

Connecting Dots .....

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Globalisation & the Indian Economy

A Multinational Corporation (MNC) is a company that owns or controls production in more than one nation. Investment made by MNCs is called foreign investment.

Various ways by which MNCs set up or control production in other countries -

- ① set up production jointly with some of the local companies. Joint production provides money for additional investment and latest technology for production.
- ② To buy up local companies and then expand production.
- ③ Place order for production with small producers.
- ④ By setting up partnerships with small local companies, by using the local companies for supplies, by closely competing with the local companies or buying them up, MNCs are exerting a strong influence on production at these distant locations.

As a result, production in these widely dispersed locations is getting interlinked.

Foreign trade and integration of markets

→ Foreign trade is import & export between different countries

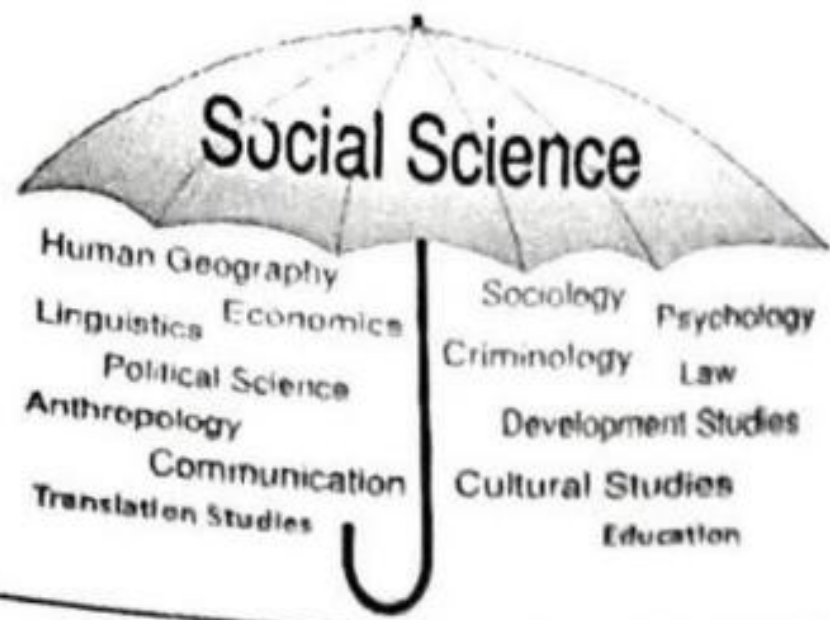
→ FT creates an opportunity for the producers to reach beyond the domestic markets

→ FT results in connecting the markets or integration of markets in different countries.

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Globalisation :- It is the process of rapid integration or interconnection between countries. More & more goods and services, investments and technology are moving between countries.

Factors that have enabled globalization

- ① Development of IIT [Information and Communication Technology]
- ② Developments in transport technology
- ③ Liberalization - removal of trade barriers
- ④ Role of MNCs
- ⑤ Role of WTO
- ⑥ Internal Pressure
- ⑦ Need of cultural and economic integration
- ⑧ Change in govt. policies [favourable for MNCs]
- ⑨ SEZs - At present, central and state govt. in India are taking special steps to attract foreign companies to invest in India. For this special economic zones are being set up. SEZs have special world class facilities - electricity, telecommunication, broadband internet, roads, transport, storage.

Impact of Globalization

- ① On consumers - positive 😊 Variety + quality + at all states
- ② On producers → large producers +ve 😊 became MNCs  
→ Small producers -ve 😞 couldn't face competition
- ③ On workers → -ve 😞 flexibility of labour laws

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## Globalization & the Indian Economy

Special Economic Zones : The govt. of India has set up these industrial zones to attract the foreign

[SEZs]

do not cap

Investment in India.

Characteristics of SEZs - ① These zones are expected to have world class facilities such as water, roads, electricity, transport, storage, recreational & educational.

② Companies setting up their production units in the SEZs are exempted from the payment of taxes for the initial 5 years.

③ Govt. has also allowed flexibility in the labour laws to attract foreign investment.

### Impact of globalization

On Consumers : \* They have greater choice.

[at better price] \* Better quality products due to competition

\* products at all prices are available / lower prices for several products

\* Consumers enjoy higher standards of living

On big producers : \* They have access to International market for their products

[got opportunities]

\* easier access to foreign investment

\* Collaboration with MNCs

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have added up their performance & profits  
\* they have invested in newer technology & production methods & raised their production standards

\* emerged as MNCs

On small producers & workers :

[hard hit because of rising competition]

→ several small units have been shut down

→ to get large orders, producers cut the labour costs - [wages given are low; workers are forced to work overtime to make both ends meet]

→ flexibility of labour laws has worsened the situation [exploitation of workers]

→ jobless workers

Role of Govt. in Fair globalization :

- ① Ensure the labour laws & its implementation
- ② support small producers to save workers' jobs
- ③ Imposition of trade barriers to protect the interests of small domestic producers & workers
- ④ Negotiate at WTO for fair rules & concessions for developing countries
- ⑤ MNCs should not be protected at the cost of workers & small unit
- ⑥ Align with other countries to fight against domination of developed countries in WTO