

Ch-4

Globalisation in the Modern World...

What do you understand by the term globalisation?

Globalisation can be defined as integration of various economies of the world such that there is flow of goods, services, raw material, capital and technology among different nations to promote economic growth and create a new global economy.

What is an MNC?

MNC is a company that owns and controls production in more than one nation. It stands for multi-national corporation. Gojo Corporation.

An MNC sets up offices and factories for production in regions where they can get cheap labour and resources. This reduces the cost of MNC thereby increasing profit.

What is an investment?

The money that is spent to buy assets such as land, building, machines and other equipments is known as investment. Investment made by MNC's is called foreign investment.

What are the advantages of MNC to the local company?

FDI - foreign direct investment

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- * First, MNC's can provide money for additional investments like buying new machines for faster production.
- * Second, MNC's might bring with them the latest technology for production.

5) How do MNC's enter Indian market? / functions

- By setting partnerships with local companies
- By using local companies for supplies
- By closely competing with local companies or buying them up.

6) What are the advantages of foreign trade?

It provides an opportunity for the producers to reach beyond domestic market i.e., they can sell their products in different countries.

For buyers it expands the choice of goods beyond what is domestically produced.

producers in the two countries now closely compete against each other even though they are separated by thousands of miles.

Foreign trade thus results in connecting the markets or integration of markets in different countries.

7) What are the factors that have enabled globalisation

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Technology ⇒

Due to rapid improvement in technology it has become possible to produce more and more goods faster along with their faster delivery across long distances at lower cost.

Development in information and communication technology ⇒

Telecommunication facilities like mobile, fax etc are used to connect one another around the world to access information instantly and communicate from remote areas.

Satellite communication devices and computers with internet have further eased the process.

What is a trade barrier?

A trade barrier is a restriction used by government to increase or decrease (regulate) foreign trade and to decide what kinds of goods and how much of each should come into the country.
Foreg → tax on imports.

What is liberalisation?

Removing barriers or restrictions set up by the government is known as liberalisation. With liberalisation businesses are allowed to make decisions freely about what they wish to import or export.

10) Why did govt. initially put trade barrier on foreign trade and investment?

- Just after independ. nce govt. thought that it is necessary to protect the producers within the country from foreign competitions
- During 50's and 60's competitions from imports would not have allowed local industries to come up.
- Hence only essential commodities like machinery, fertilizers etc. were imported.

11) when and how did liberalisation come to India?

- i) In 1991, the govt. decided that the time had come for Indian producers to compete with the global producers.
- ii) It was thought that competitions would improve the performance of producers within the country since they would have to improve their quality.

Very Important

12) What is the impact on globalisation?

Positive Impact →

- * MNC have increased their investment in India, in industries like cell phones, automobiles, fast food etc. These products have large no. of buyers. it has helped in creation of new jobs and local companies supplying raw materials to these industries have flourished.

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For Indian companies due to the increasing competition Indian and have invested in production method new technology through successful collaborations with foreign companies.

Tata Motors, Asian paints etc. Globalisation has created new opportunities for service sector companies like IT, call centres, data entry, administrative tasks.

Negative impact →

People with education, skill and wealth have made use of the new opportunities on the other hand you see many who have not share the benefit. Working conditions in the new environment of globalisation have worsened even in organised sector i.e., people don't get job security and other benefits.

Foreign companies buy cheaper raw material from the developing countries and exploit the natural resources for their own advantage without concerning about the environmental pollution and ecological balance of the developing countries.

Cheap labour and raw material lowers the cost of production of the MNC's who sell their products at higher rates and earn huge profits which are not shared with population of developing countries.

13) How can globalisation be fair among different nations of the world?

- A fair globalisation would create equal opportunities for all and would ensure better share of benefits of globalisation
- It should protect the interest of not only the rich and powerful and all the people of country.
- The govt. should ensure that the labour laws are implemented properly and workers get their rights.
- The govt. can support producers to improve their performance till they become strong enough to compete.
- Govt. can use trade barriers and investment barriers and negotiate at WTO for fairer rules.
- It can align with other developing countries with similar interest to fight against the domination of developed countries in WTO.

WTO - world trade organisation.