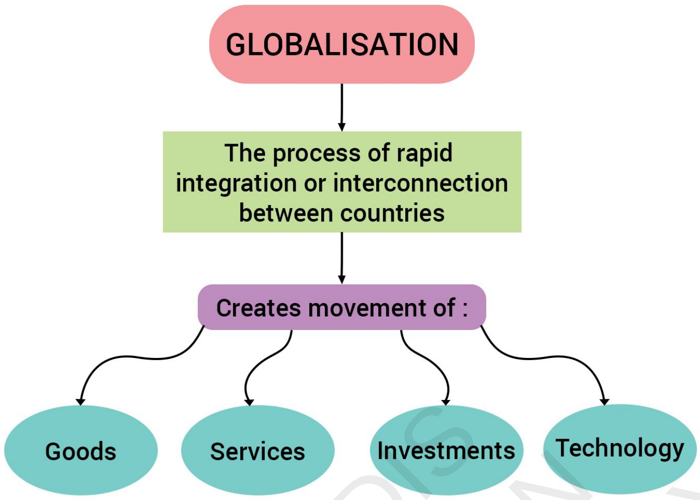
Globalisation and indian economy (practice - 1)



I MCQs

1. Which one of the following statement is true regarding MNCs?

(a) They belong to Europe only. (b) They are working only in Asian countries.

(c) These must own or control production in least in ten countries.

(d) These own or control production in more than one country.

2. **Removing barriers or restrictions set by the government is known as :**

(a) privatisation. (b) globalisation
(c) liberalisation. (d) socialisation

3. Why did the government decide to remove barriers on foreign trade and foreign investment?

(a) Because the government wanted to earn the foreign exchange.

(b) Because the government decided that the time had come for Indian producers to compete with producers around the world.

(c) Because the government wanted to maintain good relations with other countries.

(d) None of the above.

4**. How much did Ford Motors invest in India in 1995?**

(a) ₹ 1670 crore (b) ₹ 1770 crore (c) ₹ 2700 crore (d) ₹ 2770 crore

5. "MNCs keep in mind certain factors before setting up production".
Identify the incorrect option from the choices given below
(a) Availability of cheap skilled and unskilled labour
(b) Proximity to markets
(c) Presence of a large number of local competitors
(d) Favourable policy of the government.

6. **Ford Motors entered the Indian automobile business in collaboration with which Indian manufacturer?**

(a) Maruti Suzuki (b) TATA Motors (c)Mahindra and Mahindra (d) Toyota

7**. Ranbaxy is a multinational company which is associated with:**

(a) automobiles (c) medicines

(b) nuts and bolts (d) information technology

8**. The most common route for MNC investment is** :

(a) Set up production jointly with some of the local companies of these countries.

(b) To buy up local companies and then to expand production.

(c) Place orders for production with small producers then sell these under their own brand names to the customers.

(d) All of the above

9. Which one of the following was the main aim of World Trade Organisation?

(a) To promote trade in poor countries.

(b) To promote trade in rich countries.

(c) To liberalise international trade.

(d) None of the above.

10. Which one of the following is not an MNC?
(a) Coca Cola (b) Toyota
(c) SAIL (d) Microsoft

II. Fill in the blanks.

1. A ___________ is a company that owns and controls production in more than one nation.

1. Chinese toys are more popular in the Indian markets because of the ________ and ______.

2. Removing barriers or restrictions set by the government is known as __________

4. The full form of SEZs is ______

5. Rapid improvement in technology has stimulated the _________ process.

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

7. Investment made by MNCs is called _________.

8. __________ an American company, is one of the world's largest automobile manufacturers with production spread over 26 countries of the world.

9. __________ is the process of rapid integration or interconnection between countries.

10. ________ has played a major role in spreading out production of services across countries.

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

12. The aim of ________ is to liberalise international trade.

13. ___________ has resulted in greater competition among producers—both local and foreign. As a result, people today, enjoy much higher standards of living.

14. Companies who set up production units in the Special Economic Zones do not have to pay taxes for an initial period of ______ years.

III. Match the following

1. WTO	To attract foreign companies to invest in India.
2. SEZs	Medicines
3. MNCs	To liberalise international trade.
4. Ranbaxy.	A large part of foreign trade is controlled.

IV. Assertion and Reason

Assertion - Reason Type Questions

In the questions given below, there are two statements marked as Assertion (A) and Reason (R). Read the statements and choose the correct code.

Options:

(A) Both A and R are true, and R is the correct explanation of A.
(B) Both A and R are true, but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

1. Assertion (A): Because of the cheaper prices and new designs, Chinese toys become more popular in the Indian markets.
   Reason (R): Within a year, 70 to 80 percent of the toy shops have replaced Indian toys with Chinese toys.

2. 2. Assertion (A):Large MNCs in the garment industry in Europe and America order their products from Indian exporters.

Reason (R) :These large MNCs with worldwide network look for the costliest goods in order to maximise their profits.

3. Assertion (A) : The aim of WTO is to liberalise international trade and it started at the initiative of the developing countries.

Reason (R) : Nearly 160 countries of the world are currently members of the WTO (as on June 2014).

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4. Assertion (A) : In general, MNCs set up production where it is close to the markets; where there is skilled and unskilled labour available at low costs.
Reason (R) At times, MNCs set up production jointly with some of the local

companies of these countries.

5. Assertion (A) : Ford Motors came to India in 1995 and spent Rs. 1700 crore to set up a large plant near Chennai.

Reason (R) : This was done in collaboration with Mahindra and Mahindra, a major Indian manufacturer of jeeps and trucks.

V. Case Study

Read the extract given below and answer the questions that follows:

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.

But the most common route for MNC investments is to buy up local companies and then to expand production. MNCs with huge wealth can quite easily do so. To take an example, Cargill Foods, a very large American MNC, has bought over smaller Indian companies such as Parakh Foods. Parakh Foods had built a large marketing network in various parts of India, where its brand was well-reputed. Also, Parakh Foods had four oil refineries, whose control has now shifted to Cargill. Cargill is now the largest producer of edible oil in India, with a capacity to make 5 million pouches daily!

There's another way in which MNCs control production. Large 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.

1. Investment means:

(a) Money to buy equipment.

(b) Money to buy land.

(c) Money to buy buildings.

(d) Money to buy assets.

(e) All of the above

2. At times, MNCs set up production jointly with some of the local companies and the benefit to the local company is:

(a) MNCs can provide money for additional investments.

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

(c) Both (a) and (b)

(d) None of the above.

3**. The most common route for MNC investments is:**

(a) Set up production jointly with some of the local companies of these countries.

(b) To buy up local companies and then to expand production.

(c) Large MNCs in developed countries place orders for production with small producers.

(d) All of the above

4**. Name the largest producer of edible in India.**

(a) Parakh foods

(b) Kargil foods

(c) McCain Foods

(d) Kohinoor Foods

11. Investments by MNCs are made surely for:

(a) Development of nation.

(b) To generate employment for local youth.

(c)For profit.

(d) All of the above

<u>SHORT ANSWER QUESTIONS (2 MARKS)</u>

1.What are Multi-National Corporations (MNCs)?

2. Explain 'what is investment? Give a few examples of investment.

3.Why is 'tax' on imports known as a trade barrier?

4.Give one characteristic feature of a 'Special Economic Zone'?

4.What do you understand by the term 'Foreign Direct Investment'?

5.Why had the Indian Government put barriers to foreign trade and foreign investment after independence? State any one reason.

6. Why do MNCs set up their offices and factories in those regions where they get cheap labour and other resources?

7. Why do MNCs set up their offices and factories in those regions where they get cheap labour and other resources?

8.Differentiate between investment and foreign investment.

9.Why had the Indian Government put barriers to foreign trade and foreign investment after independence? State any two reason.

10. What is meant by trade barrier?

VI. Open Ended Short Answer Questions (3 MARKS)

1. How did our markets get transformed before emerging MNCs?

OR

How was the trade the main channel for connecting different countries until the middle of the twentieth century?

2. What is an MNC? How do MNCs succeed in spreading production across countries?

3. What are the factors that MNCs take into account before setting up a factory in different countries?

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

How do MNCs interlink production across the countries? Explain any three points.

5. Explain any three factors that have enabled globalisation.

6. What were the reasons putting barriers to foreign trade and foreign investment by the government of India after Independence?

7. Why did the government of India wish to remove barriers to foreign trade and foreign investment starting around 1991?

8. What is WTO? What is its main aim and also mention one of its limitation?

9. How the globalisation and greater competition among producers - both local and foreign producers has been advantage to consumers?

10. Mention any three steps that have taken by the government of India to attract foreign invest meant in recent years?

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

12. Differentiate between investment and foreign investment.

13. What is a trade barrier?

VII Long Answer Questions

1. Mention the working process of Multi National Corporations.

2. Describe any five strategies adopted by the MNCs to earn more and more profit.

3. What were the reasons putting barriers to foreign trade and foreign investment by the government of India? Why did it wish to remove these barriers? OR Analyse the role of globalisation on the Indian economy.

4. 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?

5. In what ways has competition effected the workers, the Indian exporters of the garment industries and MNCs?

6. What is fair globalisation? What measures can be taken by the Govt. of India to make globalisation more fair?

7. How has information and communication technology increased the pace of globalisation? Explain.

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

****

ANSWERS

MCQ

Answers

1. (d) These own or control production in more than one country.

2. (b) globalisation

3. (b) Because the government decided that the time had come for Indian producers to compete with producers around the world.

4. (b) ₹ 1770 crore

5. (c) Presence of a large number of local competitors

6. (c)Mahindra and Mahindra

7. (c) medicines

8. (b) To buy up local companies and then to expand production.

9. (c) To liberalise international trade.

10. (c) SAIL

Fill in the blanks

1. MNC
2. Cheaper prices and new designs
3. Liberalisation
4. Special Economic Zones
5. Globalisation
6. Investment
7. Foreign investment.
8. Ford motors
9. Globalisation
10. Information and communication Technology (IT)
11. Trade barriers
12. World Trade Organisation (WTO)
13. Globalisation
14. Five

III. Match the following

Answer

1. WTO - To liberalise international trade.
2. SEZs - To attract foreign companies to invest in India.
3. MNCs. - A large part of foreign trade is controlled.
4. Ranbaxy - Medicines

IV. Assertion and Reason

Answers:

1. Option (A) is correct. Both A and R are true, and R is the correct explanation of A.

2. Option (C) is correct. A is true but R is false. (Cheapest goods, not costliest)

3. Option (D) is correct. A is false but R is true.
Initiative of the developed countries, not developing.

4. Option (B) is correct. Both A and R are true, but R is not the correct explanation of A.

5.Option (A) is correct. Both A and R are true, and R is the correct explanation of A.

11. V. Case Study

1. E. all of the above
2. C. Both (a) and (b)
3. B. To buy up local companies and then to expand production.
4. B. Kargil foods
5. D. All of the above

<u>SHORT ANSWER QUESTIONS (2 MARKS)</u>

1. 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.

2. Investment is buying of an asset in the form of a factory, a machine, land and building, etc. (Physical assets) or shares (monetary assets) for the purpose of making or sharing profits of the enterprises concerned.

Common investments are: buying land, factories, machines for faster production, buying small local companies to expand production, cheap labour, skilled engineers, IT personnel, etc.

3. Tax on imports is known as a trade barrier because it increases the price of imported commodities. It is called a barrier because some restriction has been set up.

4. Special Economic Zones or SEZs are industrial zones set up by the government having word class facilities such as electricity, water, roads, transport, storage, recreational and educational facilities. Companies who set up production units in SEZs are exempted from taxes for an initial period of five years.

5. FDI is the investment of foreign capital in the economic and productive activities of a country by foreign companies or MNCs with the aim of expanding capacity and production to earn profits.

6. 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.

- To protect the Indian economy from foreign infiltration in industries affecting the economic growth of the country as planned.

7. MNCs set up offices and factories for products in regions where they can get cheap labour and other resources so that—

  - the cost of production is low
  - the MNCs can earn greater profits.

8. World Trade Organisation was set up in 1995 at the initiative of the developed countries. Its aim is to liberalise international trade. Its headquarters is at Geneva. WTO establishes rules regarding international trade among countries of the world in an open,uniform and non-discriminatory manner. In 2006,149 countries of the world were its members.

9. The Indian government put barriers to protect the producers within the country from foreign competition. Industries were just coming up and the competition from imports would not allow the Indian industries to come up.

10. Workers are now employed on a temporary basis so that the employers do not have to pay workers for the whole year.
Wages are low and workers are forced to work overtime to make both ends meet.

1. **VI. Open Ended Short Answer Questions (3 Marks)**

    1. Ans. Until the middle of the twentieth century, production was largely organised within countries. What crossed the boundaries of these countries were raw materials, food stuff and finished products. Colonies such as India exported raw materials and food stuff and imported finished goods. Trade was the main channel connecting distant countries.

    2. Ans. A MNC is a company that owns or controls production in more than one nation. A large MNC, producing industrial equipment, designs its products in research centres in the United States, and then has the components manufactured in China. These are then shipped to Mexico and Eastern Europe where the products are assembled and the finished products are sold all over the world. Meanwhile, the company's customer care is carried out…….. through call centres located in India.

    3. Availability of cheap labour.

Availability of raw materials and close to the markets.

Policy of the government that protect the interest of MNCs.

4. Set up production jointly with some of the local companies.Benefit to the local company - MNCs provide money for buying new machines for faster production and bring the latest technology for production.

   The most common route for MNC investments is to buy up local companies and then to expand production. (Eg. Cargill Foods, a very large American MNC, has bought over smaller Indian companies such as Parakh Foods).

   Large MNCs in developed countries place orders for production with small producers. Eg. Garments, footwear, sports items then sell these under their own brand names to the customers.

5. Rapid improvement in Transportation Technology: This had made possible much faster delivery of goods across long distances at lower cost.

   Development in Information and Communication technology: It has played a major role in spreading out production of services across countries.

   Liberalisation: Countries have removed many of the barriers to foreign trade and foreign investments and then promoted globalisation.

6. Ans. 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 come up. India allowed imports of only essential items such as machinery, fertilisers, petroleum etc.

7. The government decided that the time had come for Indian producers to compete with producers around the globe.

   It felt that competition would improve the performance of producers within the country.

   Power fun International Organisations supported this decision.

8. Ans. World Trade Organisation an International Organisation that dealing with rules of international trade and making trade between countries should be trade.
   Its main aim is to liberalise international trade.
   Limitation: Though WTO is supposed to allow free trade for all, in practice, it is seen that the developed countries have unfairly retained trade barriers.

9. Ans. a) There is greater choice before these consumers.

b) The quality of the products have improved and the customers get the products at lower prices.

c) People enjoy higher standard of living

10. Ans.

a) Special Economic Zones (SEZs) have been set up to have world class facilities such as electricity, water, roads, transport, storage, recreational and educational facilities.

b) Companies who set up production units in the SEZs do not have to pay taxes for an initial period of five years.

c) Government has allowed flexibility in the labour laws. Instead of hiring workers on a regular basis, companies hire workers 'flexibly' for short periods when there is intense pressure of work. This is done to reduce the cost of labour for the company.

11. Ans. It is the process by which whole world becomes a single market.

It is the process of rapid integration or interconnection between countries through foreign trade and foreign investments.

Globalisation means integrating an economy with the world economy. As a result of globalisation, the different countries of the world become economically interdependent on each other.

12. Ans. The money that is spent to buy assets such as land, building, machines etc. is called investment whereas investment made by a MNC to buy such assets is called foreign investment.

13. Ans. Trade barrier refer to restrictions set by the government in order to regulate foreign trade and investment. For example – a tax on imports is a trade barrier. It is called a barrier because some restriction has been set up.

<u>VII Long Answer Questions</u>

1. Ans. a) A MNC is a company that owns or controls production in more than one nation.

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

c) This is done so that the cost of production is low and the MNCs can earn greater profits.

d) MNC is not only selling its finished products globally, but more important, the goods and services are produced globally.

e) The production process is divided into small parts and spread out across the globe.

2. Ans. a) MNC is not only selling its finished products globally, but more important, the goods and services are produced globally.

b) 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.

c) MNCs set up production where it is close to the markets.

d) MNCs look for government policies that look after their interests to earn more profits.

e) Many of the top MNCs have wealth exceeding the entire budgets of the developing country governments. With such enormous wealth, MNCs have tremendous power to determine price, quality, delivery, and labour conditions.

3. Ans: OESA Answers of question no. 6 & 7

4. Ans. Both the arguments are right to some extent. Globalisation has hurt our country's development as well as helped our country develop. In other words, we can say that globalisation has positive as well as negative impact on our country's development. Positive impact of the globalisation on India

(i) Availability of variety of products which enabled the consumers to have greater choice and enjoy improved quality and lower prices for several products.

(ii) This led to higher standard of living.

(iii) Increase in foreign direct investment and creation of new jobs in certain industries.

(iv) Top Indian companies have been benefited by investing in new technology and production methods along with successful collaborations with foreign companies.

(v) Globalisation has enabled some large Indian company to emerge as multinationals themselves. For example, Tata Motors, Infosys, Ranbaxy etc.

(vii) Enabled some large Indian companies to emerge as multinationals, created new opportunities for companies providing services, particularly those involving IT.

Negative impact of the globalisation on India

(i) Small producers failed to compete and got perished. Rising competition has led to shutting down of many units. Many workers became jobless.

For instance, batteries, capacitors, plastics, toys, dairy products and vegetable oil are the examples of the industries which have been hit hard due to hard competition.

(ii) Globalisation and pressure of competition have substantially changed the lives of workers. Faced with growing competition most employers these days prefer to employ workers 'flexibly'. This means that workers ' jobs are no longer

5. Ans. Workers: Earlier a factory used to employ workers on a permanent basis, now they employ workers only on a temporary basis so that they do not have to pay workers for the whole year. 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. They are denied their fair share of benefits

Indian Exporters: Large MNCs in the garment industry in Europe and America order their products from Indian exporters. These large MNCs with worldwide network look for the cheapest goods in order to maximise their profits. To get these large orders, Indian garment exporters try hard to cut their own costs. As cost of raw materials cannot be reduced, exporters try to cut labour costs.

MNCs : They are able to find the cheapest goods in order to maximise their profits.

Competition among large the garment exporters has allowed these MNCs to make large profits.

6. Ans: Fair globalisation means creating equal opportunities for all and also ensuring that the benefits of globalisation are shared in a better way.

The government can play a major role in making this possible. Its policies must protect the interests, not only of the rich and the powerful, but all the people in the country.

It can ensure that labour laws are properly implemented and the workers get their rights.

It 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. It can negotiate at the WTO for 'fairer rules'.

It can also align with other developing countries with similar interests to fight against the domination of developed countries in the WTO.

7. Ans. Information and communication technology increased the pace of globalisation. Information and communication technology (IT) has played

a major role in spreading out production of services.

In recent times, technology in the areas of telecommunications, computers, Internet has been changing rapidly.

Telecommunication facilities (tele- graph, telephone including mobile phones, fax) are used to contact one another around the world, to access information instantly, and to communicate from remote areas. This has been facilitated by satellite communication devices.

Computers have now entered almost every field of activity. You might have also ventured into the amazing world of internet, where you can obtain and share information on almost anything we want to know.

IT has created various new opportunities

8. Ans. Lead to widening income inequalities among various countries.

Expansion of unorganised sector

Jobs are no longer secure.

The small manufacturers have been hit hard due to competition and several of the units have shut down rendering many workers jobless.

Workers are denied their fare share of benefits.

…………..oOo…………