CBSE Class–10 Social Science

NCERT Solutions

Chapter - 4

Economics - Globalisation and The Indian Economy

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

Answer : Globalisation means integrating the economy of a country with the economies of other countries under conditions of free flow of trade, capital and movement of persons across borders. It includes
(i) Increase in foreign trade
(ii) Export and import of techniques of production.
(iii) Flow of capital and finance from one country to another
(iv) Migration of people from one country to another.

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

Answer : The Indian government had put barriers to foreign trade and foreign investment to protect domestic producers from foreign competition, especially when industries had just begun to come up in the 1950s and 1960s. At this time, competition from imports would have been a death blow to growing industries. Hence, India allowed imports of only essential goods.

In New Economic Policy in 1991, the government wished to remove these barriers because it felt that domestic producers were ready to compete with foreign industries. It felt that foreign competition would in fact improve the quality of goods produced by Indian industries. This decision was also supported by powerful international organisations.

Question 3. How would flexibility in labour laws help companies?

Answer : Flexibility in labour laws will help companies in being competitive and progressive. By easing up on labour laws, company heads can negotiate wages and terminate employment, depending on market conditions. This will lead to an increase in the company's competitiveness. Government has also allowed flexibility in the labour laws to attract foreign investment. This helps to reduce the cost of labour for the company.

Question 4. What are the various ways in which MNCs set up, or control, production in other countries?

Answer: Multinational Corporations (MNCs) set up their factories or production units close to markets where they can get desired type of skilled or unskilled labour at low costs along with other factors of production. After ensuring these conditions MNCs set up production units in the following ways :

- MNCs are setting up partnerships with local companies.
- Buy the local companies and then expand its production with the help of modern technology.
- They place orders for small producers and sell these products under their own brand name to the customers worldwide.
- MNCs are taking over local companies with their immense money power.

Question 5. Why do developed countries want developing countries to liberalise their trade and investment? What do you think should the developing countries demand in return?

Answer : Developed countries want developing countries to liberalise their trade and investment because then the MNCs belonging to the developed countries can set up factories in less-expensive developing nations, and thereby increase profits, with lower manufacturing costs and the same sale price. Suppose the Indian government puts a tax on imported goods, then the price of the goods will be higher for the consumer. As a result, the consumer will prefer to buy goods produced locally. Consequently there will be no demand for imported goods and developed countries will not able to sell their goods in developing countries.

In return for liberalisation of trade laws, producer in developing countries are demanding 'fair trade'. The developing countries should demand, in return, for some manner of protection of domestic producers against competition from imports. Also, charges should be levied on MNCs looking to set base in developing nations.

Question 6. “The impact of globalisation has not been uniform.” Explain this statement.

Answer : The impact of globalisation has not been uniform". It has only benefited skilled and professional person in urban not the unskilled persons. The industrial and service sector has much gained in globalisation than in agriculture. It benefited MNCs on domestic producers and the industrial working class. Small producers of goods such as batteries, capacitors, plastics, toys, tyres, dairy products and vegetable oil have been hit hard by competition from cheaper imports.

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

Answer: Liberalisation of trade and investment policies has helped the globalisation process by making foreign trade and investment easier. Earlier, several developing countries had placed barriers and restrictions on imports and investments from abroad to protect domestic production. However, to improve the quality of domestic goods, these countries have removed the barriers. Thus, liberalisation has led to a further spread of globalisation because now businesses are allowed to make their own decisions on imports and exports. This has led to a deeper integration of national economies into one conglomerate whole.

Thus grater foreign investment and greater foreign trade resulted in the mushrooming of MNCs, which in turn resulted in globalisation.

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

Answer : Foreign trade provides opportunities for both producers and buyers to reach beyond the markets of their own countries. Goods travel from one country to another. Competition among producers of various countries as well as buyers prevails. Thus foreign trade leads to integration of markets across countries.

For example, during Diwali season, buyers in India have the option of choosing between Indian and Chinese decorative lights and bulbs. So this provides an opportunity to expand business. With the liberlisation of foreign trade, electronic goods like digital cameras, lap top, smart phones have flooded the Indian market.

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

Answer : After twenty years, world would undergo a positive change which will possess the following features— healthy competition, improved productive efficiency, increased volume of output, income and employment, better living standards, greater availability of information and modern technology.
Reason for the views given above : These are the favorable factors for globalisation :

- Availability of human resources both quantity wise and quality wise is large.
- Broad resource and industrial base of major countries.
- Growing entrepreneurship.
- Growing domestic market.
- Expanding internal markets
- Economic liberalisations.
- Growing competition.

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

Answer: Benefits of globalisation of India :

- Increase in the volume of trade in goods and services
- Inflow of private foreign capital and export orientation of the economy.
- Increases volume of output, income and employment.
- More availability of investable funds in the form of FDI.
- Helps in developing and strengthening of domestic economies of India.
- Improved productive efficiency and healthy competition.

Negative Impact / Fears of Globalisation.

- It may not help in achieving sustainable growth.
- It may lead to widening of income inequalities among various countries.
- It may lead to aggravation of income inequalities within countries.
- It may lead to greater dependence of the underdeveloped countries on the advance country.

Whatever may be the fears of globalisation, I feel that it has now become a process which is catching the fancy of more and more nations. Hence we must become ready to accept globalisation with grace and also maximize economic gains from the world market.

Question 11. Fill in the blanks.

Indian buyers have a greater choice of goods than they did two decades back. This is closely associated with the process of _______. Markets in India are selling goods produced in many other countries. This means there is increasing ______ with other countries. Moreover, the rising number of brands that we see in the markets might be produced by MNCs in India. MNCs are investing in India because ______. While consumers have more choices in the market, the effect of rising ______ and ______ has meant greater ____ among the producers.

Answer: Indian buyers have a greater choice of goods than they did two decades back. This is closely associated with the process of **globalisation**. Markets in India are selling goods produced in many other countries. This means there is increasing **trade** with other countries. Moreover, the rising number of brands that we see in the markets might be produced by MNCs in India. MNCs are investing in India because **of cheaper production costs**. While consumers have more choices in the market, the effect of rising **demand** and **purchasing** power has meant greater **competition** among the producers.

Question 12.Match the following.

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

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