

CBSE CLASS X
Social Science (087)

QUESTION PAPER
AI-generated question paper

Code: 9WD4DP**Questions: 33****Maximum Marks: 74****Generated: 2026-06-26 09:49****SELECTIONS USED**

| | |
|------------------------|--|
| Subject | Social Science |
| Lessons | 4 Globalisation and the Indian Economy |
| Level of understanding | Exam-ready |
| Question selection | CBSE board paper, whole lesson (~80 marks across Sections A-E) |
| Model | claude-sonnet-4-6 |

Composition — Difficulty: 11 straightforward · 14 medium · 8 deep | Types: 9 MCQ · 7 Short · 6 Very short · 5 Assertion–reason · 3 Long · 3 Case-based | Sections: A 14Q/14m · B 6Q/12m · C 7Q/21m · D 3Q/15m · E 3Q/12m

Q1. straightforward exam-ready**[1]**

A company that owns or controls production in more than one nation is called a:

- (A) Public sector company
- (B) Multinational corporation
- (C) Non-governmental organisation
- (D) Joint venture company

- A Public sector company
- B Multinational corporation
- C Non-governmental organisation
- D Joint venture company

◆ Globalisation and the Indian Economy**Q2.** straightforward exam-ready**[1]**

The money spent by MNCs to buy assets such as land, buildings, machines and equipment in another country is called:

- (A) Domestic investment
- (B) Trade surplus
- (C) Foreign investment
- (D) Portfolio investment

- A Domestic investment
- B Trade surplus
- C Foreign investment
- D Portfolio investment

◆ Globalisation and the Indian Economy

Q3. straightforward exam-ready**[1]**

Which of the following is an example of a trade barrier?

- (A) Lowering domestic interest rates
- (B) Tax on imports
- (C) Reducing income tax
- (D) Increasing government expenditure

- A Lowering domestic interest rates
- B Tax on imports
- C Reducing income tax
- D Increasing government expenditure

◆ Globalisation and the Indian Economy**Q4.** straightforward exam-ready**[1]**

Special Economic Zones (SEZs) are set up primarily to:

- (A) Provide free housing to workers
- (B) Attract foreign companies to invest and produce in India
- (C) Regulate the stock market
- (D) Control domestic inflation

- A Provide free housing to workers
- B Attract foreign companies to invest and produce in India
- C Regulate the stock market
- D Control domestic inflation

◆ Globalisation and the Indian Economy**Q5.** straightforward exam-ready**[1]**

Which of the following Indian companies emerged as a multinational after globalisation?

- (A) Ambassador Motors
- (B) Parakh Foods
- (C) Infosys
- (D) Cargill Foods

- A Ambassador Motors
- B Parakh Foods
- C Infosys
- D Cargill Foods

◆ Globalisation and the Indian Economy**Q6.** straightforward exam-ready**[1]**

The most common route for MNC investment in a new country is to:

- (A) Set up brand new factories from scratch
- (B) Form equal partnerships with local companies
- (C) Buy up existing local companies and then expand production
- (D) Offer loans to local producers

- A Set up brand new factories from scratch
- B Form equal partnerships with local companies
- C Buy up existing local companies and then expand production
- D Offer loans to local producers

◆ Globalisation and the Indian Economy

Q7. straightforward exam-ready**[1]**

Foreign trade results in which of the following?

- (A) Reduction in the variety of goods available to consumers
- (B) Integration of markets across countries
- (C) Elimination of domestic producers permanently
- (D) Increase in trade barriers between countries

- A Reduction in the variety of goods available to consumers
- B Integration of markets across countries
- C Elimination of domestic producers permanently
- D Increase in trade barriers between countries

◆ Globalisation and the Indian Economy

Q8. medium exam-ready**[1]**

Globalisation, by connecting countries, results in:

- (A) Lesser competition among producers
- (B) No change in competition among producers
- (C) Greater competition among producers
- (D) Elimination of all domestic producers

- A Lesser competition among producers
- B No change in competition among producers
- C Greater competition among producers
- D Elimination of all domestic producers

◆ Globalisation and the Indian Economy

Q9. medium exam-ready**[1]**

The Indian government initially put barriers on foreign trade and investment after Independence primarily because:

- (A) India had no foreign exchange reserves
- (B) Indian industries were just coming up and needed protection from foreign competition
- (C) Foreign companies refused to invest in India
- (D) The WTO forced India to do so

- A India had no foreign exchange reserves
- B Indian industries were just coming up and needed protection from foreign competition
- C Foreign companies refused to invest in India
- D The WTO forced India to do so

◆ Globalisation and the Indian Economy

Q10. medium exam-ready**[1]**

Assertion (A): The introduction of containers has played a significant role in boosting international trade.

Reason (R): Containerisation has drastically reduced the cost of transporting goods over long distances, making trade between distant countries far more economical.

- (A) Both A and R are true and R is the correct explanation of A.
- (B) Both A and R are true but R is not the correct explanation of A.
- (C) A is true but R is false.
- (D) A is false but R is true.

- A Both A and R are true and R is the correct explanation of A.
- B Both A and R are true but R is not the correct explanation of A.
- C A is true but R is false.
- D A is false but R is true.

◆ Globalisation and the Indian Economy**Q11.** deep exam-ready**[1]**

Assertion (A): The benefits of globalisation have been shared equally by all sections of Indian society.

Reason (R): MNCs have largely invested in industries catering to well-off urban consumers, while small producers and informal workers face greater competition and job insecurity.

- (A) Both A and R are true and R is the correct explanation of A.
- (B) Both A and R are true but R is not the correct explanation of A.
- (C) A is false but R is true.
- (D) Both A and R are false.

- A Both A and R are true and R is the correct explanation of A.
- B Both A and R are true but R is not the correct explanation of A.
- C A is false and R correctly explains why A is false.
- D Both A and R are false.

◆ Globalisation and the Indian Economy**Q12.** deep exam-ready**[1]**

Assertion (A): WTO rules have ensured completely free and fair trade for all member countries.

Reason (R): Developed countries continue to provide large subsidies to their farmers even as WTO rules push developing countries to reduce trade barriers.

- (A) Both A and R are true and R is the correct explanation of A.
- (B) Both A and R are true but R is not the correct explanation of A.
- (C) A is false but R is true.
- (D) Both A and R are false.

- A Both A and R are true and R is the correct explanation of A.
- B Both A and R are true but R is not the correct explanation of A.
- C A is false and R correctly explains why A is false.
- D Both A and R are false.

◆ Globalisation and the Indian Economy

Q13. straightforward exam-ready

[1]

Assertion (A): MNCs prefer to set up production in countries where labour and other resources are cheap.

Reason (R): Lower cost of production enables MNCs to earn greater profits.

- (A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

- A Both A and R are true and R is the correct explanation of A.
B Both A and R are true but R is not the correct explanation of A.
C A is true but R is false.
D A is false but R is true.

◆ Globalisation and the Indian Economy**Q14.** medium exam-ready

[1]

Assertion (A): Allowing companies to hire workers on a temporary or flexible basis helps reduce labour costs for the company.

Reason (R): When workers are employed flexibly, companies do not have to pay them for the entire year or provide benefits such as health insurance and provident fund.

- (A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

- A Both A and R are true and R is the correct explanation of A.
B Both A and R are true but R is not the correct explanation of A.
C A is true but R is false.
D A is false but R is true.

◆ Globalisation and the Indian Economy**Q15.** straightforward exam-ready

[2]

What is a multinational corporation (MNC)? State any one reason why MNCs prefer to set up production in developing countries like India.

◆ Globalisation and the Indian Economy**Q16.** straightforward exam-ready

[2]

Distinguish between foreign trade and foreign investment.

◆ Globalisation and the Indian Economy**Q17.** straightforward exam-ready

[2]

What are trade barriers? Why did India impose them after Independence?

◆ Globalisation and the Indian Economy**Q18.** medium exam-ready

[2]

How did the opening of foreign trade lead to integration of markets? Explain with a suitable example.

◆ Globalisation and the Indian Economy**Q19.** medium exam-ready

[2]

State any two ways in which a local company benefits when it enters into a joint production arrangement with an MNC.

◆ Globalisation and the Indian Economy

- Q20.** medium exam-ready [2]
What is 'fair globalisation'? State any one step the government can take to achieve it.
◆ Globalisation and the Indian Economy
- Q21.** medium exam-ready [3]
Explain the role of Information and Communication Technology (ICT) in facilitating globalisation. Give any two examples.
◆ Globalisation and the Indian Economy
- Q22.** medium exam-ready [3]
Describe any three ways in which MNCs set up, control or influence production in other countries.
◆ Globalisation and the Indian Economy
- Q23.** medium exam-ready [3]
Explain how liberalisation of trade and investment policies, initiated in India around 1991, helped the process of globalisation.
◆ Globalisation and the Indian Economy
- Q24.** medium exam-ready [3]
Small producers in India have been severely affected by globalisation. Explain with any three relevant points.
◆ Globalisation and the Indian Economy
- Q25.** deep exam-ready [3]
'The impact of globalisation on workers has been largely unfavourable.' Do you agree? Justify your answer with three arguments.
◆ Globalisation and the Indian Economy
- Q26.** deep exam-ready [3]
Explain why developed countries have been accused of following unfair trade practices at the WTO, despite being its founding members.
◆ Globalisation and the Indian Economy
- Q27.** medium exam-ready [3]
How does the production of a single product often involve multiple countries today? Illustrate your answer with an example of an MNC spreading production across nations.
◆ Globalisation and the Indian Economy
- Q28.** medium exam-ready [5]
Analyse the various factors that have enabled globalisation. In your answer, discuss the role of at least two specific technological developments and one policy-level change.
◆ Globalisation and the Indian Economy
- Q29.** deep exam-ready [5]
Examine the impact of globalisation on Indian producers. In your answer, discuss both the positive effects on large and successful businesses as well as the challenges faced by small producers and workers.
◆ Globalisation and the Indian Economy

Q30. deep exam-ready

[5]

What is the World Trade Organisation? Discuss its stated objectives and the criticism it faces from developing countries. What role can the government and people's organisations play in pushing for fairer global trade rules?

◆ Globalisation and the Indian Economy

Q31. medium exam-ready

[4]

Read the following passage and answer the questions that follow:

A large American food processing company, GlobalGrain Inc., recently acquired MehrotraOils, a well-established Indian producer of edible oil with a strong brand presence in northern and central India. MehrotraOils had three oil refineries and an extensive distribution network built over 25 years. After the acquisition, GlobalGrain took control of these refineries and expanded production significantly. Around the same time, the government of the state in which GlobalGrain chose to set up an additional plant offered it space in a newly developed Special Economic Zone (SEZ), along with a five-year tax holiday. The state government also relaxed certain labour regulations to make it easier for companies in the SEZ to hire and dismiss workers as per business demand.

- (i) Identify the mode of foreign investment illustrated by GlobalGrain's acquisition of MehrotraOils. (1 mark)
- (ii) State one specific advantage GlobalGrain gained by acquiring MehrotraOils rather than starting operations from scratch. (1 mark)
- (iii) Why do governments offer tax exemptions to companies operating in SEZs? (1 mark)
- (iv) How does relaxation of labour regulations benefit companies investing in SEZs, and what is its impact on workers? (1 mark)

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Q32. deep exam-ready

[4]

Read the following passage and answer the questions that follow:

Sushila, 35 years old, worked for many years in a garment export factory in Delhi. Initially she was a permanent worker entitled to health insurance, provident fund, and overtime pay at double the rate. When her factory closed in the late 1990s, she spent six months searching for work before finding a job 30 km from her home. Even after working there for several years, she remains a temporary worker earning less than half her earlier wages. She works seven days a week, leaving home at 7:30 a.m. and returning at 10 p.m. A day off means no wages. She has none of the benefits she previously enjoyed. Meanwhile, the large MNCs placing orders with Indian garment exporters continue to earn large profits.

- (i) Why do Indian garment exporters prefer to hire workers on a temporary basis rather than on a permanent basis? (1 mark)
- (ii) What term is used for industries where workers like Sushila no longer receive job security or statutory benefits? (1 mark)
- (iii) State one way in which MNCs benefit from the pressure they put on Indian exporters to cut costs. (1 mark)
- (iv) Suggest one measure that the government could take to ensure that workers like Sushila receive a fair share of the benefits of globalisation. (1 mark)

◆ Globalisation and the Indian Economy

Q33. deep exam-ready**[4]**

Read the following passage and answer the questions that follow:

Suresh ran a small unit in Coimbatore manufacturing plastic components for consumer electronics since 1995. By 1999, he had grown his workforce to 18 workers and supplied to several regional television assembly firms. His difficulties began in 2003 when import duties on plastic components were reduced in line with India's trade liberalisation commitments. Cheaper Chinese imports flooded the market, and his buyers switched suppliers almost overnight. By 2006, Suresh's output had fallen by more than half and only nine workers remained. Several similar units in nearby towns had shut down entirely. Across India, sectors such as toys, batteries, tyres, and dairy products have seen similar trends, with small manufacturers losing market share to cheaper imports. Small and medium enterprises collectively employ the largest number of workers in India outside agriculture.

- (i) What policy change directly caused the crisis for small producers like Suresh? (1 mark)
- (ii) Why did Suresh's buyers switch to imported components even though they had an established relationship with him? (1 mark)
- (iii) What does the large share of employment in small and medium enterprises tell us about the broader economic consequences when such units shut down? (1 mark)
- (iv) Identify one type of government support that could help small producers like Suresh compete against cheaper imports. (1 mark)

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Social Science (087)

ANSWER KEY

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Q1. straightforward exam-ready

[1]

A company that owns or controls production in more than one nation is called a:

- (A) Public sector company
- (B) Multinational corporation
- (C) Non-governmental organisation
- (D) Joint venture company

- A Public sector company
- B Multinational corporation
- C Non-governmental organisation
- D Joint venture company

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Model Answer**(B) Multinational corporation**

A MNC is a company that owns or controls production in more than one nation.

Source: Production Across Countries, Chapter 4

Explanation

The definition is directly stated in the passage. Key phrase to remember: "**owns or controls production in more than one nation**" — this is the standard CBSE definition of an MNC. Examiners expect this exact terminology.

Q2. straightforward exam-ready

[1]

The money spent by MNCs to buy assets such as land, buildings, machines and equipment in another country is called:

- (A) Domestic investment
- (B) Trade surplus
- (C) Foreign investment
- (D) Portfolio investment

- A Domestic investment
- B Trade surplus
- C Foreign investment
- D Portfolio investment

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Model Answer**(C) Foreign investment**

Money spent by MNCs to buy assets such as land, buildings, machines and equipment in another country is called **foreign investment**.

Source: Interlinking Production Across Countries, Chapter 4

Explanation

The textbook explicitly states: "*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.*" Domestic investment refers to investment within one's own country; portfolio investment involves buying shares/stocks, not physical assets. Trade surplus is unrelated. Examiners expect the correct term with a brief justification.

Q3. straightforward exam-ready**[1]**

Which of the following is an example of a trade barrier?

- (A) Lowering domestic interest rates
- (B) Tax on imports
- (C) Reducing income tax
- (D) Increasing government expenditure

- A Lowering domestic interest rates
- B Tax on imports
- C Reducing income tax
- D Increasing government expenditure

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Model Answer**(B) Tax on imports**

A tax on imports is a trade barrier because it raises the price of imported goods, reducing their competitiveness and restricting foreign trade.

Source: *Liberalisation of foreign trade and foreign investment policy, Chapter 4*

Explanation

The textbook directly states: "Tax on imports is an example of trade barrier." Options A, C, and D relate to domestic fiscal/monetary policy and have no direct connection to regulating foreign trade. Examiners expect you to recall the definition of trade barrier and link it to import tax. Always remember: a trade barrier is any restriction that regulates the flow of goods between countries.

Q4. straightforward exam-ready

[1]

Special Economic Zones (SEZs) are set up primarily to:

- (A) Provide free housing to workers
- (B) Attract foreign companies to invest and produce in India
- (C) Regulate the stock market
- (D) Control domestic inflation

- A Provide free housing to workers
- B Attract foreign companies to invest and produce in India
- C Regulate the stock market
- D Control domestic inflation

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Model Answer**(B) Attract foreign companies to invest and produce in India**

SEZs are industrial zones set up by the government with world-class facilities where companies get tax exemptions for five years to attract foreign investment and boost production.

Source: Globalisation and the Indian Economy, Chapter 4 – Steps to Attract Foreign Investment

Explanation

The passage clearly states: "*Industrial zones, called Special Economic Zones (SEZs), are being set up... Companies who set up production units in the SEZs do not have to pay taxes for an initial period of five years.*" This is listed under "Steps to Attract Foreign Investment," confirming option B is correct. Options A, C, and D are not mentioned anywhere in connection with SEZs. For MCQs, briefly justifying your answer (as done above) can earn full marks and shows conceptual clarity.

Q5. straightforward exam-ready**[1]**

Which of the following Indian companies emerged as a multinational after globalisation?

- (A) Ambassador Motors
- (B) Parakh Foods
- (C) Infosys
- (D) Cargill Foods

A Ambassador Motors

B Parakh Foods

C Infosys

D Cargill Foods

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Model Answer**(C) Infosys**

Infosys (IT) is an Indian company that emerged as a multinational after globalisation, spreading its operations worldwide.

Source: Impact of Globalisation in India, Chapter 4

Explanation

The textbook explicitly lists Infosys among Indian companies (along with Tata Motors, Ranbaxy, Asian Paints, Sundaram Fasteners) that became multinationals due to globalisation. Ambassador Motors and Fiat were old Indian/foreign car brands; Parakh Foods and Cargill Foods are examples of foreign MNCs acquiring Indian companies – not Indian companies becoming MNCs. Always watch for this distinction in MCQs.

Q6. straightforward exam-ready

[1]

The most common route for MNC investment in a new country is to:

- (A) Set up brand new factories from scratch
- (B) Form equal partnerships with local companies
- (C) Buy up existing local companies and then expand production
- (D) Offer loans to local producers

- A Set up brand new factories from scratch
- B Form equal partnerships with local companies
- C Buy up existing local companies and then expand production
- D Offer loans to local producers

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Model Answer

(C) Buy up existing local companies and then expand production

Source: Interlinking Production Across Countries, Chapter 4

Explanation

The textbook explicitly states: "the most common route for MNC investments is to buy up local companies and then to expand production." The Cargill Foods–Parakh Foods example illustrates this. Students must remember this exact phrasing, as "most common" distinguishes it from other routes like joint production or setting up new factories.

Q7. straightforward exam-ready

[1]

Foreign trade results in which of the following?

- (A) Reduction in the variety of goods available to consumers
- (B) Integration of markets across countries
- (C) Elimination of domestic producers permanently
- (D) Increase in trade barriers between countries

- A Reduction in the variety of goods available to consumers
- B Integration of markets across countries
- C Elimination of domestic producers permanently
- D Increase in trade barriers between countries

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Model Answer

(B) Integration of markets across countries

Foreign trade connects markets of different countries, causing goods to flow freely, prices to equalise, and producers to compete globally, thus integrating markets across countries.

Source: *Foreign Trade and Integration of Markets, Chapter 4*

Explanation

The passage explicitly states: "*Foreign trade thus results in connecting the markets or **integration of markets** in different countries.*" Examiners expect you to identify option (B) directly. The other options contradict the passage — foreign trade *increases* variety (not reduces it), does not *permanently* eliminate domestic producers, and liberalisation *reduces* trade barriers, not increases them.

Q8. medium exam-ready

[1]

Globalisation, by connecting countries, results in:

- (A) Lesser competition among producers
- (B) No change in competition among producers
- (C) Greater competition among producers
- (D) Elimination of all domestic producers

- A Lesser competition among producers
- B No change in competition among producers
- C Greater competition among producers
- D Elimination of all domestic producers

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Model Answer

(C) Greater competition among producers

Globalisation connects countries through foreign trade and investment, allowing MNCs and foreign producers to enter domestic markets, increasing competition among producers.

Source: *What is Globalisation?*, Chapter 4

Explanation

The textbook directly states this in the "Let's Work These Out" section of Chapter 4, where option (b) "greater competition among producers" is the correct choice. When countries are integrated through globalisation, more producers (domestic and foreign) compete in the same markets, raising overall competition. Avoid option (D) — the textbook says *many* small producers suffer, not that *all* domestic producers are eliminated.

Q9. medium exam-ready

[1]

The Indian government initially put barriers on foreign trade and investment after Independence primarily because:

- (A) India had no foreign exchange reserves
 - (B) Indian industries were just coming up and needed protection from foreign competition
 - (C) Foreign companies refused to invest in India
 - (D) The WTO forced India to do so
- A India had no foreign exchange reserves
B Indian industries were just coming up and needed protection from foreign competition
C Foreign companies refused to invest in India
D The WTO forced India to do so

◆ Globalisation and the Indian Economy

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Model Answer

(B) Indian industries were just coming up and needed protection from foreign competition.

The government put barriers to protect domestic industries in the 1950s–60s, as competition from imports would not have allowed these industries to develop.

Source: Liberalisation of foreign trade and foreign investment policy, Chapter 4

Explanation

The textbook clearly states that barriers were placed because "industries were just coming up in the 1950s and 1960s, and competition from imports at that stage would not have allowed these industries to come up." Options A, C, and D are not supported by the text — WTO actually pushed for *removal* of barriers, not their creation.

Q10. medium exam-ready

[1]

Assertion (A): The introduction of containers has played a significant role in boosting international trade.

Reason (R): Containerisation has drastically reduced the cost of transporting goods over long distances, making trade between distant countries far more economical.

- (A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

- A Both A and R are true and R is the correct explanation of A.
B Both A and R are true but R is not the correct explanation of A.
C A is true but R is false.
D A is false but R is true.

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Model Answer

(A) Both A and R are true and R is the correct explanation of A.

Containerisation reduced port handling costs and increased speed of exports, directly making long-distance international trade more economical and boosting it.

Source: Factors That Have Enabled Globalisation, Chapter 4

Explanation

The textbook explicitly states that containers led to "huge reduction in port handling costs and increased the speed with which exports can reach markets," which directly explains why international trade has grown. R correctly and directly explains A, so option (A) is correct. Do not confuse this with (B) — R is not merely a coincidental true fact; it is the actual causal reason for A.

Q11. deep exam-ready

[1]

Assertion (A): The benefits of globalisation have been shared equally by all sections of Indian society.

Reason (R): MNCs have largely invested in industries catering to well-off urban consumers, while small producers and informal workers face greater competition and job insecurity.

- (A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is false but R is true.
(D) Both A and R are false.

- A Both A and R are true and R is the correct explanation of A.
B Both A and R are true but R is not the correct explanation of A.
C A is false and R correctly explains why A is false.
D Both A and R are false.

◆ Globalisation and the Indian Economy

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Model Answer

(C) A is false and R correctly explains why A is false.

Assertion (A) is false — the textbook clearly states the impact of globalisation has **not** been uniform across all sections. Reason (R) is true and correctly explains this inequality.

Source: Chapter 4 — Impact of Globalisation in India

Explanation

- The passage directly says: "*Among producers and workers, the impact of globalisation has not been uniform*" — this makes Assertion (A) false.
- R is factually correct: MNCs invested in industries like automobiles, electronics, and fast food targeting well-off urban consumers, while small producers face competition and workers face job insecurity due to flexible labour laws.
- Since A is false and R is true and explains **why** A is false (i.e., benefits were unequal because MNCs focused on well-off consumers), option **(C)** is correct.
- Do not choose (A) — R cannot be the "correct explanation of A" when A itself is a false statement.

Q12. deep exam-ready

[1]

Assertion (A): WTO rules have ensured completely free and fair trade for all member countries.

Reason (R): Developed countries continue to provide large subsidies to their farmers even as WTO rules push developing countries to reduce trade barriers.

- (A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is false but R is true.
(D) Both A and R are false.

- A Both A and R are true and R is the correct explanation of A.
B Both A and R are true but R is not the correct explanation of A.
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D Both A and R are false.

◆ Globalisation and the Indian Economy

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Model Answer

(C) A is false and R correctly explains why A is false.

Assertion A is false because WTO trade is not completely free and fair. Reason R is true and correctly explains this — developed countries continue subsidising their farmers while WTO rules push developing countries to reduce trade barriers.

Explanation

The passage explicitly states: *"Though WTO is supposed to allow free trade for all, in practice, developed countries have unfairly retained trade barriers, while WTO rules have forced developing countries to remove trade barriers."* So A is factually incorrect (making options A and B wrong), R is true, and R directly explains *why* A is false — making option C the right pick. In assertion-reason questions, always check the factual accuracy of A first, then whether R correctly links to it.

Q13. straightforward exam-ready**[1]**

Assertion (A): MNCs prefer to set up production in countries where labour and other resources are cheap.

Reason (R): Lower cost of production enables MNCs to earn greater profits.

- (A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

- A Both A and R are true and R is the correct explanation of A.
B Both A and R are true but R is not the correct explanation of A.
C A is true but R is false.
D A is false but R is true.

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Model Answer**(A) Both A and R are true and R is the correct explanation of A.**

MNCs set up production where labour and resources are cheap so that the cost of production is low and they can earn greater profits.

Explanation

The textbook explicitly states: "MNCs set up offices and factories for production in regions where they can get cheap labour and other resources. This is done so that the cost of production is low and the MNCs can earn greater profits." This directly links A and R — R is the exact reason behind A, making option (A) correct.

Q14. medium exam-ready

[1]

Assertion (A): Allowing companies to hire workers on a temporary or flexible basis helps reduce labour costs for the company.

Reason (R): When workers are employed flexibly, companies do not have to pay them for the entire year or provide benefits such as health insurance and provident fund.

- (A) Both A and R are true and R is the correct explanation of A.
(B) Both A and R are true but R is not the correct explanation of A.
(C) A is true but R is false.
(D) A is false but R is true.

- A Both A and R are true and R is the correct explanation of A.
B Both A and R are true but R is not the correct explanation of A.
C A is true but R is false.
D A is false but R is true.

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Model Answer

(A) Both A and R are true and R is the correct explanation of A.

Flexible employment allows companies to hire workers only for short periods, avoiding payment for the whole year and skipping benefits like health insurance and provident fund, thereby reducing labour costs.

Explanation

The textbook explicitly states that companies hire workers "flexibly" for short periods "to reduce the cost of labour." It also gives the example of Sushila, who lost health insurance and provident fund when she became a temporary worker. So R correctly and directly explains why A is true — option (A) is the right choice. Examiners expect students to link the assertion to its reason using textbook evidence.

Q15. straightforward exam-ready

[2]

What is a multinational corporation (MNC)? State any one reason why MNCs prefer to set up production in developing countries like India.

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Model Answer

A **Multinational Corporation (MNC)** is a company that owns or controls production in more than one nation.

One reason MNCs prefer to set up production in developing countries like India: These countries offer cheap labour and other resources, which lowers the cost of production and allows MNCs to earn greater profits.

Source: *Globalisation and the Indian Economy, Chapter 4*

Explanation

- The definition of MNC is a direct quote from the textbook — write it exactly.
- For the reason, the examiner expects you to link **cheap labour/resources** → **lower production cost** → **higher profits**. All three elements together fetch full marks; mentioning only "cheap labour" without connecting it to profit may cost half a mark.
- Do not list multiple reasons — the question asks for **one**. Stick to the most central reason from the passage.

Q16. straightforward exam-ready

[2]

Distinguish between foreign trade and foreign investment.

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Model Answer

Foreign Trade refers to the exchange of goods and services between countries. It allows producers to sell in foreign markets and buyers to import goods from other countries, thus integrating markets.

Foreign Investment refers to MNCs investing money to set up factories, offices, or production units in another country to expand their business operations.

Explanation

The examiner expects a clear point-by-point distinction. Note that foreign trade = movement of goods/services across borders, while foreign investment = movement of capital/MNC investment across borders. Both are channels of globalisation but differ in what moves between countries. One line each with a contrast is ideal for 2 marks.

Source: *Chapter 4 — Foreign Trade and Integration of Markets; What is Globalisation?*

Q17. straightforward exam-ready

[2]

What are trade barriers? Why did India impose them after Independence?

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Model Answer

Trade barriers are restrictions placed by the government on foreign trade, such as taxes (tariffs) on imports, to regulate the flow of goods into the country.

After Independence, India imposed trade barriers to **protect domestic producers from foreign competition**. Industries were still developing in the 1950s–60s, and cheap imports would have prevented Indian industries from growing. Only essential items like machinery, fertilisers, and petroleum were allowed.

Source: *Liberalisation of foreign trade and foreign investment policy, Chapter 4*

Explanation

This is a 2-mark question, so one sentence defining trade barriers and 2–3 lines on why India used them is sufficient. Examiners expect:

- A correct definition with an example (tax on imports).
- The reason: protection of infant/nascent industries from foreign competition.
- Mention of the time period (1950s–60s) to show contextual awareness.

Avoid writing long paragraphs — you'll waste time and marks are not awarded for extra length.

Q18. medium exam-ready

[2]

How did the opening of foreign trade lead to integration of markets? Explain with a suitable example.

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Model Answer

Foreign trade allows producers to sell in markets beyond their own country and gives buyers access to goods from other countries. This causes goods to flow between markets, prices of similar goods tend to equalise, and producers from different countries compete with each other — thus integrating markets.

Example: Chinese manufacturers exported cheaper plastic toys to India. Indian buyers shifted to Chinese toys due to lower prices and new designs, replacing 70–80% of Indian toys. Prices of toys fell in India, connecting the Indian and Chinese toy markets.

Source: Foreign Trade and Integration of Markets, Chapter 4

Explanation

- The examiner expects **two elements**: the mechanism (goods travel, prices equalise, competition rises) and a **concrete example**.
- The Chinese toys example is directly from the textbook — using it is safest and earns full marks.
- Key phrase to include: "**integration of markets**" — write it explicitly.
- Do not write about trade barriers or liberalisation here; that is a different concept.

Q19. medium exam-ready

[2]

State any two ways in which a local company benefits when it enters into a joint production arrangement with an MNC.

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Model Answer

When a local company enters into a joint production arrangement with an MNC, it benefits in two ways:

1. **Additional investment:** The MNC provides money for additional investments, such as buying new machines for faster production.
2. **Latest technology:** The MNC brings the latest technology for production, improving efficiency and output.

Source: Chapter 4, *Interlinking Production Across Countries*

Explanation

The textbook states these two benefits explicitly and directly — examiners expect both to be mentioned. Avoid vague answers like "more profit" unless you link it to one of these two points. Each benefit is worth 1 mark, so name and briefly explain both. No extra detail is needed for a 2-mark answer.

Q20. medium exam-ready

[2]

What is 'fair globalisation'? State any one step the government can take to achieve it.

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Model Answer

Fair globalisation means creating opportunities for all and ensuring that the benefits of globalisation are shared better — not just by the rich, skilled, and educated, but by everyone.

One step the government can take: The government can ensure that labour laws are properly implemented so that workers get their due rights and are not exploited by MNCs or large companies.

Source: *The Struggle for a Fair Globalisation, Chapter 4*

Explanation

- The first part (definition) and the second part (one government step) are both essential — examiners expect both for full 2 marks.
- The textbook lists several steps (e.g., supporting small producers, using trade barriers, negotiating at WTO). Mention **any one** clearly — don't list all of them, as this is only a 2-mark question.
- Keep the definition precise: "opportunities for all" + "benefits shared better" are the two key phrases from the textbook.

Q21. medium exam-ready

[3]

Explain the role of Information and Communication Technology (ICT) in facilitating globalisation. Give any two examples.

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Model Answer

ICT has played a major role in spreading production of services across countries, making globalisation possible. Telecommunications, computers, and the Internet allow instant communication across the world at low costs, enabling MNCs to coordinate production globally.

Examples:

1. A news magazine designed in Delhi for London readers — text is sent via Internet, designers receive instructions through telecommunications, and payment is made through e-banking.
2. Call centres in India handle customer services for companies in developed countries using IT and telecommunication facilities.

Source: Chapter 4 — Factors that have Enabled Globalisation, Technology

Explanation

- The question is 3 marks: one mark for explaining ICT's role, two marks for two valid examples.
- Always name the technologies: Internet, telecommunication, computers, e-banking — examiners look for specific terms.
- The magazine example is directly from the textbook; use it confidently. Call centres are another textbook-mentioned example.
- Avoid writing a long paragraph — two crisp examples with one clear explanation line is sufficient.

Q22. medium exam-ready

[3]

Describe any three ways in which MNCs set up, control or influence production in other countries.

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Model Answer

MNCs set up, control, or influence production in other countries in the following ways:

1. **Setting up factories/offices:** MNCs invest in land, buildings, and machinery (foreign investment) to directly establish production units in other countries.
1. **Joint production with local companies:** MNCs partner with local firms, providing additional capital and latest technology, while benefiting from the local company's market network.
1. **Buying up local companies:** MNCs use their enormous wealth to acquire local companies and expand production (e.g., Cargill Foods buying Parakh Foods in India).
1. **Placing orders with small producers:** MNCs outsource production to small local producers and sell the products under their own brand names, controlling price, quality, and delivery conditions.

(Any three of the above)

Source: Chapter 4, "Interlinking Production Across Countries"

Explanation

Examiners look for **three distinct, named methods** — each with a brief explanation. The textbook lists four routes: direct investment, joint ventures, acquisition of local firms, and outsourcing to small producers. Pick any three and name them clearly; one supporting example (like Cargill–Parakh) earns full credit. Avoid writing a long paragraph — bullet/numbered points are preferred for clarity and time management.

Q23. medium exam-ready

[3]

Explain how liberalisation of trade and investment policies, initiated in India around 1991, helped the process of globalisation.

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Model Answer

Before 1991, the Indian government put barriers such as taxes and quotas on imports to protect domestic producers. In 1991, liberalisation removed or reduced these barriers, allowing:

- **Free flow of foreign trade:** Goods and services could move more easily between India and other countries.
- **Increased foreign investment:** MNCs could now invest freely in India, setting up production units and expanding operations.
- **Greater integration:** Removal of restrictions connected India's markets with global markets, attracting more MNCs.

This opening up accelerated the process of globalisation by linking India's economy closely with the rest of the world.

Source: Chapter 4 – Globalisation and the Indian Economy, *Summing Up*

Explanation

- The examiner expects you to: (1) state what barriers existed before liberalisation, (2) explain what liberalisation did (removed/reduced barriers), and (3) link it clearly to globalisation (more trade + more foreign investment = greater integration).
- "Liberalisation" and "barriers to trade and investment" are key terms — use them explicitly.
- The textbook's *Summing Up* directly states: "liberalisation of trade and investment has facilitated globalisation by removing barriers to trade and investment" — mirror this language.
- Do not write about WTO or SEZs in detail; they are separate points and would waste word count here.

Q24. medium exam-ready

[3]

Small producers in India have been severely affected by globalisation. Explain with any three relevant points.

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Model Answer

Globalisation has severely affected small producers in India in the following ways:

1. **Increased competition:** MNCs with vast resources, advanced technology, and global reach compete with small producers, who are unable to match their lower prices and higher quality products.
1. **Loss of market:** Small producers in industries like toys, garments, and footwear lost their market share to cheaper imported goods and MNC products, leading to closure of many small units.
1. **Flexible labour laws:** To attract foreign investment, the government relaxed labour laws. This made it easier for large companies to hire workers on short-term basis, hurting workers and small producers in the organised sector.

Source: Chapter 4 – Globalisation and the Indian Economy, Impact of Globalisation in India / Summing Up

Explanation

- The examiner expects **three distinct points** — one per mark. Label or clearly separate each point.
- Key phrase from the textbook: "*many small producers and workers have suffered as a result of rising competition*" — always anchor your answer here.
- Avoid writing about benefits to MNCs or well-off consumers; focus strictly on **negative impact on small producers**.
- Examples (toys, garments, footwear) add value but are not mandatory for full marks.

Q25. deep exam-ready

[3]

'The impact of globalisation on workers has been largely unfavourable.' Do you agree? Justify your answer with three arguments.

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Model Answer

Yes, I agree that the impact of globalisation on workers has been largely unfavourable. Three arguments:

1. **Job insecurity:** Employers now prefer flexible hiring, employing workers on a temporary basis instead of permanent employment to cut costs. Workers like Sushila lost permanent jobs and benefits.
1. **Poor working conditions:** Workers are forced to work long hours, night shifts, and overtime at low wages, with no health insurance or provident fund.
1. **Unorganised sector expansion:** Most workers today are employed in the unorganised sector, and even organised sector workers have lost earlier protections, making their conditions resemble the unorganised sector.

Source: Chapter 4 – Competition and Uncertain Employment

Explanation

- The examiner expects **three distinct points**, each clearly stated — one line each is sufficient for a 3-mark answer.
- Ground arguments in **textbook examples** (Sushila's case, garment industry) to score full marks.
- Avoid vague statements; use terms like *flexible employment*, *temporary workers*, *unorganised sector* — these signal textbook knowledge.
- Do not argue both sides; the question asks you to **agree and justify**.

Q26. deep exam-ready

[3]

Explain why developed countries have been accused of following unfair trade practices at the WTO, despite being its founding members.

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Model Answer

WTO was started at the initiative of developed countries, whose stated aim is to promote free trade by removing all barriers. However, in practice, developed countries have not followed these rules themselves.

While WTO rules forced developing countries like India to remove trade barriers, developed countries such as the USA continued to give **massive subsidies** to their farmers. US farmers, who contribute only 1% to GDP, receive huge government payments, allowing them to sell farm products at abnormally low prices in other countries' markets. This harms farmers in developing countries.

Developing countries thus argue that developed nations demand liberalisation from others while protecting their own producers — making trade neither free nor fair.

Source: World Trade Organisation, Chapter 4

Explanation

- The examiner expects **two clear points**: (1) WTO rules forced developing countries to liberalise, but (2) developed countries retained subsidies/barriers — especially the US farm subsidy example.
- Mentioning the **US agriculture subsidy** (1% GDP, 0.5% employment yet massive support) is key for full marks.
- Don't just define WTO — the question asks specifically about **unfair practices**, so focus there.
- ~75 words is ideal for 3 marks.

Q27. medium exam-ready

[3]

How does the production of a single product often involve multiple countries today? Illustrate your answer with an example of an MNC spreading production across nations.

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Model Answer

Today, production of a single product is spread across multiple countries, with each country contributing based on its advantages.

Example: A large MNC producing industrial equipment:

- **Designs** products in research centres in the **USA**
- **Manufactures components** in **China** (cheap manufacturing)
- **Assembles** products in **Mexico and Eastern Europe** (close to markets)
- **Customer care** is handled through call centres in **India** (skilled, English-speaking workforce)

The finished products are then sold globally. This division of the production process across nations results in 50–60% cost savings for the MNC.

Source: Chapter 4 – Production Across Countries

Explanation

- Examiners expect **one clear example** with countries named and roles specified – the industrial equipment MNC from the textbook is the ideal choice.
- Use the **exact countries and functions** from the passage (USA → design, China → components, Mexico/Eastern Europe → assembly, India → customer care). Vague answers lose marks.
- The key concept to state is that **production is divided into parts and spread globally** – this is what "interlinking of production" means.
- At 3 marks: one introductory line + the example broken into points = ideal length. Do not write more.

Q28. medium exam-ready

[5]

Analyse the various factors that have enabled globalisation. In your answer, discuss the role of at least two specific technological developments and one policy-level change.

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Model Answer

Globalisation is the process of rapid integration of countries through greater foreign trade and foreign investment. Several factors have enabled this process:

1. Improvements in Transportation Technology:

Over the past fifty years, transportation technology has improved greatly. The use of containers for shipping goods has reduced port handling costs and increased the speed of exports, enabling large volumes to reach global markets quickly.

2. Information and Communication Technology (ICT):

Telecommunications, computers, and the Internet have revolutionised globalisation. Services can now be produced across countries — for example, a London magazine designed in Delhi using Internet and e-banking. IT has drastically lowered communication costs.

3. Liberalisation (Policy-level Change):

The Indian government removed trade and investment barriers — reducing tariffs, quotas, and restrictions on foreign investment. This policy change, along with WTO pressure on developing countries, facilitated the free flow of goods, services, and capital across borders.

Source: Chapter 4 – Globalisation and the Indian Economy, "Factors That Have Enabled Globalisation" and "Summing Up"

Explanation

- Examiners expect **two technologies named and explained with examples** — transportation (containers) and ICT (Internet/IT) are directly from the textbook.
- The **policy change** must mention liberalisation/removal of trade barriers; WTO as an additional point strengthens the answer.
- Avoid vague statements — link each factor to how it specifically enables globalisation.
- 5 marks = ~3 developed points with brief examples; no need for lengthy paragraphs.

Q29. deep exam-ready

[5]

Examine the impact of globalisation on Indian producers. In your answer, discuss both the positive effects on large and successful businesses as well as the challenges faced by small producers and workers.

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Model Answer

Impact of Globalisation on Indian Producers:

Positive Effects:

1. **Large Indian companies** benefited by investing in newer technology and raising production standards. Some gained through collaborations with foreign companies.
2. Several Indian firms like **Tata Motors, Infosys, Ranbaxy, Asian Paints** have emerged as MNCs themselves, spreading operations worldwide.
3. MNCs increased investments in sectors like automobiles, electronics, and IT, creating **new jobs**. Local companies supplying raw materials also prospered.
4. Globalisation created new opportunities in **IT-enabled services** — call centres, data entry, accounting — which are exported to developed countries.

Challenges for Small Producers and Workers:

1. Small producers face intense competition from MNCs and foreign goods, making survival difficult.
2. To attract foreign investment, governments allowed **flexibility in labour laws** — companies now hire workers on short-term contracts instead of regular employment, reducing job security and workers' rights.

Source: Chapter 4, *Impact of Globalisation in India*

Explanation

- Examiners expect **both sides** — positive (large businesses/MNCs) and negative (small producers/workers) — clearly distinguished.
- Mentioning specific examples like **Tata Motors, Infosys** scores marks and shows textbook knowledge.
- The **labour laws flexibility point** is a key examiner favourite — always include it when discussing challenges to workers.
- Avoid writing a one-sided answer; the textbook explicitly states "the impact has not been uniform," so balance is essential.
- For 5 marks, aim for 5 distinct points — one per mark is a safe strategy.

Q30. deep exam-ready

[5]

What is the World Trade Organisation? Discuss its stated objectives and the criticism it faces from developing countries. What role can the government and people's organisations play in pushing for fairer global trade rules?

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Model Answer

World Trade Organisation (WTO): WTO is an international organisation started at the initiative of developed countries. Its aim is to liberalise international trade. It establishes rules regarding international trade and ensures these rules are followed. About 160 countries are its members.

Stated Objectives: WTO aims to allow free trade for all countries by removing barriers to foreign trade and investment.

Criticism from Developing Countries: In practice, developed countries have unfairly retained trade barriers. WTO rules forced developing countries to remove trade barriers, but developed nations (e.g., the US) continue giving massive subsidies to their farmers. This allows developed-country farmers to sell at abnormally low prices, harming farmers in developing countries — making trade neither free nor fair.

Role of Government and People's Organisations:

- Government can implement labour laws, support small producers, and use trade barriers when necessary.
- It can negotiate at WTO for fairer rules and align with other developing countries.
- People's organisations through campaigns and representations have influenced WTO decisions, demonstrating that citizens too can push for fair globalisation.

Source: Chapter 4, World Trade Organisation; The Struggle for a Fair Globalisation

Explanation

Examiners look for: (1) a clear one-line definition of WTO, (2) its stated aim, (3) the specific criticism with an example (US farm subsidies), and (4) at least 2–3 distinct roles each for government and people's organisations. The US cotton/farm subsidy example is the textbook's key illustration — always include it. Don't write a general essay on globalisation; stay focused on WTO and fairness.

Q31. medium exam-ready

[4]

Read the following passage and answer the questions that follow:

A large American food processing company, GlobalGrain Inc., recently acquired MehrotraOils, a well-established Indian producer of edible oil with a strong brand presence in northern and central India. MehrotraOils had three oil refineries and an extensive distribution network built over 25 years. After the acquisition, GlobalGrain took control of these refineries and expanded production significantly. Around the same time, the government of the state in which GlobalGrain chose to set up an additional plant offered it space in a newly developed Special Economic Zone (SEZ), along with a five-year tax holiday. The state government also relaxed certain labour regulations to make it easier for companies in the SEZ to hire and dismiss workers as per business demand.

- (i) Identify the mode of foreign investment illustrated by GlobalGrain's acquisition of MehrotraOils. (1 mark)
- (ii) State one specific advantage GlobalGrain gained by acquiring MehrotraOils rather than starting operations from scratch. (1 mark)
- (iii) Why do governments offer tax exemptions to companies operating in SEZs? (1 mark)
- (iv) How does relaxation of labour regulations benefit companies investing in SEZs, and what is its impact on workers? (1 mark)

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Model Answer

- (i) GlobalGrain's acquisition of MehrotraOils illustrates **Foreign Direct Investment (FDI)** through the mode of **mergers and acquisitions**, where a foreign MNC takes over an existing domestic company.
- (ii) GlobalGrain immediately gained an **established brand, three operational refineries, and a 25-year-old distribution network**, saving time and cost of building these from scratch.
- (iii) Governments offer tax exemptions (tax holidays) in SEZs to **attract foreign investment**. Companies that set up production units in SEZs do not have to pay taxes for an initial period of five years, making investment financially attractive.
- (iv) Relaxation of labour regulations allows companies to **hire workers flexibly on a temporary/short-term basis**, reducing labour costs. However, this **harms workers** — they lose job security, regular wages, and protections such as health insurance and provident fund that workers in the organised sector were previously entitled to.

Source: Chapter 4 – Globalisation and the Indian Economy, "Steps to Attract Foreign Investment" and "Competition and Uncertain Employment"

Explanation

- (i) The key term examiners look for is "FDI via acquisition/mergers and acquisitions." Avoid writing just "FDI" without specifying the mode.
- (ii) Stick to one *specific* advantage from the passage context — existing infrastructure, brand, or distribution network. Don't list all three in a 1-mark answer; pick the most concrete one.
- (iii) The textbook directly states: "Companies who set up production units in the SEZs do not have to pay taxes for an initial period of five years." Link this to attracting foreign investment.
- (iv) This is a two-part 1-mark question — mention the benefit to companies (cost reduction, flexible hiring) AND the negative impact on workers (job insecurity, loss of benefits) briefly. The Sushila example from the textbook is the classic illustration.

Q32. deep exam-ready

[4]

Read the following passage and answer the questions that follow:

Sushila, 35 years old, worked for many years in a garment export factory in Delhi. Initially she was a permanent worker entitled to health insurance, provident fund, and overtime pay at double the rate. When her factory closed in the late 1990s, she spent six months searching for work before finding a job 30 km from her home. Even after working there for several years, she remains a temporary worker earning less than half her earlier wages. She works seven days a week, leaving home at 7:30 a.m. and returning at 10 p.m. A day off means no wages. She has none of the benefits she previously enjoyed. Meanwhile, the large MNCs placing orders with Indian garment exporters continue to earn large profits.

- (i) Why do Indian garment exporters prefer to hire workers on a temporary basis rather than on a permanent basis? (1 mark)
- (ii) What term is used for industries where workers like Sushila no longer receive job security or statutory benefits? (1 mark)
- (iii) State one way in which MNCs benefit from the pressure they put on Indian exporters to cut costs. (1 mark)
- (iv) Suggest one measure that the government could take to ensure that workers like Sushila receive a fair share of the benefits of globalisation. (1 mark)

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Model Answer

- (i) Indian garment exporters prefer to hire workers on a temporary basis so that they do not have to pay workers for the whole year. This helps them cut labour costs and meet the price demands of large MNCs.
- (ii) Workers like Sushila, employed in the organised sector but without job security or statutory benefits, are said to be working under conditions resembling the **unorganised sector**. This shift is linked to **flexible labour** policies.
- (iii) MNCs benefit by getting their products manufactured at the cheapest possible cost, which allows them to maximise their profits while selling goods at competitive prices in global markets.
- (iv) The government could make and strictly enforce **labour laws** ensuring that all workers — temporary or permanent — receive minimum wages, social security benefits, and regulated working hours.

Source: *Competition and Uncertain Employment / Impact of Globalisation in India, Chapter 4*

Explanation

- (i) The key reason is **cost-cutting on labour** — directly stated in the passage. Mention "not pay for the whole year."
- (ii) The passage explicitly says "conditions of work in the organised sector have come to resemble the unorganised sector" and links it to **flexible employment**. Either phrase scores the mark.
- (iii) The passage states MNCs "look for the cheapest goods to maximise their profits" — so their benefit is **higher profits through lower procurement costs**.
- (iv) From the "Let's Work These Out" section: government can **enforce labour laws** to protect workers. Avoid vague answers; be specific (e.g., enforce minimum wage, ensure benefits for temporary workers).

Q33. deep exam-ready

[4]

Read the following passage and answer the questions that follow:

Suresh ran a small unit in Coimbatore manufacturing plastic components for consumer electronics since 1995. By 1999, he had grown his workforce to 18 workers and supplied to several regional television assembly firms. His difficulties began in 2003 when import duties on plastic components were reduced in line with India's trade liberalisation commitments. Cheaper Chinese imports flooded the market, and his buyers switched suppliers almost overnight. By 2006, Suresh's output had fallen by more than half and only nine workers remained. Several similar units in nearby towns had shut down entirely. Across India, sectors such as toys, batteries, tyres, and dairy products have seen similar trends, with small manufacturers losing market share to cheaper imports. Small and medium enterprises collectively employ the largest number of workers in India outside agriculture.

- (i) What policy change directly caused the crisis for small producers like Suresh? (1 mark)
- (ii) Why did Suresh's buyers switch to imported components even though they had an established relationship with him? (1 mark)
- (iii) What does the large share of employment in small and medium enterprises tell us about the broader economic consequences when such units shut down? (1 mark)
- (iv) Identify one type of government support that could help small producers like Suresh compete against cheaper imports. (1 mark)

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Model Answer

(i) The reduction of import duties on plastic components as part of India's trade liberalisation policy directly caused the crisis for small producers like Suresh.

(ii) Cheaper Chinese imports became available in the market after import duties were reduced. Even though buyers had an established relationship with Suresh, they switched to save costs, as price is the primary concern for businesses.

(iii) Since small and medium enterprises employ the largest number of workers outside agriculture, widespread shutdowns lead to mass unemployment, reducing incomes and increasing economic hardship for a large section of the population.

(iv) The government could impose **trade barriers such as import taxes (tariffs)** on plastic components. This would make imports costlier, allowing small domestic producers like Suresh to compete on price.

Source: Liberalisation of foreign trade and foreign investment policy; Impact of Globalisation in India — Chapter 4

Explanation

- **(i)** The passage directly states duties were reduced; link this clearly to liberalisation from the textbook.
- **(ii)** The textbook explains that lower import duties reduce prices of foreign goods, making them more attractive to buyers regardless of prior relationships.
- **(iii)** The key inference: largest employer outside agriculture → shutdowns = large-scale unemployment → broader economic harm. Examiners want this logical chain.
- **(iv)** The textbook explicitly uses the toy example to explain how import taxes protect domestic producers — apply that logic here. "Trade barrier / tariff" is the correct term to use.

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