

Lesson – 4
Globalization and the Indian Economy.

MCQ**1. MNC stands for**

- (i) Multinational Corporation (ii) Multination Corporation
(iii) Multinational Cities (iv) Multinational Council

2. Investment made by MNCs is called

- (i) Investment (ii) Foreign Trade
(iii) Foreign Investment (iv) Disinvestment

3. Process of integration of different countries is called

- (i) Liberalisation (ii) Privatisation
(iii) Globalisation (iv) None of the above

4. MNCs do not increase

- (i) Competition (ii) Price war (iii) Quality (iv) None of the above

5. This helps to create an opportunity for the producers to reach beyond the domestic market

- (i) Foreign trade (ii) Domestic trade (iii) Internal trade (iv) Trade barrier

6. Foreign Trade

- (i) Increases choice of goods (ii) Decreases prices of goods
(iii) Increases competition in the market (iv) Decreases earnings

7. Globalisation was stimulated by

- (i) Money (ii) Transportation (iii) Population (iv) Computers

8. Production of services across countries has been facilitated by

- (i) Money (ii) Machine (iii) Labour (iv) Information and communication technology

9. Tax on imports is an example of

- (i) Investment (ii) Disinvestment (iii) Trade barrier (iv) Privatisation

10. Liberalisation does not include

- (i) Removing trade barriers (ii) Liberal policies
(iii) Introducing quota system (iv) Disinvestment

SHORT TYPE QUESTION ANSWERS**Q.1 Write four functions of WTO.**

Ans. Four functions of WTO are:

- (i) Administering trade agreements between nations. (ii) Forum for trade negotiations.
(iii) Handling trade disputes. (iv) Maintaining national trade policy.

Q.2 What is the impact of WTO on Indian economy?

Ans. The impact of WTO on Indian economy is:

- (i) An opportunity to India for trading with other member countries.
(ii) Availability of foreign technology to India at a reduced cost.
(iii) Many laws of WTO are unfavorable to the developing countries like India.
(iv) Certain clauses of WTO agreement on agriculture put restrictions on the provision of subsidized food grains in India.

Q.3 What is trade barrier? How governments can use trade barriers?

Ans. Any kind of restrictions imposed on trade is called a trade barrier.

Governments can use trade barriers to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each, should come into the country.

Q.4 What is privatization and liberalization?

Ans. Privatization means allowing the private sector to set up industries which were earlier reserved for the public sector. Removing barriers or restrictions set by the government on trade is called liberalization. Thus, privatization and liberalization results in freedom from closed and regulated economy.

Q.5 How MNCs can spread their production?

Ans. MNCs can spread their production by:-

1. Setting up joint production units with local companies.
2. To Buy up local companies and expanding its production base.
3. Placing orders with small producers

Q.6 Mention three factors responsible for globalization.

(ii) Growth of technology.

(iii) Development in transport and communication technology.

Q.1 What do you mean by Globalization? What are the effects of globalization in India?

Ans. Globalization is the integration or interconnection between the countries through trade and foreign investments by multinational corporations (MNCs).

1) Greater choice and improved quality of goods at competitive price and hence raises standard of living.

2) MNCs have increased investments in India.

3) Top Indian companies emerged as multinationals.

4) Created new opportunities for companies providing services like IT sector.

5) Collaborations with foreign companies help a lot to domestic entrepreneurs.

1) Indian Economy faced the problem of brain drain.

2) Globalization has failed to mark its impact on unemployment and poverty.

3) Cut in farm subsidies.

4) Closure of small industries.

Ans. WTO is World trade organization. It is an organization which is in favour of increasing the world trade through globalization.

(i) To liberalise international trade by allowing free trade for all.

(ii) To promote international trade among the countries of the world in an open uniform and nondiscriminatory manner.

(iii) Removal of both the import and export restrictions.

1) WTO is dominated by the developed country

2) WTO is used by developed countries to support globalization in areas that are not directly related to trade.

3) Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers.

Ans. MNCs are Multinational corporations. It is a company that owns or controls production in more than one Nation. MNCs set up offices and factories for production in region where they can get cheap labour and other resources, closer to the markets. This is done to reduce the cost of production and the MNCs can earn greater profits. MNCs not only sell its finished products globally but also the goods and services are produced globally. The production process is divided into small parts and spread across the globe.

(i) Cheap production

(ii) Closeness of production unit to the markets.

(iii) Favourable government policies.

Ans. There are a variety of ways in which MNCs spread their production and interact with local producers in various countries across the globe.

(i) Setting up partnerships with local companies,

(ii) Using the local companies for supplies

(iii) Closely competing with the local companies or buying them up,

(iv) MNCs are exerting a strong influence on production at these distant locations so that they could produce at cheapest price and earn profit.

(i)

Answer Key of MCQ:1(i)

2(iii)

3(iii)

4(iv)

5(i)

6(iv)

7(ii)

8(iv)

9(iii)

10(iii)