Class Notes	
Class: X	**Topic: Globalization And The Indian Economy NOTES**
Subject: Economics	

NOTE- Notes for reference

Globalisation refers to the integration of the domestic economy with the economies of the world.

An MNC is a company that owns and controls production in more than one nation.

Foreign Investment is investment made by MNCs.

Advantages of Foreign Trade—

1. 'Foreign Trade' has facilitated the travel of goods from one market to another.
2. It provides a choice of goods to the buyers.
3. Producers of different countries have to compete in different markets.
4. Prices of similar goods in two markets in two different countries become almost equal.

SEZs or Special Economic Zones are industrial zones being set up by the Central and State Governments in different parts of the country. SEZs are to have world 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. SEZs thus help to attract foreign companies to invest in India.

Reasons to put barriers to foreign trade:

1. 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. Industries were just coming up in the 1950s and 1960s and competition from imports at that stage would not have allowed these industries to develop and grow. Imports of only essential items such as machinery, fertilizers, petroleum etc. was allowed.
2. To protect the Indian economy from foreign infiltration in industries affecting the economic growth of the country as planned. India wanted to move faster to catch up with the main industries in the world market and therefore had to keep an extra watch on its progress in international trade and give incentives to the more rapidly growing industries through fiscal tariff and other means.

Around 1991, some changes were made in policy by the Indian government as it was decided that the time had come for the Indian producers to compete with foreign producers. This would not only help the Indian producers to improve their performance but also improve their quality.

Liberalization means the removal of barriers and restrictions set by the government on foreign trade. Governments use trade barriers to increase or decrease (regulate) foreign trade to protect the domestic industries from foreign competition. Example, Tax on imports. Around 1991, government India adopted the policy of liberalization.

World Trade Organization (WTO) was started at the initiative of the developed countries. Its main objective is to liberalize international trade.

Privatization means transfer of ownership of property from public sector to private sector.

Economic Reforms or New Economic Policy is policy adopted by the Government of India since July 1991. Its key features are Liberalization, Privatisation and Globalisation (LPG).

MNCs set up production in various countries based on the following factors:

- MNCs set up offices and factories for production in regions where they can get cheap labour and other resources; e.g., in countries like China, Bangladesh and India.
- At times, MNCs set up production jointly with some of the local companies of countries around the world. The benefit of such joint production to the local company is two-fold. First, the MNCs can provide money for additional investments for faster production. Secondly, the MNCs bring with them the latest technology for enhancing and improving production.
- Some MNCs are so big that their wealth exceeds the entire budgets of some developing countries. This is the reason why they buy up local companies to expand production. Example, Cargill Foods, An American MNC has bought over small Indian company such as Parakh Foods.
- MNCs control production by placing orders for production with small producers in developing nations; e.g., garments, footwear, sports items etc. The products are supplied to these MNCs which then sell these under their own brand name to customers.

Factors which have helped in globalization:

- Technology. Rapid improvement in technology has contributed greatly towards globalization.
- Development in information and communication technology has also helped a great deal. Telecommunication facilities — telegraph, telephone (including mobile phones), fax are now used to contact one another quickly around the world. Teleconferences help in saving frequent long trips across the globe.
- Information technology has also played an important role in spreading out production of services across countries. Orders are placed through internet, designing is done on computers, even payment for designing and printing can be arranged through internet.