

Short Answer Questions

Q. 1. Under what conditions do MNCs set up production units?

OR

Examine any three conditions which should be taken care of by multinational companies to set up their production units. [CBSE Delhi 2017]

OR

Describe any five factors that promote the Multinational Corporations (MNCs) to setup their production units in a particular place. [CBSE (F) 2016]

Ans. MNCs set up production units on the basis of:

- (i)** Proximity to the markets;
- (ii)** Availability of skilled and unskilled labour at low cost;
- (iii)** Availability of other factors of production is assured; and
- (iv)** Government policies that look after their interests.
- (v)** Developed infrastructure
- (vi)** Safety measures. (Any five)

Q. 2. What are the basic functions of foreign trade?

Ans. Foreign trade creates an opportunity for the produces to reach beyond the domestic markets.

Producers can sell their produce not only in markets located within the country but can also compete in markets located in other countries of the world.

For the buyers, import of goods produced in another country is one way of expanding the choice of goods beyond what is domestically produced.

Q. 3. What do you mean by liberalisation of foreign trade?

Ans. (i) Removing barriers or restrictions set by the government is known as liberalisation.

(ii) With the liberalisation of trade, businesses are allowed to make decisions freely about what they wish to import or export.

(iii) The government imposes lesser restrictions than before and is therefore, said to be more liberal.

Q. 4. What is the role of WTO in international trade?

Ans. (i) WTO's aim is to liberalise international trade.

(ii) It establishes rules regarding international trade and sees that these rules are obeyed.

(iii) 164 countries of the world are its members currently.

(iv) It is seen that the developed countries have unfairly retained trade barriers. On the other hand, WTO rules have forced developing countries to remove trade barriers.

Q. 5. What changes do you find with the arrival of MNCs in the markets?

Ans. As consumers in today's world, some of us have wider choice of goods and services before us.

The latest models of digital cameras, mobile phones and televisions made by the leading manufacturers of the world are within our reach.

Every season, new models of automobiles can be seen on the Indian roads.

Q. 6. What are the effects of foreign trade?

Ans. Effects of foreign trade are as follows:

(i) Chinese have started exporting Chinese plastic toys to India.

(ii) Buyers in India now have the option of choosing between Indian and Chinese toys.

(iii) Because of the cheaper prices and new designs, Chinese toys have become more popular in the Indian markets.

In the competition between Indian and Chinese toys, Chinese toys prove better. With the result, Indian toy-makers face losses, as their toys are selling less.

Q. 7. What are MNCs?

Ans. (i) An MNC is a company that owns or controls production in more than one nation.

(ii) These companies set up offices and factories for production in regions where they can get cheap labour and other resources.

(iii) This is done to ensure that the cost of production remains low and MNCs can earn greater profits.

Q. 8. What is investment? How is foreign investment different from it?

Ans. The money that is spent to buy assets such as land, building, machines and other equipment is called investment.

Investment made by MNCs is called foreign investment. Every investment is made with the hope that the assets will earn profits for these companies.

Q. 9. What are the benefits of MNCs' production to the local companies?

OR

Which two benefits local companies get when they set up production in association with MNCs?

OR

How are 'local companies' benefited by collaborating with 'multinational companies'? Evaluate any three benefits. [CBSE Delhi 2017]

Ans. (i) MNCs can provide money for additional investments, like buying new machines for faster production.

(ii) MNCs might bring with them the latest technology for production.

(iii) MNCs also buy some local companies to expand production, since they have wealth exceeding the entire budgets of some of the developing countries.

Q. 10. How are MNCs spreading their production across the globe?

Ans. There are variety of ways in which the MNCs are spreading their production across the globe such as:

(i) Setting up partnerships with the local companies;

(ii) Using the local companies for supplies; and

(iii) Closely competing with the local companies or buying them.

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

Q. 11. Why are trade barriers imposed on the foreign trade and investment in a country? Explain with the help of two illustrations. [CBSE Sample Paper 2017]

Ans. Trade barriers are used by the governments –

(i) To increase, decrease or regulate foreign trade.

(ii) To decide what kinds of goods and how much of each, should come into the country.

(iii) To protect the producers within the country from foreign competition.

Q. 12. What is the role of MNCs in the globalisation process?

Ans. (i) MNCs are playing a major role in the globalisation process.

(ii) More and more goods and services, investments and technology are moving between countries.

(iii) Most regions of the world are in closer contact with each other than a few decades back.

Q. 13. Besides the movement of goods, what are the ways in which countries can be linked?

Ans. (i) Besides the movement of goods, services, investment and technology, there is one more way in which the countries can be connected.

(ii) It is done through the movement of people between countries.

(iii) People usually move from one country to another in search of better income, better jobs or better education.

Q. 14. How is foreign trade interlinking markets of different countries? Explain with example. [CBSE (F) 2017]

Ans. Foreign trade has interlinked markets of different countries.

(i) Foreign trade has been the main channel connecting countries.

(ii) Foreign trade creates an opportunity for the producers to reach beyond the domestic markets.

(iii) Producers can sell their produce in local and foreign market.

(iv) It is one way of expanding the choice of goods.

(v) Choice of goods in the markets rises.

(vi) Prices of similar goods in the two markets tend to become equal.

(vii) Close competition with each other.

Q. 15. What is the impact of globalisation on the consumers of India?

Ans. (i) Globalisation and greater competition among producers—both local and foreign—have been of advantage to consumers, particularly the well-off sections in the urban areas.

(ii) There is a greater choice before these consumers who now enjoy improved quality and lower prices for several products.

(iii) As a result, these people today enjoy much higher standards of living than was possible earlier.

Q. 16. Which Indian companies have become MNCs with the competition in globalisation?

Ans. (i) Several of the top Indian companies have been able to benefit from the increased competition.

(ii) They have invested in newer technology and production methods and raised their production standards.

(iii) Globalisation has enabled some large companies to emerge as multinationals themselves like Tata Motors (automobiles), Infosys (IT), Ranbaxy (Medicines), Asian Paints (paints), Sundaram Fastners (nuts and bolts) are some Indian companies which are spreading their operations worldwide.

Q. 17. Explain by giving examples that Multinational Corporations (MNCs) are spreading their productions in different ways. [CBSE (AI) 2016]

Ans. Multinational Corporations are spreading their productions in different ways:

(i) By setting up partnership with local companies.

(ii) By placing orders with local companies. For example, Garments, Footwear, Sports items, etc.

(iii) By closely competing with the local companies.

(iv) By buying local companies- For example, Cargill buying Parakh foods in India.

Q. 18. How are companies providing services benefitted by globalisation?

Ans. (i) Globalisation has also created new opportunities for companies providing services, particularly those involving IT.

(ii) There are Indian companies which are producing magazines for the London-based companies and call centres are also existing due to globalisation only.

(iii) Besides, a host of services such as data entry, accounting, administrative tasks, engineering are now being done cheaply in developing countries such as India and are exported to the developed countries.

Q. 19. Analyze the Impact of globalization. [CBSE Sample Paper 2017]

Ans. Positive

(i) Wide variety of good is now available to the consumers.

(ii) New jobs are created in industries.

(iii) Local companies have prospered through supplying raw materials to the industries.

(iv) Top Indian companies have benefitted for successful collaborations with foreign companies.

Negative

(i) Globalization has led to the annihilation of small producers who face stiff competition from cheaper imports.

(ii) Workers no longer have job security as they are employed 'flexibly'.

It may lead to greater dependence of underdeveloped countries on advanced countries.

Q. 20. Chinese toys have taken over the Indian toy market due to globalization and promotion of international trade leading to huge losses to Indian toy manufacturers. Do you think the mantra of “Boycott and Swadeshi” would be of any help today? Why or why not? [CBSE Sample Paper 2016]

Ans. We cannot deny the fact that Chinese toys have taken over the Indian toy market due to promotion of international trade and globalisation leading to huge losses to the Indian toy manufactures. In spite of this, ‘Boycott and Swadeshi’ mantra won’t help because

(a) With lifting of trade barriers, import and export of foreign goods have become easier and markets of native countries are flooded with foreign products.

(b) Prices of foreign products especially the Chinese items like toys are cheap and have a great variety to attract customers.

(c) Swadeshi and Boycott movements were relevant and worked because of the movement for Independence of our country. Today, the circumstances are different. Technology has made its mark. Foreign goods increase the revenue for the native countries. Moreover, free trade and marketing needs to be accepted for country’s economic growth.

Q. 21. Classify industries on the basis of capital investment. How are they different from one another? Explain with examples. [CBSE (Delhi) 2016]

Ans. Classification of the industries on the basis of capital investment:

(i) Small Scale industry

(ii) Large Scale industry

Difference:

(i) If the investment is more than one crore on any industry is considered as a large scale industry, for example, Iron and Steel Industry/Cement Industry.

(ii) While the investment is less than one crore on an industry is considered as a small scale industry, for example, Plastic industry, Toy industry.

Q. 22. ‘Barriers on foreign trade and foreign investment were removed to a large extent in India since 1991.’ Justify the statement. [CBSE (Delhi) 2016]

Ans. Removal of barriers on foreign trade and foreign investment:

(i) Barriers on foreign trade and foreign investment were partially removed.

(ii) Goods could be imported and exported easily.

(iii) Foreign companies could set up factories and offices here.

(iv) Opportunities for Indian producers to compete with producers around the globe.

Q. 23. “A wide ranging choice of goods are available in the Indian markets.” Support the statement with examples in context of globalisation. [CBSE (Delhi) 2016]

OR

“In a matter of years, Indian markets have been transformed with wide ranging choice of goods.” Support the statement with examples. [CBSE (Comptt.) 2017]

Ans. We have a wide variety of goods and services before us in the market.

(i) The latest models of the digital cameras, mobile phones and televisions made by leading manufacturers of the world are available in the market.

(ii) Every season, new models of automobiles can be seen on Indian roads.

(iii) Today Indians are buying cars produced by nearly all the top companies in the world.

(iv) A similar explosion of brands can be seen for many other goods.

Q. 24. “Cheap and affordable credit is crucial for the country’s development.” Assess the statement. [CBSE (Delhi) 2016]

Ans. Cheap and affordable credit is crucial:

(i) Many people want to start an enterprise by borrowing may not do because of high cost of borrowing.

(ii) Banks and cooperative societies need to lend more.

(iii) This would lead to higher income and many people could then borrow at cheap rates for a variety of needs.

(iv) They could grow crops, do business or set up small scale industries.

Q. 25. “Globalisation and greater competition among producers has been of advantage to consumers.” Justify the statement with examples. [CBSE (Delhi) 2016]

OR

Describe any five advantages to consumers due to globalisation and greater competition among producers. [CBSE (F) 2017]

Ans. Globalisation and competition among producers are beneficial to consumers:

Globalisation and greater competition among producers, both local and foreign producers have been of advantage to consumers.

(i) There is a greater choice before consumers along with competitive price.

- (ii) They enjoy improved quality and lower prices for several products.
- (iii) They enjoy much higher standards of living that was possible earlier.
- (iv) Strengthening of Consumer Rights like – Right to Information, Right to Choose, Right to be Heard, and Right to Seek Redressal has been given to consumers.
- (v) Legal rights of consumers have become more effective.

Q. 26. Why had the Indian government put barriers to foreign trade and foreign investments after independence? Analyse the reasons. [CBSE (AI) 2016]

Ans. Indian government has put barriers to foreign trade and foreign investments after independence because:

- (i) It wanted to protect the producers within the country from foreign competition.
- (ii) As the industries were just coming up in 1950s and 1960s, the competition from inputs at that stage would not have allowed these industries to come up.
- (iii) Indian allowed imports of only essential items such as machinery fertilizers, petroleum, etc.

Q. 27. How does foreign trade integrate the markets of different countries? Explain with examples. [CBSE (F) 2016]

Ans. Integration of Foreign markets:

- (i) Producers reach beyond the domestic market.
- (ii) Producers compete with markets located in other countries of the world
- (iii) There is expansion of choice of goods beyond the domestic market.
- (iv) Producers in the two countries closely compete against each other.