

NCERT SOLUTIONS

CLASS - 10th



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Class : 10th
Subject : Social-Science-Economics
Chapter : 4
Chapter Name : Globalisation And Indian Economy

Q1 Complete the following statement to show how the production process in the garment industry is spread across countries.

The brand tag says 'Made in Thailand' but they are not Thai products. We dissect the manufacturing process and look for the best solution at each step. We are doing it globally. In making garments, the company may, for example, get cotton fibre from Korea, ...

Answer. Buttons from France, design the garment in Italy, manufacture the cloth in China, stitch the garment in Thailand and sell it all over the world.

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Q2 Would you say Ford Motors is a MNC? Why?

Answer. Yes, because it owns or controls its production units in many countries, with its head office in USA

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Q3 What is foreign investment? How much did Ford Motors invest in India?

Answer. investment made by an MNC to buy assets like land, building and machinery equipment in a country other than the country of their origin is termed as foreign investment. Ford Motors invested Rs. 1,700 crore In India.

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Q4 By setting up their production plants in India, MNCs such as Ford Motors tap the advantage not only of the large markets that countries such as India provide, but also the lower costs of production. Explain the statement.

Answer. To reduce their costs and maximize their profits, MNCs generally set up production plants where

- (a) They are close to their markets.
- (b) Skilled / unskilled labour is available at a low cost.
- (c) Availability of other factors of production is there.
- (d) Government policies are favourable. Ford Motors has done the same by setting up a large plant near Chennai, as all the above conditions were met.

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Q5 Why do you think the company wants to develop India as a base for manufacturing car components for its global operations? Discuss the following factors:

- (a) cost of labour and other resources in India
- (b) the presence of several local manufacturers who supply auto parts to Ford Motors
- (c) closeness to a large number of buyers in India and China

Answer. The company wants to develop India as a base for manufacturing car components for the following reasons

- (a) A number of local manufacturers are supplying car components to their Chennai plant and the MNC feels that they can supply to their other plants across the world.
- (b) Cost of labour and materials is very low in India/which will result in more profits for the MNC.
- (c) The components can be supplied cheaply to other MNC car manufacturers in India and China.

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Q6 In what ways will the production of cars by Ford Motors in India lead to interlinking of production?

Answer. Differences between a MNC and a normal company

MNC	Company
A company that has already made a name in the market for its particular product and is equipped with a huge financial capability to expand to other countries. A company that owns or controls production in one or more countries, They invest in other countries besides their home country.	They may not have huge financial resources. They own or control production in only one country, their home country. They do not invest in other countries.

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Q7 In what ways is a MNC different from other companies?

Answer. Ford Motors has taken the following steps which will lead to interlinking of production

- (a) They have set up a production plant for cars in Chennai in partnership with a local company, Mahindra and Mahindra.
- (b) They are asking the local companies of car parts for supplying parts for their cars manufactured in their production unit and are also planning for supplying these parts to their other car production units around the globe.
- (c) They are closely competing with local companies in the Indian market in selling their cars.

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Q8 Nearly all major multinationals are American, Japanese or European, such as Nike, Coca-Cola, Pepsi, Honda, Nokia. Can you guess why?

Answer. America, Japan and most countries in Europe are developed countries with immense wealth. Companies in these countries are having a large amount of surplus funds and so they can work as MNCs.

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Q1 What was the main channel connecting countries in the past? How is it different now?

Answer. Trade was the main channel connecting the countries in the past. Silk route connected different countries of the world; as a result extensive trade took place through this route. Now beside trade, capital, technology, people and services are taking place all over the world.

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Q2 Distinguish between foreign trade and foreign investment.

Answer. Foreign Trade Trade between two or more countries is termed as foreign trade. It helps in connecting the markets of different countries across the world. Foreign Investment Investment made by a MNC or a financial institution in another country is termed as foreign investment.

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Q3 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.

Answer. (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.

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Q4 How will the import of steel from India into the Chinese markets lead to integration of markets for steel in the two countries? Explain.

Answer. Integration of markets for steel in the two countries will take place as follows (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.

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Q1 What is the role of MNCs in the globalisation process?

Answer. Globalization is the rapid integration of the global economy through which countries interlink in a variety of ways. Globalization has enabled improvement in trade and communication with different countries. The silk route is one such example from earlier times. Over the last 20-30 years there has been a tremendous increase in globalization with the increase in the number of MNCs. MNCs are Multinational Corporations or companies which have set up production in more than one country. MNCs set up production worldwide where cheap labour is available, where markets are near, and where government policies look after their interests. Since the MNCs are producing as well as selling in many countries, they are interlinking the economies of these countries and thus speeding up globalization.

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Q2 What are the various ways in which countries can be linked?

Answer. Some of the ways in which countries can be linked are

- (a) Movement of goods between countries.
- (b) Services being provided for one country from another country (e.g., call centres).
- (c) Foreign investments being done by one country in companies in another country.
- (d) Immigration of people into one country from another for working there or for study.

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Q3 Choose the correct option. Globalisation, by connecting countries, shall result in

- (a) lesser competition among producers.
- (b) greater competition among producers.
- (c) no change in competition among producers.

Answer. (b) greater competition among producers.

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Q1 In the above example, underline the words describing the use of technology in production.

Answer. The text of the magazine is sent through Internet. The designers in the Delhi office get orders on how to design the magazine from the office in London using telecommunication facilities. The magazines are sent by air to London. Payment of money for designing and printing from a bank in London to a bank in Delhi is done instantly through the Internet.

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Q2 How is information technology connected with globalisation? Would globalisation have been possible without expansion of IT?

Answer. During the last few years Information Technology (IT) has played an important role in globalization. Telecommunication facilities have helped the people to connect to different corner of the world instantly. Internet has dramatically transformed the way in which business is conducted nowadays. Except physical movement of products, every other transaction is possible through internet. It has facilitated closer interaction between different countries of the world. Globalization would take a long time to happen and would not have been effective and profitable to the participating companies without the expansion of IT. This is because a long time would be involved in sending information about matters which require quick decision making and in many cases the decisions would be taken too late to be really effective.

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Q1 What do you understand by liberalisation of foreign trade?

Answer. There are two restrictions on foreign trade (i.e., trade of goods and services between two sovereign nations) which are removed by liberalization of foreign trade.

(a) Entry Tax or Customs Duty This is levied on goods being imported into a country to protect the local producer of similar goods. This makes the foreign goods costlier, so that the local goods can compete with it on price. Under liberalization, ideally there will be no customs duty on any imported product.

(b) Quotas or Restrictions on the Quantity being Imported in a Specified Period This will prevent cheap foreign goods being 'dumped' or 'flooding' the market of another country. Under liberalization, there will be no restrictions on the quantity of goods being imported from any country.

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Q2 Tax on imports is one type of trade barrier. The government could also place a limit on the number of goods that can be imported. This is known as quotas. Can you explain, using the example of Chinese toys, how quotas can be used as trade barriers? Do you think this should be used? Discuss.

Answer. In the case of Chinese toys, quotas should be used as trade barriers to a limited extent to protect the Indian producers of a similar nature of toys which are being imported. This should be done so that both Indian and Chinese toys compete on an equal footing in the Indian market. This will lead to a healthy competition so that the quality of toys will improve. Also, Indian manufacturers will need to earn only reasonable profits. If Chinese toys were totally restricted, Indian manufacturers will be tempted to lower their quality and increase prices, thus harming the customers. On the other hand, if there are no quota restrictions on Chinese toys, China will 'dump' toys in the market, reducing the sales of the Indian producer and also harming the customer, as then the customer will not have a free choice at a competitive price.

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Q1 Fill in the blanks.

WTO was started at the initiative of _____ countries. The aim of the WTO is to _____.
WTO establishes rules regarding _____ for all countries, and sees that _____ In

practice, trade between countries is not _____. Developing countries like India have _____, whereas developed countries, in many cases, have continued to provide protection to their producers.

Answer. developed, liberalize international trade, international trade, they are obeyed, free and fair, removed trade barriers.

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Q2 What do you think can be done so that trade between countries is more fair?

Answer. Trade between countries would be more fair if both the countries removed trade barriers and allowed the free flow of goods and services, and let the market forces of demand and supply decide the volume of goods that will be transacted between countries.

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Q3 In the above example, we saw that the US government gives massive sums of money to farmers for production. At times, governments also give support to promote production of certain types of goods, such as those which are environmentally friendly. Discuss whether these are fair or not.

Answer. These support measures are not justified when they cover those goods which enter international market. With each support measure, different goods acquire unmerited competitive strength which has a ruinous impact on producers of these commodities in the countries which import these goods, irrespective of whether they are environmentally friendly or not. Developing countries would be justified in raising trade barriers against such measure that hurt their market.

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Q1 How has competition benefited people in India?

Answer. Competition from imported goods has benefited people in India in the following ways

(a) Indian producers have improved their technology and quality to compete with foreign goods. This has benefitted the buyers of the goods as well as the producers, who can now compete in the world market.

(b) Prices of Indian goods have reduced to match those of foreign goods and so buyers of these items have benefitted.

(c) Some Indian companies have entered into collaboration with the foreign companies and some MNCs have invested in Indian companies, thus benefiting both.

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Q2 Should more Indian companies emerge as MNCs? How would it benefit the people in the country?

Answer. Yes they should, because this will benefit Indian people as follows

(a) The Indian MNCs will make profits in foreign countries, which will improve the foreign exchange position of India.

(b) More Indian people will get an opportunity to work in foreign locations, thus improving their

outlook as well as financial position.

(c) Employment in India will increase due to the increased requirement of persons in these Indian MNCs.

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Q3 Why do governments try to attract more foreign investment?

Answer. Governments try to attract more foreign investment for the following reasons (a) It helps in improving the financial condition of the people by accelerating growth of the economy.

(b) Foreign investments create new job opportunities in the country, directly as well as indirectly in support services like transportation.

(c) The government gains additional taxes by taxing the profits made from foreign investments.

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Q4 In Chapter 1, we saw what may be development for one may be destructive for others. The setting of SEZs has been opposed by some people in India. Find out who are these people and why are they opposing it.

Answer. The persons who are opposing the setting up of the SEZs are of two kinds

(a) The rural people or the tribals who live where the SEZs are being established. They are afraid that they will lose their livelihoods, which depend on the land which is being acquired for setting up the SEZs.

(b) The persons who are producing goods and services outside the SEZs similar to those proposed inside the SEZs. They are not getting the benefits and concessions being given to the producers inside the SEZs and so will lose out in competition with them.

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Q1 What are the ways in which Ravi's small production unit was affected by rising competition?

Answer. Ravi's small production unit was affected by rising competition in the following ways

(a) His customers have changed their product, as they are now manufacturing TV sets for the MNC brands, who do not use the capacitors produced by Ravi's unit.

(b) His production and sales have also reduced due to his capacitors being costlier than the imported variety, due to the removal of import duties on imported capacitors.

(c) He is going into loss due to not recovering his costs with such a small amount of production. He may even have to close down his unit like his friends have done.

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Q2 Should producers such as Ravi stop production because their cost of production is higher compared to producers in other countries? What do you think?

Answer. Ravi should either improve the technology of his manufacturing process to compete with the imported products or try to manufacture any other product which does not have so much competition from imported products. In both cases he will need to make some capital investment, for which he

must approach the concerned government agencies or the banks for necessary loans.

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Q3 Recent studies point out that small producers in India need three things to compete better in the market

- (a) better roads, power, water, raw materials, marketing and information network
- (b) improvements and modernisation of technology
- (c) timely availability of credit at reasonable interest rates.

=> Can you explain how these three things would help Indian producers?

=> Do you think MNCs will be interested in investing in these? Why?

=> Do you think the government has a role in making these facilities available? Why?

=> Can you think of any other step that the government could take? Discuss.

Answer. These three things will help the Indian producers to compete better in the market as follows

(a) Better infrastructure will help them to work more efficiently and timely so that they can compete with foreign companies in the market.

(b) Better technology will help the producers to create better quality products efficiently at cheaper rates.

(c) Better finance will enable them to run their production smoothly without any delays, thus improving their competitiveness. MNCs will not be interested in investing in these because the Indian producers will then compete with them as equals in the same market, thus reducing their market share. Government must make these facilities available, as they have to provide better facilities for producers as a social responsibility. Government can take many other steps to better facilitate matters by reducing the procedures, i.e., 'red tape' and remove the corruption which is rampant in their offices. Further, they can provide single-window clearance for people wanting to set up production units so that the intending entrepreneurs are not harassed.

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Q1 In what ways has competition affected workers, Indian exporters and foreign MNCs in the garment industry?

Answer. Workers have lost their permanent jobs. Faced with growing competition most employers prefer to employ workers 'flexibly'. It means that jobs are no longer secure. Wages are low and workers have to put in long hours of work. India's exporters are facing tough competition and try hard to cut down their cost of production to remain in competition. MNCs are financially strong and are successfully managing their production.

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Q2 What can be done by each of the following so that the workers can get a fair share of benefits brought by globalisation?

- (a) government
- (b) employers at the exporting factories
- (c) MNCs
- (d) workers.

- Answer. (i) Government can get rules and regulations implemented for free and fair globalization.
(ii) Employers can invest in new technology which will help them rising down their cost of production
(iii) MNCs may offer relief to workers who have lost their jobs due to globalization. by giving financial aid. This will help them till they find another job.
(iv) Workers will have to change their mindset and will have to see themselves as equal partners with the management in pursuit of better productivity.

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Q3 One of the present debates in India is whether companies should have flexible policies for employment. Based on what you have read in the chapter, summarise the point of view of the employers and workers.

Answer. Point of View of Employers They prefer to employ workers on flexible basis, i.e., employ them when required. This means the workers are employed on temporary basis for the period when they are required. In case extra work is there for a short period, i.e., 'in season', the workers can be paid overtime wages. In case the work is machinery based and there are only a limited number of machines, workers can be employed in shifts, including night shift. This will ensure delivery of finished products in time to the customers. Point of View of Workers They always prefer permanent employment so that they can have a regular income to look after their families. They will then also get the other benefits of regular employment like provident fund, gratuity, etc. Point of View of Employers They prefer to employ workers on flexible basis, i.e., employ them when required. This means the workers are employed on temporary basis for the period when they are required. In case extra work is there for a short period, i.e., 'in season', the workers can be paid overtime wages. In case the work is machinery based and there are only a limited number of machines, workers can be employed in shifts, including night shift. This will ensure delivery of finished products in time to the customers. Point of View of Workers They always prefer permanent employment so that they can have a regular income to look after their families. They will then also get the other benefits of regular employment like provident fund, gratuity, etc.

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Q1 What do you understand by globalisation? Explain in your own words.

Answer. Globalisation in today's world has come to imply many things. It is the process by which the people of the world are unified into a single society and function together. This term is also often used to refer to economic globalisation: the integration of national economies into the international economy through trade, foreign direct investments, capital flows, migration and the spread of technology.

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Q2 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. Barriers to foreign trade and foreign investment were put by the Indian government 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.

Later, in the 1990s, 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.

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Q3 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.

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Q4 What are the various ways in which MNCs set up, or control, production in other countries?

Answer. The various ways in which MNCs set up, or control, production in other countries are by buying out domestic companies or making the latter work for them. Sometimes, MNCs buy mass produce of domestic industries, and then sell it under their own brand name, at much higher rates, in foreign countries. MNCs look towards developing nations to set up trade because in such places, the labour and manufacturing costs are much lower.

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Q5 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. In my opinion, 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.

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Q6 "The impact of globalisation has not been uniform." Explain this statement.

Answer. "The impact of globalisation has not been uniform". The truth of this statement can be verified if we observe the impact of 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. Also, workers are now employed "flexibly" in the face of growing competition. This has reduced their job security. Efforts are now on to make globalisation "fair" for all since it has become a worldwide phenomenon.

Q7 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.

Q8 How does foreign trade lead to integration of markets across countries? Explain with an example other than those given here.

Answer. Foreign trade leads to integration of markets across countries by the processes of imports and exports. Producers can make available their goods in markets beyond domestic ones via exports. Likewise, buyers have more choice on account of imports from other countries. This is how markets are integrated through foreign trade. For example, Japanese electronic items are imported to India, and have proved to be a tough competition for less-technologically-advanced companies here.

Q9 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. Globalisation will continue in the future. Twenty years from now, the world will be more globally connected and integrated into one international economy, if this process continues on a fair and equitable basis. Trade and capital flows will increase alongside the mobility of labour. This will occur because liberalisation will get augmented and MNCs will converge with other companies producing the same goods.

Q10 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. Globalisation has hurt our country's development because: firstly, it has led to the annihilation of small producers who face stiff competition from cheaper imports. Secondly, workers no longer have job security and are employed "flexibly".

Globalisation is helping India develop on account of the following reasons: firstly, the competition it entails has led to rise in the quality of products in the market. Secondly, it has made available a wider variety of goods in the market, for the buyer to choose from. Now, imported goods are easily available

alongside domestic products.

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Q11 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.

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Q12 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 items :: (b) Garments, footwear, sports
- (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

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

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Q13 Choose the most appropriate option.

- (i) The past two decades of globalisation has seen rapid movements in
 - (a) goods, services and people between countries.
 - (b) goods, services and investments between countries.
 - (c) goods, investments and people between countries.
- (ii) The most common route for investments by MNCs in countries around the world is to
 - (a) set up new factories.
 - (b) buy existing local companies.
 - (c) form partnerships with local companies.

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

Answer. (i) (b)

(ii) (b)

(iii) (d)

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