NCERT Class 10 Economics

Chapter 4: Globalization & Indian Economy

MNCs

- Owns or controls production in more than one nation (cheap labor & resource, low cost, more profit)
- NOT selling globally but producing globally (complex way)
- Cheap production – China
- Closeness to market – Mexico & Eastern Europe
- Skilled Engineers – India
- English speaking – Customer care
- Favorable govt. policies
- Save 50-60% cost of MNC

Interlinking Production

- Investment – money to buy land, machine & building
- Foreign Investment – made by MNC – to earn profit
- MNC brings latest technology for production
- MNC provides money for investment (huge wealth)
- Cargill foods bought Indian Parakh foods – now Cargill (largest edible oil producer in India with 5 million pouches daily)
- MNC place order with small producers – garment, footwear – determine price, quality, delivery, and labor conditions
- With dispersed production locations are interlinked

Foreign Trade

- Producer reach beyond domestic market
- Buyers expand choice of goods beyond what is produced domestically
- Chinese toys in India – cheaper, competitive, replaced Indian market
- Choice for goods arises – price stabilizes
- It connects and integrates market.

Globalization

- Ford – manufactures for India and exports
- More trade + more investment + more integration or interconnection
- What moves? Goods, services, investment & technology
- Why people move? Job, education & income

Globalization

- Interdependence of world's economies
- Globalization + Connectivity & Digitization = Innovation & Value Creation
- Prior – Trade (export of raw material & import of finished product)

Technology – Enabled Globalization

- Containers for transport
- Movement of goods and services
- ICT – telecom, computers, internet (e-mail or voice talk – negligible cost), satellite devices
- Payment wallets and e-banking (upcoming)

Liberalization

- What if taxes on import of toys from China?
- Trade barrier – taxes on import – govt. use to $\uparrow or \downarrow$ foreign trade
- Quota – limit number of goods imported
- India had trade restrictions till 1950-60s to protect local artisans
- Only essential item imports were allowed (fertilizer, petroleum)
- 1991- policy changes – LPG – compete globally to improve performance
- No barrier on foreign trade – easy imports and exports – removing barriers - liberalization

WTO

- Free trade and liberalize trade – WTO
- Formed - 1st Jan 1955
- Headquarters – Geneva, Switzerland
- Members – 164 states
- Under Marakkesh Agreement – replaced GATT (General Agreement on Tariffs & Trade)
- Focus on Doha rounds – for developing nations
- Developed nations – unfairly retained trade barriers
- Forced developing nations to remove trade barriers (US farmers paid huge sum of money by govt. – bring in cheap produce & is unfair)

Impact on India

- Customers – Greater choice, improved quality & low price
- Investment of MNCs increased – cell phone, automobile, electronics
- Creation of new jobs
- SEZs – with world class facilities to attract investors
- Flexibility in labor laws – hire for short period when more work pressure
- Investment in new technology and higher production standards
- Indian companies as MNCs - Tata Motors (automobiles), Infosys (IT), Ranbaxy (medicines), Asian Paints (paints), Sundaram Fasteners (nuts & bolts)
- Host of services like data entry, accounting, administrative tasks, engineering

Negative Impact on India

- Lesser job security
- Workers employed flexibly
- Long work hours & night shifts

What is the AIM?

- Fair globalization – opportunity for all
- Proper implementation of labor laws