

CBSE • CLASS 10 • SOCIAL SCIENCE

ECONOMICS

CHAPTER 04

Globalisation and the Indian Economy



CHAPTER NOTES



MULTINATIONAL CORPORATIONS

Multinational corporation (MNC)

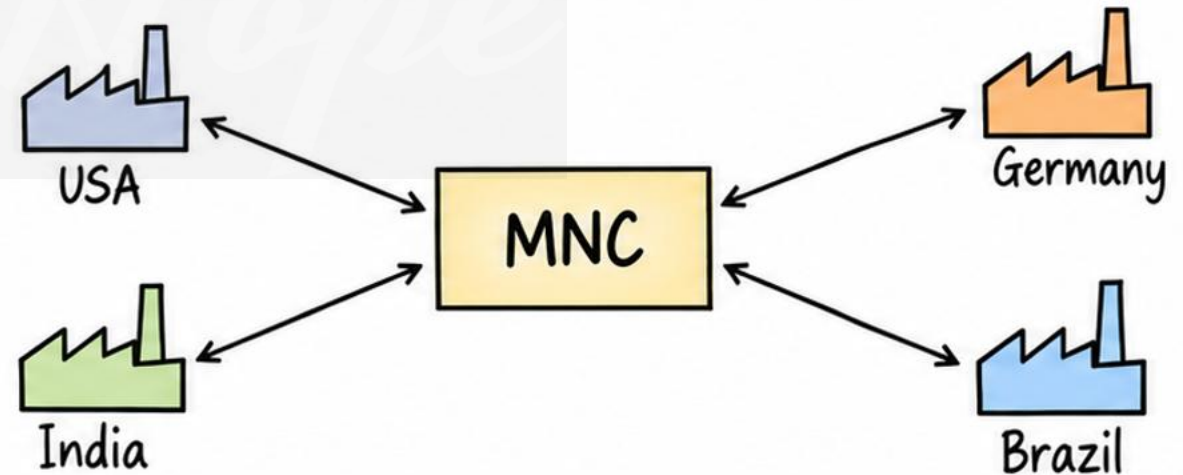
- An MNC is a company that owns or controls production in more than one nation.
- It may sell globally, but its key feature is ownership or control of production across countries.

Earlier pattern

- Until the middle of the twentieth century, production was largely organised within countries. Trade connected them.
- Colonies such as India exported raw materials and food, and imported finished goods.

Why MNCs choose a location

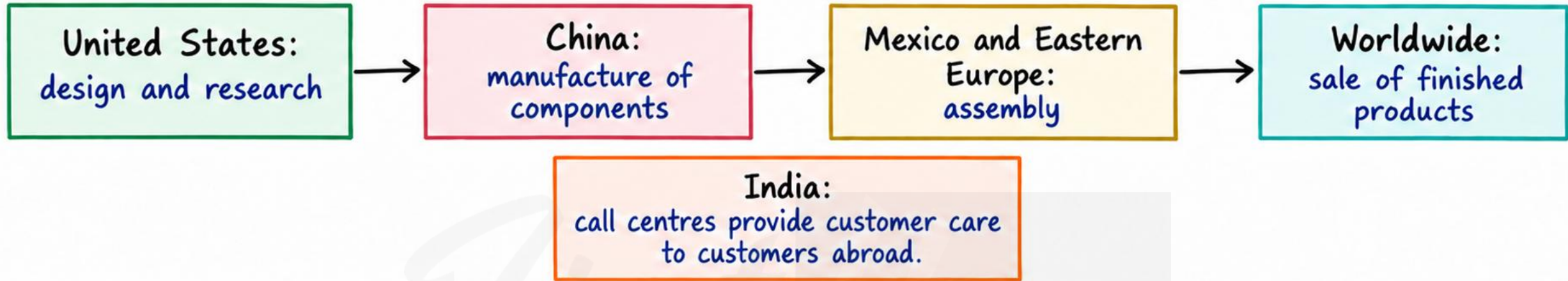
- Closeness to markets where products will be sold.
- Skilled and unskilled labour available at low cost.
- Reliable availability of raw materials and other resources.
- Government policies favourable to investment.
- Lower production costs can help the company earn greater profits.



- Consumers in India now see a wider choice of cars, phones, televisions, clothing and processed foods.

PRODUCTION ACROSS COUNTRIES

The chapter's industrial-equipment example



Why spread production?

- China offers a low-cost manufacturing location.
- Mexico and Eastern Europe are close to markets in the US and Europe.
- India offers skilled engineers and educated English-speaking workers for services.

The bigger picture

- The production process is divided into parts. Each part is located where it offers an advantage.
- Goods and services are produced globally, not merely sold globally.

Chapter estimate

- Chapter estimate: possible cost saving of 50–60% in this example.
- This is an illustrative estimate, not a fixed saving for every MNC.

FOREIGN INVESTMENT

Investment

Investment is money spent to buy assets such as land, buildings, machines and equipment, with the hope of earning profits.

Foreign investment

When an MNC invests in production in another country, it makes foreign investment.

Setting up a factory is investment. Buying its finished goods is trade, not investment.

Joint production

- An MNC may work jointly with a local company.
- The local company can gain money for additional investment, such as new machines.
- It may also gain access to newer production technology.

Ford: historical chapter example

Year	Details	Figures
1995	Invested in a plant near Chennai, with Mahindra and Mahindra.	about ₹1,700 crore.
2017	Cars sold in India	about 88,000.
2017	Cars exported	about 1,81,000.

These dated figures illustrate production for domestic and foreign markets. They are not current sales or investment figures.

INTERLINKING PRODUCTION

Ways MNCs link production

Set up factories and offices in another country.

Form partnerships with local companies.

Buy local companies and expand their production.

Place orders with local suppliers and small producers.

Compete closely with local companies.

Production through suppliers

- Garments, footwear and sports goods are often made by small producers for large MNCs.
- MNCs sell these goods under their own brands. They can strongly influence price, quality, delivery and labour conditions.

Acquisition: chapter example

- Cargill Foods, an American MNC, bought Parakh Foods and gained its marketing network and oil refineries.
- Historical chapter figures: 4 refineries; capacity of 5 million pouches daily.
- These are the chapter's historical details, not a current capacity claim.

Production at distant places becomes connected through these relationships.

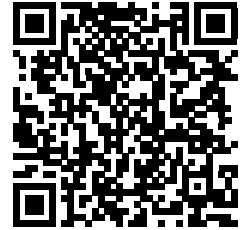


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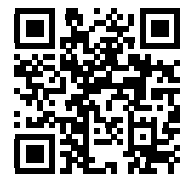


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