

# Class - X Economics Chapter Globalisation and the Indian Economy

## Introduction

⌘ Relation between globalisation and Indian economy. 😞??

→ Market → Products

↓  
Nature of Products in market  
got transformed over the period  
of time. 😞??

↓  
Multiple variety of Products.

↓  
Globalisation

⌘ What we are going to study in this chapter

→ MNC's and their working.

→ Foreign trade and integration of market.

→ Globalisation.

→ WTO

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## Production Across Countries

∴ MNC [Multi-National Companies] : Owns or Controls production in more than one nation.

→ Before coming up of MNCs · Reduces Cost through this → Cheap labour and resources.  
· production was organised within countries e.g → U.S.A [Designs], China [Production] and India [Call Center]

· Trade [Raw material, food stuff and finished product.]

· India : Export = Raw Mat.  
Import = Finished g.

∴ The goods and services are produced globally. ☹️??

China	Mexico & E. Europe	India
Cheap manufacturing location	(closeness to Market	Skilled engineers English speaking youth.

∴ This process reduces the Cost. !!

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## Interlinking Production Across Countries

• MNCs → Investment [Depending on various condition] → Foreign Investment.

✱ Ways through which MNCs set up their production are:

(i) Setting up production jointly with local companies.

→ What benefits did local companies get out of it. 😊 → MNCs bring money and technology.

(ii) MNCs buy up local companies.

→ MNCs → Huge wealth

↓  
Easily buy up the local companies

eg Cargill foods, America MNC buying up Parakh foods

→ Why did MNCs do so? 😞??

(iii) MNCs place orders for production with small producers.

eg Products such as garments, footwear etc are produced and supplied by small producers. → MNCs sell under their own brand names.

• MNCs have power to determine price, quality, delivery and labour conditions.

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## Case Study of Ford Motors

### ⊛ Ford Motors

- American automobile manufacturers
- MNC spread over 26 Countries of the world.

⊕  
Collaboration with



### ⊕ ⊛ Mahindra and Mahindra

- Indian manufacturer of jeeps and trucks

Came to India in 1995



Spent Rs. 1700 Crore to  
set up a plant near Chennai.

⊛ By 2014, Ford Motors was selling

- 77,000 Cars in India
- 77,000 were exported to Brazil, South Africa and Mexico.

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## Foreign Trade and Integration of Market

∴ Since history, foreign trade → Connecting Countries.

e.g East India Company



∴ What is the basic function of foreign trade?

→ It Creates an opportunity for producers to reach beyond the domestic market. 😊?

→ Producers get multiple no. of market to sell their products. 😊?

→ Similarly, Buyers gets a variety of products to choose from all over the world. 😊?

∴ Advantages of foreign trade.

Producers

- Gets an access to multiple markets.
- Cost of production can be reduced.

Consumers

- Variety to choose from.

↓  
Competition among producers

↓  
Price ↓ and Quality ↑

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## Chinese Toys in India

∴ India

→ Earlier, toys were sold by domestic manufacturers



( At High price v/s At low price )

∴ Chinese manufacturers → started exporting toy to India.

∴ What is happening here? 😞??

- Competition between chinese and Indian toys.
- Chinese toys prove better, Expanded business.
- Indian toy makers face losses, business Collapsed.

∴ Now buyers in India have the option of choosing between Chinese and Indian toys



• Chinese toys become popular 😊??

- Cheaper price and new designs.
- 70-80 per cent of toy shops have replaced Indian toys with Chinese toys.

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What is Globalisation?

\* MNCs investing in various parts of the world [Foreign Investment]

\* Foreign trade between Countries has been rising rapidly.

\* Foreign investment  $\rightarrow$  Foreign trade = Integration of production and markets across countries

$\therefore$  Globalisation is this process of rapid integration or interconnection between countries.

Globalisation

$\rightarrow$  Movement of goods, Services, investment and technology.

Movement of People between Countries. [Better income, jobs or education]

} Agent of Globalisation

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## Factors that Have Enabled Globalisation - I

⌘ Technology → Major factor that has stimulated the globalisation process.

e.g. Improvement in transportation technology.

- Goods → Placed in Containers → Ships, railways, planes and trucks.
- Fast delivery across long distance at lower costs.

e.g. Developments in information and communication Technology.

- Telecommunication, Computers and Internet

↓  
Connecting world to remote areas.  
With satellite communication devices.

= Globalisation.

⌘ Using IT in globalisation 😊??

→ Magazine published for readers in London is designed and printed in Delhi.  
• How ?? 😊?? & Why 😊??

⌘ IT has played a major role in spreading out production of services across countries.



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## Factors that Have Enabled Globalisation - II

₹ 30 Rs

- Liberalisation** → Removing barriers or restriction set by the government to enable globalisation process is known as Liberalisation.
- Recall the example of Imports of chinese toys.
  - Role of liberalisation ☹️??
  - Role of trade barrier ☹️??
  - ↓
  - Tax on imports. Why ☹️??
  - Government use trade barriers to increase or decrease (regulate) foreign trade.
  - To protect the producers within Country from foreign Competition. ☹️??
- !! Competition !!
- ↓
- Improve the performance of the producers
- ↓
- Quality ↑
- ∴ Trade barriers ↓
- ↓
- Foreign investment ↑
- ↓
- Globalisation
- India allowed imports of only essential items → Machinery, fertilisers etc.

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## World Trade Organisation

∴ Liberalisation in India was supported by powerful international Organisation.

### \* WTO

→ Started at the initiative of the developed countries.

→ It establishes rules regarding international trade.

→ As on July 2016, nearly 165 countries of the world are currently members of the WTO.

∴ Debate on the working of WTO.

Developing countries v/s Developed countries.



• All type of barriers to foreign trade and investment are harmful. ☹️??

• Promoted 'Free trade'



WTO

World trade Organisation

• Organisation whose aim is to liberalise International trade.

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## World Trade Organisation: Debate On Trade Practices

∴ India and agriculture sector [Employment, GDP] ∴ Farmers in Developing Countries face problem.



Compare this with a developed country [U.S]



Share of agriculture in GDP [1%]



Share in total Employment [0.5%]

∴ There is a debate between  
Developing Countries v/s Developed Countries.

∴ Is this free and fair trade? 😞

∴ U.S government provides large sum of money to people who are engaged in agriculture. 😞

→ For production and export to other countries.



∴ Due to this massive subsidy → U.S farmer can sell the farm product at very low prices → Surplus is sold in the market of developing countries.

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## Impact of Globalisation in India

∴ Globalisation

Advantage to Consumers

Greater choice, Improved quality and lower prices.



High standard of living 😊

∴ Impact on producers and workers has not been uniform.

- MNCs → Investment in India (↑) = Employment (↑) → Jobs (↑)
- Top Indian Companies
- Local Companies supplying raw material have prospered

↓  
Invested in new technology and also gained a lot from collaborations with foreign companies.

- Globalisation has enabled some larger Indian companies to emerge as multinationals themselves. e.g. Tata Motors, Infosys etc.
- Companies providing services got an opportunity to export their services to developed countries. e.g. Data entry, accounting, administrative tasks etc.

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## Impact of Globalisation in India - II

∴ Globalisation has brought major challenges for a large number of small producers and workers.



- Story of Sushila
- Problems faced by her?

- Story of Ravi
- Problems faced by him.?

### (∴ Conclusion)

- Hard Competition → Small producers cannot compete → Shutting down of Industries!!
- MNCs → Trys to Cut their Cost
  - Low wages to workers
  - Long working hours.
- ↓  
Looks for the cheapest suppliers →

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## Special Economic Zone [SEZ]

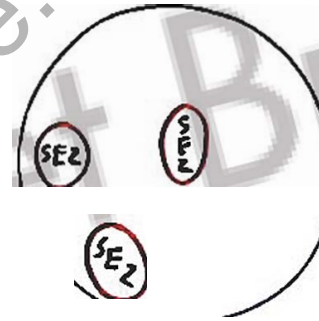
※ SEZs are the specially created industrial zones having world class facilities such as Road, electricity, water, transport, storage etc. These zones are created to attract foreign investment.

※ Why Companies will invest in SEZs?

→ World class facility.

→ Exemptions in the payment of taxes for an initial period of five years.

→ flexibility in labour laws.



※ MNCs demand flexibility in labour laws 😞??

→ To reduce the cost of labour.

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## The Struggle For a Fair Globalisation

\* Not everyone has benefited equally from globalisation. People with education, skills and

\* What is a fair globalisation? 😊” wealth benefited alot

→ Equal opportunities for all, benefits must be shared

\* How to make globalisation more fair? 😞”

→ Government can play a major role.

• Proper implementation of labour laws.

• Supporting small producers so that they became strong enough to compete.

• using trade barriers and investment barriers.

• Government can negotiate at WTO for 'fairer Rules'.

• Developing countries can form groups to fight against the domination of developed countries.

• People can also play an important role. [Campaigns, protest and Representation]

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## Frequently Asked Questions

\* Define type

→ MNC, Foreign investment, Trade barrier, WTO, SEZ?

Q MNCs as an agent of Globalisation? Different ways through which MNCs set up their production?

Q How did the foreign trade integrates the markets of various countries? Example

Q What is globalisation? Factors that have enabled Globalisation?

Q What do you understand by liberalisation? What is the need of it?

Q WTO? Need? Functions?

Q Impact of Globalisation in India? [Positive and Negative]

Q What can be done for a fair globalisation?