Vidya Bhawan balika Vidyapeeth shakti utthan aashram Lakhisarai

Revision Class-10th

(Based on N C E R T pattern)

Date:- 16.01.21. ECONOMICS

Globalisation and the Indian Economy

Question 1.
Examine any three conditions which should be taken care of by multinational companies to set up their production units.
Answer:
Conditions:

1. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources. Example, Countries like China, Bangladesh and India. They also provide with the advantage of cheap manufacturing locations.

2. MNCs also need close-by markets for their manufacturing goods. Mexico and Eastern Europe are useful for their closeness to the markets in the US and Europe.

3. Besides these, MNCs also require skilled engineers and IT personnel and a large number of English speaking people who are able to provide customer care services (India possibly tops in this area).

4. All these factors help MNCs in saving costs of production by 50-60%.

Question 2.
How do Multi-National corporations (MNCs) interlink production across countries? Explain with examples.
Answer:
MNCs set up production in various countries based on the following factors:

1. MNCs set up offices and factories for production in regions where they can get cheap labour and other resources; eg., in countries like China, Bangladesh and India. These countries also provide with the advantage of cheap manufacturing locations.

2. 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.

3. 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.
   eg. Cargill Foods, a very large American MNC has bought over smaller Indian companies such as Farakh Foods.

4. There is another way in which MNCs control production and that is by placing orders for production with small producers in developing nations; eg., garments, footwear, sports items etc. The products are supplied to these MNCs which then sell these under their own brand name to customers. MNCs also enter into close competition with local companies thereby influencing production in distant locations.

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