

ATOMIC ENERGY CENTRAL SCHOOLS

Revision Notes

Economics (Class-X)

Chapter-4 Globalization and the Indian Economy

(Module 3/5)

Foreign Trade and Integration of Markets

For a long time foreign trade has been the main channel connecting countries. Since ancient times India had traded with Asia and Europe.

Foreign trade creates an opportunity for the producers to expand market. They can sell not only in their own country but also in the markets of other countries.

Buyers also are benefited as they get more choice and better quality product.

In general, foreign trade helps goods to travel from one market to another and thus results in connecting the markets or integration of markets in different countries.

What is Globalisation?

As the MNCs are spreading production in more and more countries, foreign investment and trade have also increased thus integrating production and markets across countries.

Globalisation is this process of rapid integration or interconnection between countries.

It has resulted in more and more movement of goods and services, investment, technology and people.

Factors that have enabled Globalisation

1. **Technology**- Improvement in **transportation technology** has made it possible to deliver all types of goods to any part of the world in short time and at lower cost.

Technological development in **information and communication technology** has made the work very easy and fast. The MNCs can now easily control the production which is spread over various countries, can set up call centres in a different country. At the click of the button the entire data or information can be exchanged.

2. Liberalisation of foreign trade and foreign investment

Removing barriers or restrictions set by the government is known as liberalisation.

Tax on imports is an example of trade barriers.

By removing these barriers goods and services can move freely enabling globalisation.

Foreign investment policy of India

After independence, the Indian government had put barriers to foreign trade and investment to protect the domestic producers from foreign competition.

These barriers were removed around 1991 as the government felt that the Indian producers were ready to compete with the producers around the globe.