and improvised methods of production working with MNCs. As a result, their production standard has improved.

Long Answer Type Questions (LA)

[4 & 5 marks]

28. How do we feel the impact of globalization on our daily life? Explain with examples.

Ans. Impact of Globalization:

(1) Globalization and greater competition among producers has been of advantage to consumers.
(2) Greater choice before consumers.
(3) Availability of standard quality products at lower price.
(4) Improvement in living standard.
(5) Foreign investments have increased in many areas like cell phones, auto mobiles, electronics, soft drinks etc.
(6) New job have been created.
(7) Several of the units have shut down rendering many workers jobless.
(8) Globalization has also created insecurity of job.

(Any 5 points to be mentioned.)

29. Define globalisation. Describe any four benefits of globalisation to the Indian economy.

Ans. Globalisation is defined as the integration of different countries through foreign trade and foreign investments by various multi-national corporations (MNCs).

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

(1) It has led to an increment in foreign investment in India.
(2) It has resulted in greater cultural exchange because of greater movement of the people. This has greatly helped the tourism sector in India.
(3) It has opened up the Indian markets to foreign goods.
(4) Increased competition among companies has lead to improvement of quality with reduction in prices of the products.
(5) Access to newer technology and improved ways of production from the more advanced countries has resulted in to efficiency in the local industries.
(6) Globalisation has created new opportunities for Indian companies, particularly by providing services like IT.

(Any 4 of 6 points can be written to get full marks

30. How have our markets been transformed in recent years? Explain with examples.

Ans. Our markets have been transformed in recent years in the following ways:

(1) We have a wide choice of goods and services before us.
(2) The latest models of digital cameras, mobile phones and televisions made by

the leading manufacturers of the world are within our reach now.

Example: new models of automobiles can be seen on Indian roads in every season.

(3) Today, Indians are buying goods produced by nearly all the top companies in the world.

Example: An explosion of brands can be seen in the market for a variety goods, from shirts to televisions to processed fruit juices.

(4) Producers from any country can sell their produce in another country and hence, the markets are linked worldwide by trade and purchase.

Example: online shopping services such as amazon, flipkart.

Case Based Questions (VSA Type)

[4 & 5 marks]

31. Read the source given below and answer the questions that follow:

Ford Motors, an American company, is one of the world's largest automobile manufacturers with production spread over 26 countries of the world. Ford Motors came to India in 1995 and spent Rs. 1700 crore to set up a large plant near Chennai. This was done in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks. By the year 2017, Ford Motors was selling 88,000 cars in the Indian markets, while another 1,81,000 cars were exported from India to South Africa, Mexico, Brazil and the United States of America. The company wants to develop Ford India as a component supplying base for its other plants across the globe.

(A) Which local company did Ford Motors collaborate with?

(B) Which benefits are availed by the local company on collaborating with Ford Motors?

(C) How has the colaboration affected the market of Indian producers?

Ans. (A) Mahindra and Mahindra

(B) Ford Motors supplies new technology to the local companies and provides money to improve the quality of their products.

(C) The joint collaboration has helped the local producers in many ways.

The demand of products after the joint collaboration has increased for the local Indian producers because of better technology and competitive prices.

TOPIC 6

FAIR GLOBALISATION

Globalisation can be made fair. This would create opportunities for all and help share the benefits of the Globalisation evenly. The government can help achieve that by making policies which protect the interests of the rich and poor alike.

The government can ensure various steps to ensure the effects of Globalisations are shared evenly. For example, it can ensure that:

(1) Labour laws are properly implemented and the workers get their rights.

(2) It can support small producers and help them improve their performance.

(3) It can use trade and investment barriers to support native industries.

(4) It can negotiate at the WTO for 'fairer rules'.

(5) It can align with other countries to fight against the domination of developed countries in the WTO.

Massive campaigns and representation by people's organisations have helped alter trade and investments related decisions at the WTO. This shows that people also play an important role in the struggle for fair globalisation.

MOST LIKELY Questions

Very Short Answer Type Questions

[2 marks]

32. Analyse any three factors that make globalisation fairer.

Ans. Factors that make globalisation fairer are:

(1) Companies are attracted towards regions with cheap labour and often exploit them for this purpose. The government can ensure that labour laws are properly implemented and workers get their rights.

(2) It can support small producers to improve their performance untill they become strong enough to compete.
(3) If necessary, the government can use trade and investment barriers to protect their native producers.
(4) Governments can negotiate at the World Trade Organisation (WTO) for 'fairer rules' to help make globalisation equally beneficial to all classes.
(5) Countries can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

(Any 3 of the 5 points can be written to get full marks)

Related Theory

→ *Not everyone has benefited from globalisation. People with education, skill and wealth have made the best use of new opportunities. On the other hand, there are many people who have not shared the benefits. Fair globalisation would create opportunities for all, and also ensure that the benefits of globalisation are shared better.*

33. What is globalisation? How can the government ensure fair globalisation to its people? Give two points.

Ans. Globalisation means unification or integration of the domestic economy with the world economy through trade, capital, cultural, social and technology flows.

Government can ensure fair globalisation to its people in the following ways:

(1) Government needs to support indigenous producers to improve their performance by providing them technical advancement, easy credit facilities.
(2) It should formulate better labour laws.
(3) Government can negotiate with world trade organisation for fairer rules and can align with developing countries to stand against the domination of developed countries in trade markets as supply sources.

Long Answer Type Questions (LA)

[4 & 5 marks]

34. Mention some steps that can be taken by the government to make globalisation 'fairer'?

Ans. The government can play a major role in making globalisation 'fair' by taking following steps:

(1) Its policies must protect the interests, not only of the rich and powerful, but all the people in the country.
(2) The government can ensure that labour laws are properly implemented and the workers get their rights.
(3) The government 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
(4) The government can negotiate at the WTO for 'fairer rules.'
(5) It can also align with similar interests to fight against the domination of developed countries in the WTO.

Case Based Questions (VSA Type)

[4 & 5 marks]

35. Read the source given below and answer the questions that follow:

Having assured themselves of these conditions, MNCs set up factories and offices for production. The money that is spent to buy assets such as land, building, machines and other equipment is called investment. Investment made by MNCs is called foreign investment. Any investment is made with the hope that these assets will earn profits.

At times, 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 two-fold. 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.

(A) Define Investment.
(B) How does Joint Production with Zara help a local company called Style Quotient?
(C) Which one of the following is a major benefit (to the MNC) of joint production between a local company and a Multinational Company?

Ans. (A) Investment is the money spent to buy assets both physical and financial. For example, land, building, machines etc.
(B) It brings better technology and production methods to Style Quotient.
(C) MNC are able to have a large consumer base out of this joint production. They are able to expand their markets.

Glossary

(1) **Globalisation:** Integration and spread of products, technology, information, and jobs across nations.

(2) **Liberalisation:** Removal of trade barriers.

(3) **Customer Care Services:** It is the act of taking care of the customer's needs by providing and delivering professional, helpful, high quality service and assistance before.

(4) **Assets:** Something that contains economic value and/or future benefit.

(5) **Foreign trade:** Buying and selling of goods between countries.

(6) **Export:** Selling goods to foreign countries and markets.

(7) **Import:** Buying goods from foreign countries and markets.

(8) **Telecommunications:** It is the transmission of information by various types of technologies over wire, radio, optical or other electromagnetic systems.

(9) **Surplus:** An extra amount.

(10) **Consumer:** Someone who consumes goods and services.

(11) **Capacitors:** A device used to store an electric charge.