

ATOMIC ENERGY CENTRAL SCHOOLS

Revision Notes

Economics (Class-X)

Chapter-4 Globalization and the Indian Economy

(Module 2/5)

Interlinking Production across Countries

Multinational Corporations keep following things in mind while selecting location to set up their companies-

1. Closeness to the markets
2. Availability of cheap skilled and unskilled labour
3. Availability of raw material
4. Good infrastructure
5. Favorable government policies

Investment and Foreign Investment-

The money spent to buy assets such as land, building, machines and other equipments is called investment and when this investment is made by MNCs it is called foreign investment.

Variety of ways in which MNCs spread their production and interact with local producers-

1. MNCs set up production jointly with local companies. The local company gets two benefits-(a) It gets capital for additional investment and (b) latest technology
2. Most common route by MNCs is to buy local companies.
3. They place order to small local producers and then sell these products under their brand name. But the MNCs keep a check on the quality of the product. They also have power to determine price, delivery and labour conditions of these distant producers.

In this way production in these widely dispersed locations is getting interlinked.