

Chapter 01

Globalization

True / False Questions

1. As a result of globalization, we have been moving toward a world in which national economies are relatively self-contained entities.

True False

2. By offering the same basic product worldwide, firms help to create a global market.

True False

3. A company has to be the size of a multinational giant to facilitate, and benefit from, the globalization of markets.

True False

4. As a result of globalization, companies rarely need to customize marketing strategies, product features, and operating practices in different countries.

True False

5. Globalization has resulted in greater uniformity replacing diversity across national markets.

True False

6. As firms follow each other around the world, they bring with them many of the assets that served them well in other national markets. Thus, greater diversity replaces uniformity.

True False

7. Substantial impediments, such as barriers to foreign direct investment, make it difficult for firms to achieve the optimal dispersion of their productive activities to locations around the globe.

True False

8. The World Trade Organization, the International Monetary Fund and its sister institution the World Bank, and the United Nations were all created by voluntary agreement between individual nation-states.

True False

9. The International Monetary Fund and the World Bank were both created in 1944 by 44 nations that met at Bretton Woods, New Hampshire.

True False

10. The WTO is seen as the lender of last resort to nation-states whose economies are in turmoil and whose currencies are losing value against those of other nations.

True False

11. The IMF is less controversial than its sister institution, the World Bank.

True False

12. In return for loans, the IMF requires nation-states to adopt specific economic policies aimed at returning their troubled economies to stability and growth.

True False

13. Foreign direct investment (FDI) occurs when a firm invests resources in business activities outside its home country.

True False

14. After World War II, the advanced nations of the West committed themselves to increasing barriers to the free flow of goods, services, and capital between nations.

True False

15. The Uruguay Round, held under the umbrella of GATT, extended GATT to cover services as well as manufactured goods.

True False

16. The lowering of trade and investment barriers allows firms to base production at the optimal location for that activity.

True False

17. As a result of international trade, the economies of the world's nation-states are becoming less intertwined.

True False

18. The globalization of markets and production and the resulting growth of world trade, foreign direct investment, and imports all imply that firms are finding it easier to protect themselves from the attack of foreign competitors.

True False

19. Containerization has revolutionized the transportation business, significantly lowering the costs of shipping goods over long distances.

True False

20. While advances in telecommunications are creating a global audience, advances in transportation are creating a global village.

True False

21. The real costs of information processing and communication have fallen dramatically in the past two decades.

True False

22. The Internet has been a major force facilitating international trade in services.

True False

23. Countries that markedly increased their share of world output from 1960 to 2010 included Germany, France, and the United Kingdom.

True False

24. The United States accounted for a significantly larger share of the world economy in 2011 than it did in the 1960's.

True False

25. Beginning in the 1970s, European and Japanese firms began to shift labor-intensive manufacturing operations from developing nations to their home countries where labor costs were lower.

True False

26. The stock of foreign direct investment refers to the total cumulative value of foreign investments in a country.

True False

27. Throughout the 1990s, the amount of investment directed at both developed and developing nations increased dramatically

True False

28. Among developing nations, the largest recipient of foreign direct investment has been China.

True False

29. Although most international trade and investment is still conducted by large firms, many medium-size and small businesses are becoming increasingly involved in international trade and investment.

True False

30. The rise of the Internet is increasing the barriers that small firms face in building international sales.

True False

31. Many of the former Communist nations of Europe and Asia seem to share a commitment to democratic policies and free market economies.

True False

32. In the past quarter century, the volume of cross-border trade and investment has been growing less rapidly than global output.

True False

33. One concern frequently voiced by globalization opponents is that falling barriers to international trade destroy manufacturing jobs in wealthy advanced economies such as the United States and western Europe.

True False

34. It is possible that economic growth in developed nations has offset the fall in the share of national income enjoyed by unskilled workers, raising their living standards.

True False

35. One concern of globalization opponents is that it undermines the influence of supranational organizations and promotes the sovereignty of individual nation-states.

True False

36. In general, as countries get richer, they enact tougher environmental and labor regulations.

True False

37. Highly indebted poor countries (HIPC) can bootstrap themselves out of poverty by pursuing retaliatory trade policies rather than free trade policies.

True False

38. A firm has to become a multinational enterprise, investing directly in operations in other countries, to engage in international business.

True False

39. Despite all the talk about the emerging global village, differences between countries such as cultures and political systems are very profound and enduring.

True False

40. Differences among countries require that an international business vary its practices country by country.

True False

Multiple Choice Questions

41. Which of the following has reduced as a result of globalization?

- A. Volume of goods and services crossing national borders
- B. Foreign exchange transaction
- C. Procuring product inputs from all over the world
- D. Differences in material culture between national economies
- E. Deregulation of markets

42. _____ refers to the shift toward a more integrated and interdependent world economy.

- A. Forward integration
- B. Mass customization
- C. Globalization
- D. Commercialization
- E. Vertical integration

43. Which of the following statements is true regarding the globalization of markets?

- A. As a result of the globalization of markets, tastes and preferences of consumers in different nations are beginning to differ more.
- B. By offering the same basic product worldwide, firms fail to create a global market.
- C. There still exist significant differences among national markets along many relevant dimensions, including distribution channels, culturally embedded value systems, and legal regulations.
- D. The most global of markets are not typically markets for industrial goods and materials, but markets for consumer products.
- E. A company has to be the size of a multinational giant, such as Citigroup or Coca-Cola, to facilitate, and benefit from, the globalization of markets.

44. Automobile companies promote different car models in different countries depending on a range of factors such as demographics, local taste, local fuel costs, income levels, traffic congestion, and cultural values. This most likely demonstrates that:

- A. significant differences still exist among national markets.
- B. cultural diversity has been replaced by global uniformity.
- C. the global market is less complex than national markets.
- D. a company does not have to be the size of a multinational giant to facilitate, and benefit from, the globalization of markets.
- E. the social norms in a country do not affect purchase decisions of consumers.

45. Which of the following is most likely to be the best suited product for a global market?

- A. Microprocessors
- B. Fast food like hamburgers
- C. Clothes and accessories
- D. Bank and other personal services
- E. Household furnishings

46. Which of the following statements best supports the claim that greater uniformity replaces diversity in the context of global markets?
- A. Differences in business systems and legal regulations, lead companies to customize their marketing strategies, product features, and operating practices to best match conditions in a particular country.
 - B. As rival global firms follow each other across countries, they bring with them their brand names, products, and marketing strategies from other national markets, thus creating homogeneity across markets.
 - C. Truly innovative companies succeed by developing products that serve specific needs of the local markets.
 - D. The volume of goods, services, and investment crossing national borders has expanded at a slower rate than world output for more than half a century.
 - E. The most global of markets are not typically markets for consumer products as significant differences in consumer tastes and preferences still exist among national markets.
47. Globalization results in a greater degree of _____ across markets than would be present otherwise.
- A. regulatory control
 - B. diversity
 - C. homogeneity
 - D. administrative barrier
 - E. communism

48. The _____ refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors such as labor, energy, land, and capital.

- A. globalization of markets
- B. augmentation of products
- C. amplification of production
- D. globalization of production
- E. capitalization of markets

49. Which of the following best illustrates the globalization of production?

- A. Daily Diamonds Inc. buys diamonds from South Africa and exports them to India for the cutting process.
- B. Evan Swan, a U.S. based fashion designer, is planning to open a flagship store in China to serve the Asian market.
- C. Uncle Crab, a UK fast food chain, has been serving customers worldwide through its franchises.
- D. Silver Unicorn Inc. uses sales personnel from the respective host country to sell its products and services.
- E. Pizza Gallery, an Italian pizza chain, customizes its pizzas and pastas to suit the tastes of its American and Australian customers.

50. West Electronic Corporation sources goods and services for its electronics products from different locations around the globe in an attempt to take advantage of differences in the cost and quality of labor and land. This practice demonstrates the:

- A. globalization of production.
- B. localization of markets.
- C. increasing differences in tastes and preferences of consumers across the world.
- D. nationalization of private enterprises.
- E. rise of communism throughout the globe.

51. Which of the following statements is most likely to be true of outsourcing?

- A. Dispersing value-creation activities through outsourcing tends to increase the costs required to develop a product offering.
- B. In today's world, outsourcing efforts are primarily confined to manufacturing activities, and do not include service activities.
- C. Outsourcing production to foreign countries increases the chance for companies to gain significant orders for their products from those countries.
- D. Outsourcing always increases the time required to develop a product, and allows no manufacturing flexibility.
- E. A multinational company cannot customize its products for local markets of different countries if it outsources its production activities.

52. A software company uses engineers in India to perform maintenance functions on software designed in the United States, and it also uses Indian accountants to compile tax returns. According to this information, the U.S. based company is most likely using:

- A. outsourcing.
- B. job sharing.
- C. job rotation.
- D. franchising.
- E. apprenticeship.

53. Early outsourcing efforts were primarily confined to _____.

- A. accounting activities
- B. manufacturing activities
- C. healthcare services
- D. educational activities
- E. consulting services

54. Which of the following reasons has made outsourcing of service activities to low-cost producers in other nations possible?

- A. Increasing diversity in material culture among national markets
- B. Government regulations limiting certain service activities in the home country
- C. Increasing foreign competition in manufacturing industries
- D. Rise in communism globally
- E. Use of modern communications technology

55. _____ is an international treaty that committed signatories to lowering barriers to the free flow of goods across national borders and is the predecessor to the World Trade Organization.

- A. North American Free Trade Agreement
- B. Commonwealth of Independent States Free Trade Agreement
- C. Kyoto protocol
- D. General Agreement on Tariffs and Trade
- E. Agreement on Trade-Related Aspects of Intellectual Property Rights

56. The globalization of production mainly occurs due to the:

- A. growing cultural homogeneity across markets.
- B. increasing differences in the tastes and preferences of consumers in different nations.
- C. national differences in the cost and quality of factors such as labor, energy, land, and capital.
- D. rise in communism the world over.
- E. increasing worldwide demand for unskilled workers.

57. The World Bank was primarily created in 1944 to:

- A. preserve peace through international cooperation and collective security.
- B. promote economic development.
- C. render judgments on disputes submitted to it by member states.
- D. furnish advisory opinions on questions referred to it by authorized bodies.
- E. promote respect for human rights.

58. In 1944, the IMF was established to:

- A. maintain order in the international monetary system.
- B. preserve peace through international cooperation and collective security.
- C. promote respect for human rights.
- D. control the fossil-fuel emissions of the member states by imposing monetary fines.
- E. formulate a coordinated policy response to financial crises in developing nations.

59. Which of the following is an argument put forth by critics of the IMF?

- A. It increases barriers to the free flow of goods and investment across national borders.
- B. It only provides assistance to developing nations and completely ignores the developed nations.
- C. It is not powerful enough to ensure that the nation-states adhere to the rules laid down in trade treaties.
- D. It promotes the rise of communism across the globe.
- E. It usurps the sovereignty of nation-states by telling governments what economic policies they must adopt.

60. The _____ was established in 1945 by 51 countries committed to preserving peace through international cooperation and collective security.

- A. Greenpeace organization
- B. Amnesty International
- C. League of Nations
- D. United Nations
- E. G-20

61. The _____ is the less controversial sister institution of the IMF which was created along with the IMF in 1944.

- A. G-20
- B. International Court of Justice
- C. League of Nations
- D. World Trade Organization
- E. World Bank

62. According to the UN Charter, one of the four purposes of the UN is to:

- A. be a center for harmonizing the actions of nations.
- B. encourage member-nations to increase trade barriers.
- C. provide interest-free loans to poor countries to implement infrastructure projects.
- D. promote the creation of regional free trade agreements.
- E. spread communism worldwide.

63. The G20 comprises the _____ of the 19 largest economies in the world, plus representatives from the European Union and the European Central Bank.

- A. finance ministers and central bank governors
- B. presidents and defense ministers
- C. prime ministers and army chiefs
- D. international trade ministers
- E. ministers of foreign affairs

64. The _____ was originally established in 1999 to formulate a coordinated policy response to financial crises in developing nations.

- A. United Nations
- B. G-20
- C. World Trade Organization
- D. International Court of Justice
- E. World Bank

65. In 2008-09, the G20 primarily worked to:

- A. address the concerns for human rights in sweatshops.
- B. formulate policies to counter hunger and poverty in underdeveloped nations of the world.
- C. provide a forum to launch a coordinated policy response to the global financial crisis.
- D. help create a unified action plan to counter the threat of global terrorism.
- E. render judgments on patent disputes submitted to it by member-states.

66. Which of the following is a macro factor underlying the trend toward greater globalization?

- A. Rise of communism across the globe
- B. Increasing nationalization of private organization
- C. Increasing diversity in the tastes and preferences of consumers in different nations
- D. Increasing trade regulations across the globe
- E. Dramatic developments in recent years in information processing and other technologies

67. Which of the following best exemplifies foreign direct investment (FDI)?

- A. Pure Pearls, a jewelry store in the U.S., imports harvested pearls from Indonesia, Philippines, and Australia.
- B. Chivalry, a U.S. based phone manufacturing company, has set up its own assembly plant in Japan to cater to the needs of the Asian market.
- C. Delicate Love, a reputed florist company in Holland, exports tulips and roses throughout the globe.
- D. Samantha started an Italian restaurant in her home country, the United States, after she took cooking lessons from a reputed chef in Italy.
- E. Yin and Yang Inc., a Chinese firm, supplies buttons and zips to major denim brands in the UK.

68. Michelle, an Italian fashion designer, sells her merchandise by exporting them to the U.S., UK, and Brazil. According to this information, Michelle is most likely involved in:

- A. foreign direct investment.
- B. foreign institutional investment.
- C. international trade.
- D. cross-border bartering.
- E. outsourcing.

69. If in the present time, an International company decides to do business with the former Communist nations of Europe and Asia it would most likely benefit from the:

- A. host of export and investment opportunities presented by these countries.
- B. low business risks involved in doing business with these countries.
- C. authoritarian governments of these nations.
- D. highly developed economies of these countries.
- E. highly stable political and economic conditions in these countries.

70. For foreign direct investment (FDI) to occur, a firm should primarily:

- A. conduct cross-border bartering with neighboring countries.
- B. invest resources in business activities outside its home country.
- C. export goods or services to consumers in another country.
- D. import goods or services from producers in another country.
- E. erect formidable barriers to international trade.

71. Gem Globe, an American company, has invested substantial capital in precious stones mining activities outside the United States. This practice is referred to as:

- A. unrelated diversification.
- B. foreign direct investment.
- C. cross-border bartering.
- D. organizational divestment.
- E. international cartel.

72. When a firm invests resources in business activities outside its home country, it is referred to as:

- A. foreign exchange.
- B. foreign divestiture.
- C. speculative investment.
- D. foreign direct investment.
- E. cross-border cartel.

73. The motive behind the high tariffs imposed by nations on imports of manufactured goods, prior to World War II, was to:

- A. deter any possible attempts to promote communism.
- B. protect domestic industries from foreign competition.
- C. prevent the occurrence of the Great Depression.
- D. safeguard patents, copyrights, and trademarks.
- E. promote the trade of services over the trade of manufactured goods.

74. The advanced industrial nations of the West committed themselves after World War II to removing barriers to the free flow of goods, services, and capital between nations. This goal was enshrined in the:

- A. Inter-American Treaty of Reciprocal Assistance.
- B. Comprehensive Economic Partnership Agreement.
- C. General Agreement on Tariffs and Trade.
- D. North American Free Trade Agreement.
- E. United Nations charter.

75. Which of the following reasons contributed to the Great Depression of the 1930s?

- A. Inability to meet the increasing world demand for products
- B. Several countries accepting General Agreement on Tariffs and Trade
- C. Increasing attack from foreign competitors on domestic industries
- D. Privatization of state-owned organizations
- E. Countries progressively raising trade barriers against each other

76. Which of the following organizations was established at the 1993 Uruguay Round?

- A. World Trade Organization
- B. International Court of Justice
- C. International Trade Enforcement Agency
- D. United Nations
- E. World Bank

77. The 1993 Uruguay Round:

- A. increased the trade and investment barriers.
- B. excluded the trade of services from international trade.
- C. transformed the World Trade Organization into the GATT.
- D. provided enhanced protection for patents, trademarks, and copyrights.
- E. promoted the worldwide rise of communism.

78. Which of the following is a part of the agenda of the Doha Round of talks launched by the WTO?

- A. Limiting the use of antidumping laws
- B. Abolishing the International Monetary Fund
- C. Increasing tariffs on industrial goods, services, and agricultural products
- D. Persuading member governments to cut defense spending
- E. Establishing GATT as a replacement for the WTO

79. Which of the following would be the biggest gain for the world's poor nations from the 2001 Doha WTO talks?

- A. Gain from increasing barriers to cross-border investment
- B. Gain from reduced agricultural tariffs and subsidies
- C. Gain from expanding the use of antidumping laws
- D. Gain from the promotion of communism across the globe
- E. Gain from increased protectionism in the markets of the developed world

80. The lowering of trade and investment barriers:

- A. protects domestic industries from foreign competition.
- B. was not an agenda of the Uruguay Round.
- C. allows firms to base production at optimal locations outside their home country.
- D. creates an unfavorable environment for FDI.
- E. caused the Great depression of the 1930s.

81. Which of the following is a benefit of lowering the barriers to international trade?

- A. Domestic industries are better protected from foreign competition.
- B. Firms can view the world, rather than a single country, as their market.
- C. The lowering of barriers promotes communism across the globe.
- D. The lowering of barriers puts a brake on globalization of both markets and production.
- E. The economies of the members of the WTO become self-contained entities.

82. Which of the following has been declining in the developing nations of the world such as China, India, Russia, Indonesia, Thailand, South Korea, Mexico, and Brazil ?

- A. Economic opportunities for international trade
- B. Industrialization
- C. Contribution toward the share of world output
- D. The stock of foreign direct investment
- E. Barriers to the free flow of goods, services, and capital

83. While the lowering of trade barriers made globalization of markets and production a theoretical possibility, which of the following has made it a tangible reality?

- A. Major advances in communication, information processing, and transportation technologies
- B. The rise of communism and the need for independent economies on a global scale
- C. The increasing diversity in consumer tastes and preferences worldwide
- D. The increasing differences in the material culture the world over
- E. The decreasing significance of the World Trade Organization

84. Gerald gifted his son, David, a computer two years ago. Recently, he decided to gift his daughter, Julian, a computer of her own. In the context of the two year gap between the purchase of both the computers and Moore's law, it is most likely that:

- A. Gerald paid a higher price for Julian's computer.
- B. David's computer will have a microprocessor with better power than that of Julian's.
- C. both David's and Julian's computers would cost Gerald the same price.
- D. the microprocessor in Julian's computer will be more advanced in terms of power than that of David's.
- E. the power of the microprocessors, in both David and Julian's computers, would be the same.

85. Development of the microprocessor is most likely to be considered the single most important innovation in technology because:

- A. it has made the economies of the world's nation-states less intertwined.
- B. it has enabled the explosive growth of low-cost computing.
- C. it has increased the national differences in the cost and quality of factors of production.
- D. it has helped in increasing barriers to international trade and investment.
- E. it has isolated nations from each other by distance, time zones, and language.

86. _____ predicts that the power of microprocessor technology doubles and the cost of production falls every 18 months.

- A. Bell's law
- B. Murphy's law
- C. Moore's law
- D. Ohm's law
- E. Engel's law

87. Richard has recently purchased a computer for \$600. Compared to the \$900 computer which he had purchased way back in 2010, the new one seems to be more efficient in terms of the price he has paid and the power of the microprocessor technology. This phenomenon is best explained by:

- A. the law of demand.
- B. Campbell's law.
- C. Moore's law.
- D. the law of diminishing returns.
- E. Bowley's law.

88. Which of the following statements is true about the Internet and World Wide Web?

- A. It has increased the real costs of information processing and communication.
- B. It increases the costs of coordinating and controlling a global organization.
- C. It makes it easier for buyers and sellers to find each other, wherever they may be located.
- D. It is only accessible to large businesses considered as multinational giants.
- E. It increases some of the business constraints of location, scale, and time zones.

89. The advent of containerization has:

- A. made the economies of the world's nation-states less intertwined.
- B. made moving goods from one mode of transport to another extremely labor-intensive.
- C. significantly lowered the costs of shipping goods over long distances.
- D. slowed down the globalization of markets and production.
- E. increased costs of coordinating and controlling a global organization.

90. Which of the following has been detrimental to the globalization of markets and production?

- A. The advent of containerization
- B. The use of the Internet and services such as Skype
- C. National differences in culture, consumer preferences, and business practices
- D. Privatizing state-owned enterprises
- E. The collapse of communism

91. Since 1980, the world's containership fleet has more than quadrupled, reflecting in part the:

- A. growing volume of international trade.
- B. decreasing productivity of labor.
- C. rising costs of containerization.
- D. increasing transportation costs.
- E. decreasing employment opportunities across the globe.

92. The _____ has been a major force facilitating international trade in services.

- A. advent of containerization
- B. development of commercial jet aircraft
- C. retaliatory trade policies toward international trade in goods
- D. decline in the U.S. share of world output
- E. advent of the Internet

93. Which of the following statements is true about the implications of technological innovations for the globalization of markets?

- A. Technological innovations have facilitated the globalization of production, but have failed to facilitate the globalization of markets.
- B. Though technological innovations are ushering in the “global village,” significant national differences remain in consumer preferences, and business practices.
- C. Technological innovations have caused the rise of communism across the globe.
- D. Technological innovations have failed to create global markets for consumer products.
- E. Technological innovations have increased the cost of communication which is hampering globalization of markets.

94. Which of the following is most likely to be observed in today's global economy?

- A. Increasing U.S. share of world output
- B. Large U.S. entrepreneurial firms dominating the international business scene
- C. Increasing U.S. dominance in the world economy and world trade picture
- D. Most of the nations being governed by centrally planned economies of the communist world
- E. Rapid rise in the share of world output accounted for by developing nations such as China and India

95. _____ was the world's most dominant industrial power in the early 1960s.

- A. India
- B. Brazil
- C. Spain
- D. The United States
- E. China

96. Which of the following countries has seen a relative decline in its share of world output between 1960 and 2010?

- A. The United States
- B. Thailand
- C. Japan
- D. China
- E. South Korea

97. Which of the following statements is true about the changing demographics of the global economy?

- A. U.S. dominance in export markets has waned as Japan, Germany, and a number of newly industrialized countries have taken a larger share of world exports.
- B. The change in the position of the U.S. in terms of the share of world output is the result of the absolute decline in the health of the U.S. economy.
- C. From 1960 to 2010, countries that experienced a large decrease in their share of world output include Japan, Thailand, Malaysia, Taiwan, and South Korea.
- D. The United States is the only developed nation to see its relative standing in the share of world output slip.
- E. Today, roughly half the globe—the centrally planned economies of the communist world—is off-limits to Western international businesses.

98. Which of the following has seen a positive change from 1960 to 2010?

- A. Growth of the centrally planned economies of the communist world
- B. U.S. position in the world economy and world trade picture
- C. The share of world output enjoyed by rich industrialized countries such as Great Britain, Germany, and Japan
- D. The share of world output accounted for by developing nations
- E. Prevalence of independent and self-contained national economies

99. In the context of the changing demographics of the global economy, which of the following has seen a decline?

- A. Economic development and industrialization of the developing nations
- B. The U.S. share of world exports of goods and services
- C. Deregulation of the markets in the centrally planned economies of the communist world
- D. Japan, Thailand, Malaysia, Taiwan, and South Korea's share of world output
- E. Economic opportunities in the developing nations of the world

100. Due to the changing economic geography, many of tomorrow's economic opportunities are most likely to be found in the:

- A. rich industrialized nations of the world like Great Britain and Germany.
- B. centrally planned economies of the communist world.
- C. United States.
- D. developing nations of the world such as China, India, and Brazil.
- E. countries that are currently not members of the World Trade Organization.

101. The motivation for much of the foreign direct investment by non-U.S. firms was the desire to:

- A. disperse production activities to optimal locations.
- B. suppress the emerging economies such as China, India, and Brazil.
- C. spread communism throughout the world.
- D. increase the competition between domestic industries and U.S. corporations.
- E. bridge the national differences in culture, consumer preferences, and business practices.

102. The _____ refers to the total cumulative value of foreign investments.

- A. weighted average foreign exchange
- B. leveraged foreign investment
- C. stock of foreign direct investment
- D. adjusted foreign exchange
- E. horizontal foreign direct investment

103. Which of the following statements is true about the changing foreign direct investment picture of the global economy?

- A. Throughout the 1990s, the amount of investment directed at both developed and developing nations decreased dramatically.
- B. There has been a fall in the share of FDI stock accounted for by developing nations reflecting a declining trend for firms from these countries to invest outside their borders.
- C. Among developing nations, the lowest recipient of foreign direct investment has been China.
- D. The share of FDI stock accounted for by U.S. firms has been drastically increasing from 1980s.
- E. The sustained flow of foreign investment into developing nations is an important stimulus for economic growth in those countries.

104. The sustained flow of foreign investment into developing nations:

- A. has resulted in the rise of communism in those countries.
- B. has been increasing since the 1980s.
- C. is aimed at Western powers building political influence in those regions.
- D. is detrimental to the economic growth in those countries.
- E. has resulted in a declining trend for firms from these countries to invest outside their borders.

105. _____ has experienced a decline in the share of FDI stock between 1980 and 2010.

- A. India
- B. The United States
- C. France
- D. China
- E. South Korea

106. Silver Fire Electric Inc., a U.S. company, has productive activities in more than two countries. As a result, it would be most appropriate to refer to Silver Fire Electric as a(n) _____ enterprise.

- A. regional
- B. pan-American
- C. unlimited
- D. multinational
- E. public

107. A notable trend in the demographics of the multinational enterprise since the 1960s is the:

- A. replacement of medium-size and small multinational companies by the multinational giants.
- B. decline of the non-U.S. multinationals.
- C. decline of multinationals entering the developing nations of the world.
- D. growth of mini-multinationals.
- E. monopolization of the markets in developing countries by U.S. multinational corporations.

108. In the global marketplace, the globalization of the world economy has resulted in a relative decline in the:

- A. growth of medium-size and small multinationals.
- B. dominance of U.S. firm.
- C. rise of non-U.S. multinationals.
- D. desire to disperse production activities outside the home country.
- E. emergence of firms from developing nations as important competitors.

109. What are mini-multinationals?

- A. Multinational firms from relatively small countries in terms of area
- B. Multinationals from the developing nations of the world
- C. Multinational firms that operate in only one foreign country
- D. Medium-sized and small multinationals
- E. Subsidiaries of large multinationals in foreign countries

110. Which of the following statements is true about the trends in the changing nature of multinational enterprises?

- A. Global business activity is increasingly being dominated by large U.S. multinational corporations.
- B. The number of medium-size and small multinationals is decreasing continuously.
- C. The ranks of the world's largest 100 multinationals are dominated by firms from developing economies.
- D. The Internet is increasing the barriers that small firms face in building international sales.
- E. International business is conducted not just by large firms but also by medium-size and small enterprises.

111. Universal Lingo, a UK based language translation company employing just 65 people worldwide, has an annual turnover of \$1.5 million. In this context, Universal Lingo is most likely to be classified as a(n):

- A. large domestic firm.
- B. mini-multinational firm.
- C. localized company.
- D. limited company.
- E. multinational giant.

112. In the present times, many of the former Communist nations of Europe and Asia:

- A. are closed for Western international businesses.
- B. are committed to democratic politics.
- C. are against free market economics.
- D. have prohibited the use of the Internet by small multinationals.
- E. have highly developed economies.

113. Which of the following statements is true about the former communist nations of East Europe and central Asia?

- A. These countries show no commitment toward democratic and free-market policies.
- B. These countries have completely moved away from the unstable totalitarian and authoritarian form of government.
- C. These economies are yet essentially closed to Western international businesses.
- D. Businesses in these economies tend to be characterized by high risks as well as high returns.
- E. Compared to the rest of the world, the economies of many of the former Communist states are more developed.

114. Which of the following conditions is most likely to act as a deterrent for foreign firms willing to do business with former Communist nations of East Europe and central Asia?

- A. The high levels of economic development in these countries
- B. The signs of growing unrest and totalitarian tendencies seen in these countries
- C. A strong commitment to market-based economic systems seen in these countries
- D. The collapse of communism in these countries
- E. Low returns involved in doing business in these countries

115. Which of the following statements is true about the implications of revolutions occurring in China for international businesses?

- A. China is moving away from free market economic system.
- B. China represents a huge and largely untapped market for international business.
- C. Between 1983 and 2010, the foreign direct investment in China decreased dramatically.
- D. China's new firms have failed to be capable competitors in the global market.
- E. China is continuously discouraging the use of free market economy.

116. In the past two decades, majority of Latin American countries have:

- A. experienced a decline in the health of their economies.
- B. sold state-owned enterprises to private investors.
- C. been characterized by low growth, high debt, and hyperinflation.
- D. restricted investment by foreign firms.
- E. discouraged both democracy and free market reforms.

117. Which of the following statements is true about the global economy of the twenty first century?

- A. National economies are becoming less integrated into a single and interdependent economic system.
- B. The number of nations joining the ranks of the developed world has reduced.
- C. Countries have extensively adopted liberal economic policies.
- D. There are fewer instances of state-owned businesses privatized and markets being opened to more competition.
- E. The world is currently moving toward an economic system that is more unfavorable for international business.

118. Which of the following statements is true about the general implications of globalization?

- A. Globalization is inevitable.
- B. From a purely economic perspective, globalization is all good.
- C. Globalization has no negative impacts on the economies of the developed world.
- D. Globalization has reduced the risks associated with global financial contagion.
- E. As a result of globalization, a severe crisis in one region of the world can affect the entire globe.

119. An argument in support of the falling barriers to international trade and investment is that the falling barriers:

- A. prohibit countries from specializing in the production of goods and services.
- B. drive the global economy toward greater prosperity.
- C. reduce the need to export jobs overseas.
- D. increase the bargaining power of business firms by decreasing the incomes of consumers.
- E. reduce attacks from foreign competitors.

120. "Exporting jobs" to low-wage nations has contributed to:

- A. higher living standards in those countries that "export" the jobs.
- B. higher unemployment in wealthy advanced economies such as the United States.
- C. increase in the income levels in those nations that "export" the jobs.
- D. lower standards of living in those countries in which the jobs are exported.
- E. reduced specialization in the production of goods and services.

121. Which of the following statements is true about the implications of globalization on developing countries?

- A. Globalization has depressed wages in developing nations.
- B. Among the developed countries, the earnings gap between workers in skilled and unskilled sectors has widened.
- C. Globalization is increasing the wage gap between developing and developed nations as developed nations experience rapid economic growth.
- D. The citizens of developing countries have achieved higher living standards due to globalization.
- E. Globalization has destroyed manufacturing jobs in developing economies.

122. As a result of globalization, the _____ in the United States has increased.

- A. unemployment rate
- B. price of goods and services
- C. demand for unskilled workers
- D. standard of living
- E. income equality between workers in skilled and unskilled sectors

123. Supporters of globalization insist that dislocation in the form of lost jobs is a trade-off that will ultimately lead to the economy being better off. Which of the following is being justified in this case?

- A. Protectionism and retaliatory trade policy
- B. Free trade of goods and services
- C. Rise of Communism
- D. High tariff on imports of manufactured goods
- E. The need to be a self-contained nation

124. Which of the following must be true if the critics of globalization are correct?

- A. The share of national income received by labor, as opposed to the share received by the owners of capital should have increased in advanced nations.
- B. A decline in the labor's share of the economic pie means lower living standards.
- C. The decline in labor's share of national income is due to improvement in production technology and productivity.
- D. Decline in unskilled wage rates is due to the shift within advanced economies toward jobs that do not require significant education and skills.
- E. The real labor compensation has expanded in most developed nations since the 1980s.

125. Globalization critics argue that the decline in unskilled wage rates in advanced economies is due to the:

- A. migration of low-wage manufacturing jobs offshore.
- B. technology induced shift toward jobs that require significant education and skills.
- C. increased supply of highly skilled workers.
- D. reducing demand for unskilled workers in developing nations.
- E. reducing national differences in the cost of labor between developed and developing nations.

126. Growing income inequality between the skilled and unskilled workers in advanced nations, such as the United States, is a result of the:

- A. wages for skilled workers being bid up by the labor market and the wages for unskilled workers being discounted.
- B. decrease in the outsourcing of low-wage manufacturing jobs offshore and a corresponding increase in demand for unskilled workers.
- C. shift within advanced economies toward jobs where the only qualification is the willingness to turn up for work every day.
- D. increasing wage gap between developing and developed nations.
- E. shortage of unskilled workers and an excess supply of highly skilled workers.

127. In the context of the environment, globalization critics argue that:

- A. free trade discourages firms from advanced nations to move manufacturing facilities to less developed countries.
- B. adhering to labor and environmental regulations significantly increases the costs of manufacturing enterprises.
- C. manufacturing enterprises are put at a competitive disadvantage by moving their production facilities to nations that do not have burdensome regulations.
- D. as countries get richer, they relax their environmental and labor regulations.
- E. while pollution levels are rising in the world's richer countries, they have been falling in developing nations.

128. The NAFTA was formed in 1994 between:

- A. Canada, Mexico, and the United States.
- B. the United States, Brazil, and Argentina.
- C. Canada, Argentina, and Mexico.
- D. Columbia, Venezuela, and Brazil.
- E. Uruguay, Columbia, and Costa Rica

129. Which of the following is the most appropriate solution to the problem of rising carbon dioxide emissions in developed economies?

- A. Roll back the trade liberalization efforts that have fostered economic growth and globalization.
- B. Tie free trade agreements to the implementation of fewer environmental and labor laws in less developed countries.
- C. Get the nations of the world to agree to policies designed to limit pollutant emissions.
- D. Increase the export of low-wage manufacturing jobs to developing nations
- E. Restrict international trade and investment only to services.

130. A concern voiced by critics of globalization is that today's increasingly interdependent global economy shifts economic power toward:

- A. supranational organizations such as the World Trade Organization.
- B. the communist states of eastern Europe and central Asia.
- C. the medium-size and small U.S. multinationals
- D. the national governments of the countries participating in globalization.
- E. nations that have authoritarian form of government.

131. As perceived by critics of globalization, the national sovereignty of democratic states and the ability to control their own destiny has been undermined due to the:

- A. retaliatory trade policies of the developing nations.
- B. policies imposed by the unelected bureaucrats of supranational organizations.
- C. rise of communism across the globe.
- D. growth of mini-multinationals.
- E. declining non-U.S. multinational corporations.

132. Which of the following falls under the functions of the WTO?

- A. It can restrict the membership of nations in other supranational organizations such as the United Nations.
- B. It can grant loans to cash-strapped governments in poor nations.
- C. It supercedes IMF and has complete authority over IMF's actions.
- D. It can issue a ruling instructing a member-state to change trade policies that violate GATT regulations.
- E. It can take decisions related to international trade without considering the collective interests of member-states.

133. Which of the following is a major reason for some of the world's poorest countries to have suffered from economic stagnation?

- A. Commitment to democratic government
- B. Rapidly expanding population
- C. Implementation of the economic policies that are based on free market economics
- D. Tough labor regulations
- E. Low barriers to foreign direct investment

134. Free trade alone, some argue, is a necessary but not sufficient prerequisite to help the world's poorest countries bootstrap themselves out of poverty. They also recommend:

- A. a highly regulated command economy.
- B. weaker property rights laws.
- C. weaker labor regulations.
- D. large-scale debt relief.
- E. rapid expansion in population.

135. The minimum that a firm has to do to engage in international business is to:

- A. export or import products from other countries.
- B. invest directly in operations in another country.
- C. establish joint ventures or strategic alliances with companies in other countries.
- D. export low-wage manufacturing jobs to companies in other countries.
- E. develop franchises and subsidiaries in other countries.

136. Ryan is the executive general manager of a U.S. multinational and Jacob is a manager in a similar position, but works for another U.S. company that operates only in its home country. In this context, which of the following business functions will be most typically exclusive to Ryan?

- A. Marketing a product or service
- B. Maintaining healthy relations with the U.S. government
- C. Planning on a business strategy
- D. Adhering to the labor and environmental standards
- E. Choosing an appropriate mode for entering a particular foreign country

Essay Questions

137. What is globalization? How do global companies such as IKEA, Starbucks, and McDonald's facilitate the creation of a global market?

138. Explain the concepts of "globalization of markets" and "globalization of production."

139. Briefly trace the history of the G20 and describe its current role in international business.

140. Why were high tariffs imposed on imports of manufactured goods?

141. What are the implications of the Uruguay Round held under the umbrella of GATT for international business?

142. What is a multinational enterprise? What have been the two most notable trends in multinational enterprises since the 1960s?

143. In the context of international trade and investment, describe how the former Communist nations of Europe and Asia have been changing.

144. Elaborate on why globalization is not inevitable.

145. Discuss the arguments that are for and against globalization regarding jobs and income.

146. Discuss the concerns voiced by critics of globalization regarding labor policies and environment.

147. What are the various reasons for economic stagnation in many of the world's poorest countries?

148. Why are supranational organizations, such as the World Trade Organization and the United Nations, criticized?

149.What are some of the challenges faced by managers of an international business?

150.How is managing an international business different from managing a purely domestic business?

Chapter 01 Globalization Answer Key

True / False Questions

1. As a result of globalization, we have been moving toward a world in which national economies (p. 7) are relatively self-contained entities.

FALSE

Over the past three decades a fundamental shift has been occurring in the world economy. We have been moving away from a world in which national economies were relatively self-contained entities.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: Introduction

2. By offering the same basic product worldwide, firms help to create a global market.

TRUE

Consumer products such as Citigroup credit cards, Coca-Cola soft drinks, video games, McDonald's hamburgers, Starbucks coffee, and IKEA furniture are frequently held up as prototypical examples of this trend. The firms that produce these products are more than just benefactors of this trend; they are also facilitators of it. By offering the same basic product worldwide, they help to create a global market.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

3. A company has to be the size of a multinational giant to facilitate, and benefit from, the globalization of markets.

FALSE

A company does not have to be the size of multinational giants to facilitate, and benefit from, the globalization of markets.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

4. As a result of globalization, companies rarely need to customize marketing strategies, product features, and operating practices in different countries.

FALSE

Significant differences still exist among national markets along many relevant dimensions. These differences frequently require companies to customize marketing strategies, product features, and operating practices to best match conditions in a particular country.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

5. Globalization has resulted in greater uniformity replacing diversity across national markets.

TRUE

As firms follow each other around the world, they bring with them many of the assets that served them well in other national markets—their products, operating strategies, marketing strategies, and brand names—creating some homogeneity across markets. Thus, greater uniformity replaces diversity.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

6. As firms follow each other around the world, they bring with them many of the assets that served them well in other national markets. Thus, greater diversity replaces uniformity.

FALSE

As firms follow each other around the world, they bring with them many of the assets that served them well in other national markets, creating some homogeneity across markets. Thus, greater uniformity replaces diversity.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

7. Substantial impediments, such as barriers to foreign direct investment, make it difficult for firms to achieve the optimal dispersion of their productive activities to locations around the globe.

TRUE

Substantial impediments such as barriers to foreign direct investment make it difficult for firms to achieve the optimal dispersion of their productive activities to locations around the globe.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

8. The World Trade Organization, the International Monetary Fund and its sister institution the World Bank, and the United Nations were all created by voluntary agreement between individual nation-states.

TRUE

Over the past half century, a number of important global institutions have been created to help perform these functions, including the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO); the International Monetary Fund (IMF) and its sister institution, the World Bank; and the United Nations (UN). All these institutions were created by voluntary agreement between individual nation-states, and their functions are enshrined in international treaties.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

9. The International Monetary Fund and the World Bank were both created in 1944 by 44 nations that met at Bretton Woods, New Hampshire.

TRUE

The International Monetary Fund and the World Bank were both created in 1944 by 44 nations that met at Bretton Woods, New Hampshire.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

10. The WTO is seen as the lender of last resort to nation-states whose economies are in turmoil and whose currencies are losing value against those of other nations.

FALSE

The IMF is often seen as the lender of last resort to nation-states whose economies are in turmoil and whose currencies are losing value against those of other nations.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

11. The IMF is less controversial than its sister institution, the World Bank.

FALSE

The World Bank is less controversial than its sister institution, the IMF. The World Bank has focused on making low-interest loans to cash-strapped governments in poor nations that wish to undertake significant infrastructure investments, while the IMF is often seen as the lender of last resort to nation-states whose economies are in turmoil and currencies are losing value against those of other nations.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

12. In return for loans, the IMF requires nation-states to adopt specific economic policies aimed at returning their troubled economies to stability and growth.

TRUE

IMF loans come with strings attached, however; in return for loans, the IMF requires nation-states to adopt specific economic policies aimed at returning their troubled economies to stability and growth.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

13. Foreign direct investment (FDI) occurs when a firm invests resources in business activities outside its home country.

TRUE

Foreign direct investment (FDI) occurs when a firm invests resources in business activities outside its home country.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

14. After World War II, the advanced nations of the West committed themselves to increasing barriers to the free flow of goods, services, and capital between nations.

FALSE

After World War II, the advanced nations of the West committed themselves to removing barriers to the free flow of goods, services, and capital between nations.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

15. The Uruguay Round, held under the umbrella of GATT, extended GATT to cover services as well as manufactured goods.

TRUE

The Uruguay Round reduced trade barriers; extended GATT to cover services as well as manufactured goods; provided enhanced protection for patents, trademarks, and copyrights; and established the World Trade Organization to police the international trading system.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

16. The lowering of trade and investment barriers allows firms to base production at the optimal location for that activity.

TRUE

The lowering of trade and investment barriers allows firms to base production at the optimal location for that activity.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

17. As a result of international trade, the economies of the world's nation-states are becoming less intertwined.

FALSE

The economies of the world's nation-states are becoming more intertwined. As trade expands, nations are becoming increasingly dependent on each other for important goods and services.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

18. The globalization of markets and production and the resulting growth of world trade, foreign direct investment, and imports all imply that firms are finding it easier to protect themselves from the attack of foreign competitors.

FALSE

The globalization of markets and production and the resulting growth of world trade, foreign direct investment, and imports all imply that firms are finding their home markets under attack from foreign competitors.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

19. Containerization has revolutionized the transportation business, significantly lowering the costs of shipping goods over long distances.

TRUE

Containerization has revolutionized the transportation business, significantly lowering the costs of shipping goods over long distances.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

20. While advances in telecommunications are creating a global audience, advances in transportation are creating a global village.

TRUE

Since the end of World War II, the world has seen major advances in communication, information processing, and transportation technology, including the explosive emergence of the Internet and World Wide Web. Telecommunications is creating a global audience. Transportation is creating a global village.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

21. The real costs of information processing and communication have fallen dramatically in the past two decades.

TRUE

The real costs of information processing and communication have fallen dramatically in the past two decades.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

22. The Internet has been a major force facilitating international trade in services.

TRUE

The Internet has been a major force facilitating international trade in services.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

23. Countries that markedly increased their share of world output from 1960 to 2010 included Germany, France, and the United Kingdom.

FALSE

Countries that markedly increased their share of world output included Japan, Thailand, Malaysia, Taiwan, and South Korea.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

24. The United States accounted for a significantly larger share of the world economy in 2011 than it did in the 1960's.

FALSE

During the 1960s, the United States routinely accounted for 20 percent of world exports of manufactured goods, but the U.S. share of world exports of goods and services had slipped to 8.1 percent by 2011, behind that of China.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

25. Beginning in the 1970s, European and Japanese firms began to shift labor-intensive manufacturing operations from developing nations to their home countries where labor costs were lower.

FALSE

Beginning in the 1970s, European and Japanese firms began to shift labor-intensive manufacturing operations from their home markets to developing nations where labor costs were lower.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

26. The stock of foreign direct investment refers to the total cumulative value of foreign investments in a country.

TRUE

The stock of foreign direct investment refers to the total cumulative value of foreign investments in a country.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

27. Throughout the 1990s, the amount of investment directed at both developed and developing nations increased dramatically

TRUE

Throughout the 1990s, the amount of investment directed at both developed and developing nations increased dramatically

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

28. Among developing nations, the largest recipient of foreign direct investment has been China.

TRUE

Among developing nations, the largest recipient of foreign direct investment has been China.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

29. Although most international trade and investment is still conducted by large firms, many medium-size and small businesses are becoming increasingly involved in international trade and investment.

TRUE

Although most international trade and investment is still conducted by large firms, many medium-size and small businesses are becoming increasingly involved in international trade and investment. The rise of the Internet is lowering the barriers that small firms face in building international sales.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

30. The rise of the Internet is increasing the barriers that small firms face in building international sales.

FALSE

The rise of the Internet is lowering the barriers that small firms face in building international sales.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

31. Many of the former Communist nations of Europe and Asia seem to share a commitment to democratic policies and free market economies.

TRUE

Many of the former Communist nations of Europe and Asia seem to share a commitment to democratic policies and free market economies.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

32. In the past quarter century, the volume of cross-border trade and investment has been growing less rapidly than global output.

FALSE

The volume of cross-border trade and investment has been growing more rapidly than global output, indicating that national economies are becoming more closely integrated into a single, interdependent, global economic system.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

33. One concern frequently voiced by globalization opponents is that falling barriers to international trade destroy manufacturing jobs in wealthy advanced economies such as the United States and western Europe.

TRUE

One concern frequently voiced by globalization opponents is that falling barriers to international trade destroy manufacturing jobs in wealthy advanced economies such as the United States and western Europe.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

34. It is possible that economic growth in developed nations has offset the fall in the share of national income enjoyed by unskilled workers, raising their living standards.

TRUE

It is possible that economic growth in developed nations has offset the fall in the share of national income enjoyed by unskilled workers, raising their living standards.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

35. One concern of globalization opponents is that it undermines the influence of supranational organizations and promotes the sovereignty of individual nation-states.

FALSE

One concern voiced by critics of globalization is that today's increasingly interdependent global economy shifts economic power away from national governments and toward supranational organizations such as the World Trade Organization, the European Union, and the United Nations.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

36. In general, as countries get richer, they enact tougher environmental and labor regulations.

TRUE

Supporters of free trade and greater globalization argue that tougher environmental regulations and stricter labor standards go hand in hand with economic progress. In general, as countries get richer, they enact tougher environmental and labor regulations.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

37. Highly indebted poor countries (HIPC)s can bootstrap themselves out of poverty by pursuing retaliatory trade policies rather than free trade policies.

FALSE

Free trade is a necessary prerequisite along with large-scale debt relief to help HIPC)s bootstrap themselves out of poverty.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

38. A firm has to become a multinational enterprise, investing directly in operations in other countries, to engage in international business.

FALSE

A firm does not have to become a multinational enterprise, investing directly in operations in other countries, to engage in international business. All a firm has to do is export or import products from other countries.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Topic: Managing in the Global Marketplace

39. Despite all the talk about the emerging global village, differences between countries such as cultures and political systems are very profound and enduring.

TRUE

Despite all the talk about the emerging global village, differences such as cultures and political systems between countries are very profound and enduring.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Topic: Managing in the Global Marketplace

40. Differences among countries require that an international business vary its practices country by country.

TRUE

Differences among countries require that an international business vary its practices country by country.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Topic: Managing in the Global Marketplace

Multiple Choice Questions

41. Which of the following has reduced as a result of globalization?

- A. Volume of goods and services crossing national borders
- B. Foreign exchange transaction
- C. Procuring product inputs from all over the world
- D. Differences in material culture between national economies
- E. Deregulation of markets

As a result of globalization, we are moving toward a world in which barriers to cross-border trade and investment are declining; perceived distance is shrinking due to advances in transportation and telecommunications technology; and material culture is starting to look similar the world over.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: Introduction

42. _____ refers to the shift toward a more integrated and interdependent world economy.

- A. Forward integration
- B. Mass customization
- C. Globalization**
- D. Commercialization
- E. Vertical integration

Globalization refers to the shift toward a more integrated and interdependent world economy.

Globalization has several facets, including the globalization of markets and the globalization of production.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

43. Which of the following statements is true regarding the globalization of markets?

- A. As a result of the globalization of markets, tastes and preferences of consumers in different nations are beginning to differ more.
- B. By offering the same basic product worldwide, firms fail to create a global market.
- C. There still exist significant differences among national markets along many relevant dimensions, including distribution channels, culturally embedded value systems, and legal regulations.
- D. The most global of markets are not typically markets for industrial goods and materials, but markets for consumer products.
- E. A company has to be the size of a multinational giant, such as Citigroup or Coca-Cola, to facilitate, and benefit from, the globalization of markets.

Significant differences still exist among national markets along many relevant dimensions, including consumer tastes and preferences, distribution channels, culturally embedded value systems, business systems, and legal regulations. These differences frequently require companies to customize marketing strategies, product features, and operating practices to best match conditions in a particular country.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

44. Automobile companies promote different car models in different countries depending on a range of factors such as demographics, local taste, local fuel costs, income levels, traffic congestion, and cultural values. This most likely demonstrates that:

- A. significant differences still exist among national markets.
- B. cultural diversity has been replaced by global uniformity.
- C. the global market is less complex than national markets.
- D. a company does not have to be the size of a multinational giant to facilitate, and benefit from, the globalization of markets.
- E. the social norms in a country do not affect purchase decisions of consumers.

Significant differences still exist among national markets along many relevant dimensions, including consumer tastes and preferences, distribution channels, culturally embedded value systems, business systems, and legal regulations. These differences frequently require companies to customize marketing strategies, product features, and operating practices to best match conditions in a particular country.

AACSB: Reflective thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

45. Which of the following is most likely to be the best suited product for a global market?

- A. Microprocessors
- B. Fast food like hamburgers
- C. Clothes and accessories
- D. Bank and other personal services
- E. Household furnishings

The most global markets currently are not markets for consumer products, but markets for industrial goods and materials that serve a universal need the world over.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

46. Which of the following statements best supports the claim that greater uniformity replaces diversity in the context of global markets?
- A. Differences in business systems and legal regulations, lead companies to customize their marketing strategies, product features, and operating practices to best match conditions in a particular country.
 - B. As rival global firms follow each other across countries, they bring with them their brand names, products, and marketing strategies from other national markets, thus creating homogeneity across markets.**
 - C. Truly innovative companies succeed by developing products that serve specific needs of the local markets.
 - D. The volume of goods, services, and investment crossing national borders has expanded at a slower rate than world output for more than half a century.
 - E. The most global of markets are not typically markets for consumer products as significant differences in consumer tastes and preferences still exist among national markets.

As firms follow each other around the world, they bring with them many of the assets that served them well in other national markets-including their products, operating strategies, marketing strategies, and brand names-creating some homogeneity across markets. Thus, greater uniformity replaces diversity.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

47. Globalization results in a greater degree of _____ across markets than would be present otherwise.

- A. regulatory control
- B. diversity
- C. homogeneity
- D. administrative barrier
- E. communism

As firms follow each other around the world, they bring with them many of the assets that served them well in other national markets—their products, operating strategies, marketing strategies, and brand names—creating some homogeneity across markets.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

48. The _____ refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors such as labor, energy, land, and capital.

- A. globalization of markets
- B. augmentation of products
- C. amplification of production
- D. globalization of production
- E. capitalization of markets

The globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

49. Which of the following best illustrates the globalization of production?

- A. Daily Diamonds Inc. buys diamonds from South Africa and exports them to India for the cutting process.
- B. Evan Swan, a U.S. based fashion designer, is planning to open a flagship store in China to serve the Asian market.
- C. Uncle Crab, a UK fast food chain, has been serving customers worldwide through its franchises.
- D. Silver Unicorn Inc. uses sales personnel from the respective host country to sell its products and services.
- E. Pizza Gallery, an Italian pizza chain, customizes its pizzas and pastas to suit the tastes of its American and Australian customers.

The globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (such as labor, energy, land, and capital).

AACSB: Reflective thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

50. West Electronic Corporation sources goods and services for its electronics products from different locations around the globe in an attempt to take advantage of differences in the cost and quality of labor and land. This practice demonstrates the:

- A. globalization of production.
- B. localization of markets.
- C. increasing differences in tastes and preferences of consumers across the world.
- D. nationalization of private enterprises.
- E. rise of communism throughout the globe.

The globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production.

AACSB: Reflective thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

51. Which of the following statements is most likely to be true of outsourcing?

- A. Dispersing value-creation activities through outsourcing tends to increase the costs requires to develop a product offering.
- B. In today's world, outsourcing efforts are primarily confined to manufacturing activities, and do not include service activities.
- C. Outsourcing production to foreign countries increases the chance for companies to gain significant orders for their products from those countries.
- D. Outsourcing always increases the time required to develop a product, and allows no manufacturing flexibility.
- E. A multinational company cannot customize its products for local markets of different countries if it outsources its production activities.

Firms outsource production to foreign countries to increase the chance of gaining significant product or service orders from companies in that country.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

52. A software company uses engineers in India to perform maintenance functions on software designed in the United States, and it also uses Indian accountants to compile tax returns. According to this information, the U.S. based company is most likely using:

- A. outsourcing.
- B. job sharing.
- C. job rotation.
- D. franchising.
- E. apprenticeship.

Outsourcing refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production or services. By outsourcing, companies hope to lower their overall cost structure or improve the quality or functionality of their service offering, thereby allowing them to compete more effectively.

AACSB: Reflective thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

53. Early outsourcing efforts were primarily confined to _____.

- A. accounting activities
- B. manufacturing activities**
- C. healthcare services
- D. educational activities
- E. consulting services

Early outsourcing efforts were primarily confined to manufacturing activities; increasingly, however, companies are taking advantage of modern communications technology, particularly the Internet, to outsource service activities to low-cost producers in other nations.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

54. Which of the following reasons has made outsourcing of service activities to low-cost producers in other nations possible?

- A. Increasing diversity in material culture among national markets
- B. Government regulations limiting certain service activities in the home country
- C. Increasing foreign competition in manufacturing industries
- D. Rise in communism globally
- E. Use of modern communications technology**

Early outsourcing efforts were primarily confined to manufacturing activities, such as those undertaken by Boeing, Apple and Vizio; increasingly, however, companies are taking advantage of modern communications technology, particularly the Internet, to outsource service activities to low-cost producers in other nations.

AACSB: Analytic

AACSB: Reflective thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

55. _____ is an international treaty that committed signatories to lowering barriers to the free flow of goods across national borders and is the predecessor to the World Trade Organization.

- A. North American Free Trade Agreement
- B. Commonwealth of Independent States Free Trade Agreement
- C. Kyoto protocol
- D.** General Agreement on Tariffs and Trade
- E. Agreement on Trade-Related Aspects of Intellectual Property Rights

The General Agreement on Tariffs and Trade (GATT) is an international treaty whose functions included policing the world trading system and committing signatories to lowering barriers to the free flow of goods across national borders. It was later succeeded by the World Trade Organization (WTO).

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

56. The globalization of production mainly occurs due to the:

- A. growing cultural homogeneity across markets.
- B. increasing differences in the tastes and preferences of consumers in different nations.
- C. national differences in the cost and quality of factors such as labor, energy, land, and capital.
- D. rise in communism the world over.
- E. increasing worldwide demand for unskilled workers.

The globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (such as labor, energy, land, and capital).

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

57. The World Bank was primarily created in 1944 to:

- A. preserve peace through international cooperation and collective security.
- B. promote economic development.**
- C. render judgments on disputes submitted to it by member states.
- D. furnish advisory opinions on questions referred to it by authorized bodies.
- E. promote respect for human rights.

The World Bank was created in 1944 to promote economic development. It has focused on making low-interest loans to cash-strapped governments in poor nations that wish to undertake significant infrastructure investments (such as building dams or roads).

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

58. In 1944, the IMF was established to:

- A. maintain order in the international monetary system.**
- B. preserve peace through international cooperation and collective security.
- C. promote respect for human rights.
- D. control the fossil-fuel emissions of the member states by imposing monetary fines.
- E. formulate a coordinated policy response to financial crises in developing nations.

The International Monetary Fund (IMF) was established in 1944 to maintain order in the international monetary system.

AACSB: Analytic

Blooms: Understand

59. Which of the following is an argument put forth by critics of the IMF?
- A. It increases barriers to the free flow of goods and investment across national borders.
 - B. It only provides assistance to developing nations and completely ignores the developed nations.
 - C. It is not powerful enough to ensure that the nation-states adhere to the rules laid down in trade treaties.
 - D. It promotes the rise of communism across the globe.
 - E. It usurps the sovereignty of nation-states by telling governments what economic policies they must adopt.

IMF loans come with strings attached. In return for loans, the IMF requires nation-states to adopt specific economic policies aimed at returning their troubled economies to stability and growth. These requirements have sparked controversy. Some critics maintain that by telling national governments what economic policies they must adopt, the IMF is usurping the sovereignty of nation-states.

60. The _____ was established in 1945 by 51 countries committed to preserving peace through international cooperation and collective security.

- A. Greenpeace organization
- B. Amnesty International
- C. League of Nations
- D.** United Nations
- E. G-20

The United Nations was established on October 24, 1945, by 51 countries committed to preserving peace through international cooperation and collective security.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

61. The _____ is the less controversial sister institution of the IMF which was created along with the IMF in 1944.

- A. G-20
- B. International Court of Justice
- C. League of Nations
- D. World Trade Organization
- E. World Bank**

The International Monetary Fund and the World Bank were both created in 1944 by 44 nations that met at Bretton Woods, New Hampshire. The World Bank is the less controversial of the two sister institutions.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

62. According to the UN Charter, one of the four purposes of the UN is to:

- A. be a center for harmonizing the actions of nations.
- B. encourage member-nations to increase trade barriers.
- C. provide interest-free loans to poor countries to implement infrastructure projects.
- D. promote the creation of regional free trade agreements.
- E. spread communism worldwide.

According to the UN charter, the UN has four purposes: to maintain international peace and security, to develop friendly relations among nations, to cooperate in solving international problems and in promoting respect for human rights, and to be a center for harmonizing the actions of nations.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

63. The G20 comprises the _____ of the 19 largest economies in the world, plus representatives from the European Union and the European Central Bank.

- A. finance ministers and central bank governors
- B. presidents and defense ministers
- C. prime ministers and army chiefs
- D. international trade ministers
- E. ministers of foreign affairs

Established in 1999, the G20 comprises the finance ministers and central bank governors of the 19 largest economies in the world, plus representatives from the European Union and the European Central Bank.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

64. The _____ was originally established in 1999 to formulate a coordinated policy response to financial crises in developing nations.

- A. United Nations
- B. G-20**
- C. World Trade Organization
- D. International Court of Justice
- E. World Bank

Originally established to formulate a coordinated policy response to financial crises in developing nations, in 2008 and 2009 the G-20 became the forum through which major nations attempted to launch a coordinated policy response to the global financial crisis that started in America and then rapidly spread around the world.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

65. In 2008-09, the G20 primarily worked to:

- A. address the concerns for human rights in sweatshops.
- B. formulate policies to counter hunger and poverty in underdeveloped nations of the world.
- C. provide a forum to launch a coordinated policy response to the global financial crisis.
- D. help create a unified action plan to counter the threat of global terrorism.
- E. render judgments on patent disputes submitted to it by member-states.

In 2008 and 2009, the G20 became the forum through which major nations attempted to launch a coordinated policy response to the global financial crisis that started in America and then rapidly spread around the world, ushering in the first serious global economic recession since 1981.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

66. Which of the following is a macro factor underlying the trend toward greater globalization?
- A. Rise of communism across the globe
 - B. Increasing nationalization of private organization
 - C. Increasing diversity in the tastes and preferences of consumers in different nations
 - D. Increasing trade regulations across the globe
 - E. Dramatic developments in recent years in information processing and other technologies

Two macro factors underlying the trend toward greater globalization are: 1) the decline in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II, and 2) technological change, particularly the dramatic developments in recent years in communication, information processing, and transportation technologies.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

67. Which of the following best exemplifies foreign direct investment (FDI)?

- A. Pure Pearls, a jewelry store in the U.S., imports harvested pearls from Indonesia, Philippines, and Australia.
- B. Chivalry, a U.S. based phone manufacturing company, has set up its own assembly plant in Japan to cater to the needs of the Asian market.**
- C. Delicate Love, a reputed florist company in Holland, exports tulips and roses throughout the globe.
- D. Samantha started an Italian restaurant in her home country, the United States, after she took cooking lessons from a reputed chef in Italy.
- E. Yin and Yang Inc., a Chinese firm, supplies buttons and zips to major denim brands in the UK.

Foreign direct investment (FDI) occurs when a firm invests resources in business activities outside its home country.

AACSB: Reflective thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

68. Michelle, an Italian fashion designer, sells her merchandise by exporting them to the U.S., UK, and Brazil. According to this information, Michelle is most likely involved in:

- A. foreign direct investment.
- B. foreign institutional investment.
- C. international trade.
- D. cross-border bartering.
- E. outsourcing.

International trade refers to the exporting of goods or services to consumers in another country.

AACSB: Reflective thinking

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

69. If in the present time, an International company decides to do business with the former Communist nations of Europe and Asia it would most likely benefit from the:

- A. host of export and investment opportunities presented by these countries.
- B. low business risks involved in doing business with these countries.
- C. authoritarian governments of these nations.
- D. highly developed economies of these countries.
- E. highly stable political and economic conditions in these countries.

The economies of many of the former Communist states are still relatively undeveloped, and their continued commitment to democracy and market-based economic systems cannot be taken for granted. Thus, the risks involved in doing business in such countries are high, but so may be the returns.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

70. For foreign direct investment (FDI) to occur, a firm should primarily:

- A. conduct cross-border bartering with neighboring countries.
- B. invest resources in business activities outside its home country.**
- C. export goods or services to consumers in another country.
- D. import goods or services from producers in another country.
- E. erect formidable barriers to international trade.

Foreign direct investment (FDI) occurs when a firm invests resources in business activities outside its home country.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

71. Gem Globe, an American company, has invested substantial capital in precious stones mining activities outside the United States. This practice is referred to as:

- A. unrelated diversification.
- B. foreign direct investment.**
- C. cross-border bartering.
- D. organizational divestment.
- E. international cartel.

Foreign direct investment (FDI) occurs when a firm invests resources in business activities outside its home country.

AACSB: Reflective thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

72. When a firm invests resources in business activities outside its home country, it is referred to as:

- A. foreign exchange.
- B. foreign divestiture.
- C. speculative investment.
- D.** foreign direct investment.
- E. cross-border cartel.

Foreign direct investment (FDI) occurs when a firm invests resources in business activities outside its home country.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

73. The motive behind the high tariffs imposed by nations on imports of manufactured goods, prior to World War II, was to:

- A. deter any possible attempts to promote communism.
- B. protect domestic industries from foreign competition.**
- C. prevent the occurrence of the Great Depression.
- D. safeguard patents, copyrights, and trademarks.
- E. promote the trade of services over the trade of manufactured goods.

During the 1920s and 30s many of the world's nation-states erected formidable barriers to international trade and foreign direct investment. Many of the barriers to international trade took the form of high tariffs on imports of manufactured goods. The typical aim of such tariffs was to protect domestic industries from foreign competition.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

74. The advanced industrial nations of the West committed themselves after World War II to removing barriers to the free flow of goods, services, and capital between nations. This goal was enshrined in the:

- A. Inter-American Treaty of Reciprocal Assistance.
- B. Comprehensive Economic Partnership Agreement.
- C. General Agreement on Tariffs and Trade.
- D. North American Free Trade Agreement.
- E. United Nations charter.

The advanced industrial nations of the West committed themselves after World War II to removing barriers to the free flow of goods, services, and capital between nations. This goal was enshrined in the General Agreement on Tariffs and Trade (GATT).

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

75. Which of the following reasons contributed to the Great Depression of the 1930s?

- A. Inability to meet the increasing world demand for products
- B. Several countries accepting General Agreement on Tariffs and Trade
- C. Increasing attack from foreign competitors on domestic industries
- D. Privatization of state-owned organizations
- E. Countries progressively raising trade barriers against each other

Countries progressively raising trade barriers against each other ultimately depressed world demand and contributed to the Great Depression of the 1930s.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

76. Which of the following organizations was established at the 1993 Uruguay Round?

- A. World Trade Organization
- B. International Court of Justice
- C. International Trade Enforcement Agency
- D. United Nations
- E. World Bank

The Uruguay Round established the World Trade Organization to police the international trading system.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

77. The 1993 Uruguay Round:

- A. increased the trade and investment barriers.
- B. excluded the trade of services from international trade.
- C. transformed the World Trade Organization into the GATT.
- D. provided enhanced protection for patents, trademarks, and copyrights.
- E. promoted the worldwide rise of communism.

The Uruguay Round reduced trade barriers; extended GATT to cover services as well as manufactured goods; provided enhanced protection for patents, trademarks, and copyrights; and established the World Trade Organization to police the international trading system.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

78. Which of the following is a part of the agenda of the Doha Round of talks launched by the WTO?

- A. Limiting the use of antidumping laws
- B. Abolishing the International Monetary Fund
- C. Increasing tariffs on industrial goods, services, and agricultural products
- D. Persuading member governments to cut defense spending
- E. Establishing GATT as a replacement for the WTO

The Doha agenda included cutting tariffs on industrial goods, services, and agricultural products; phasing out subsidies to agricultural producers; reducing barriers to cross-border investment; and limiting the use of antidumping laws.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

79. Which of the following would be the biggest gain for the world's poor nations from the 2001 Doha WTO talks?

- A. Gain from increasing barriers to cross-border investment
- B. Gain from reduced agricultural tariffs and subsidies**
- C. Gain from expanding the use of antidumping laws
- D. Gain from the promotion of communism across the globe
- E. Gain from increased protectionism in the markets of the developed world

The world's poorer nations have the most to gain from any reduction in agricultural tariffs and subsidies discussed at the 2001 Doha talks, as such reforms would give them access to the markets of the developed world.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

80. The lowering of trade and investment barriers:

- A. protects domestic industries from foreign competition.
- B. was not an agenda of the Uruguay Round.
- C. allows firms to base production at optimal locations outside their home country.**
- D. creates an unfavorable environment for FDI.
- E. caused the Great depression of the 1930s.

The lowering of trade and investment barriers allows firms to base production at the optimal location for that activity.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

81. Which of the following is a benefit of lowering the barriers to international trade?

- A. Domestic industries are better protected from foreign competition.
- B. Firms can view the world, rather than a single country, as their market.**
- C. The lowering of barriers promotes communism across the globe.
- D. The lowering of barriers puts a brake on globalization of both markets and production.
- E. The economies of the members of the WTO become self-contained entities.

The lowering of barriers to international trade enables firms to view the world, rather than a single country, as their market.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

82. Which of the following has been declining in the developing nations of the world such as China, India, Russia, Indonesia, Thailand, South Korea, Mexico, and Brazil ?

- A. Economic opportunities for international trade
- B. Industrialization
- C. Contribution toward the share of world output
- D. The stock of foreign direct investment
- E. Barriers to the free flow of goods, services, and capital**

In 2010, firms based in developing nations accounted for 15.3 percent of the stock of foreign direct investment, up from only 1.1 percent in 1980. Firms based in Hong Kong, South Korea, Singapore, Taiwan, India, and mainland China accounted for much of this investment.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

83. While the lowering of trade barriers made globalization of markets and production a theoretical possibility, which of the following has made it a tangible reality?

- A. Major advances in communication, information processing, and transportation technologies
- B. The rise of communism and the need for independent economies on a global scale
- C. The increasing diversity in consumer tastes and preferences worldwide
- D. The increasing differences in the material culture the world over
- E. The decreasing significance of the World Trade Organization

The lowering of trade barriers made globalization of markets and production a theoretical possibility. Technological change has made it a tangible reality.

AACSB: Reflective thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

84. Gerald gifted his son, David, a computer two years ago. Recently, he decided to gift his daughter, Julian, a computer of her own. In the context of the two year gap between the purchase of both the computers and Moore's law, it is most likely that:
- A. Gerald paid a higher price for Julian's computer.
 - B. David's computer will have a microprocessor with better power than that of Julian's.
 - C. both David's and Julian's computers would cost Gerald the same price.
 - D. the microprocessor in Julian's computer will be more advanced in terms of power than that of David's.
 - E. the power of the microprocessors, in both David and Julian's computers, would be the same.

The cost of microprocessors continues to fall, while their power increases (a phenomenon known as Moore's law, which predicts that the power of microprocessor technology doubles and its cost of production falls in half every 18 months).

AACSB: Reflective thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

85. Development of the microprocessor is most likely to be considered the single most important innovation in technology because:

- A. it has made the economies of the world's nation-states less intertwined.
- B.** it has enabled the explosive growth of low-cost computing.
- C. it has increased the national differences in the cost and quality of factors of production.
- D. it has helped in increasing barriers to international trade and investment.
- E. it has isolated nations from each other by distance, time zones, and language.

The single most important innovation that has helped globalization has been development of the microprocessor, which enabled the explosive growth of high-power, low-cost computing, vastly increasing the amount of information that can be processed by individuals and firms.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

86. _____ predicts that the power of microprocessor technology doubles and the cost of production falls every 18 months.

- A. Bell's law
- B. Murphy's law
- C. Moore's law
- D. Ohm's law
- E. Engel's law

Moore's law predicts that the power of microprocessor technology doubles and the cost of production falls every 18 months.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

87. Richard has recently purchased a computer for \$600. Compared to the \$900 computer which he had purchased way back in 2010, the new one seems to be more efficient in terms of the price he has paid and the power of the microprocessor technology. This phenomenon is best explained by:

- A. the law of demand.
- B. Campbell's law.
- C. Moore's law.
- D. the law of diminishing returns.
- E. Bowley's law.

The cost of microprocessors continues to fall, while their power increases (a phenomenon known as Moore's law, which predicts that the power of microprocessor technology doubles and its cost of production falls in half every 18 months).

AACSB: Reflective thinking

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

88. Which of the following statements is true about the Internet and World Wide Web?

- A. It has increased the real costs of information processing and communication.
- B. It increases the costs of coordinating and controlling a global organization.
- C. It makes it easier for buyers and sellers to find each other, wherever they may be located.
- D. It is only accessible to large businesses considered as multinational giants.
- E. It increases some of the business constraints of location, scale, and time zones.

The World Wide Web makes it much easier for buyers and sellers to find each other, wherever they may be located and whatever their size.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

89. The advent of containerization has:

- A. made the economies of the world's nation-states less intertwined.
- B. made moving goods from one mode of transport to another extremely labor-intensive.
- C. significantly lowered the costs of shipping goods over long distances.
- D. slowed down the globalization of markets and production.
- E. increased costs of coordinating and controlling a global organization.

Containerization has revolutionized the transportation business, significantly lowering the costs of shipping goods over long distances.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

90. Which of the following has been detrimental to the globalization of markets and production?

- A. The advent of containerization
- B. The use of the Internet and services such as Skype
- C. National differences in culture, consumer preferences, and business practices
- D. Privatizing state-owned enterprises
- E. The collapse of communism

While modern communication and transportation technologies are ushering in the “global village,” significant national differences remain in culture, consumer preferences, and business practices. A firm that ignores differences between countries does so at its peril.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

91. Since 1980, the world's containership fleet has more than quadrupled, reflecting in part the:

- A. growing volume of international trade.
- B. decreasing productivity of labor.
- C. rising costs of containerization.
- D. increasing transportation costs.
- E. decreasing employment opportunities across the globe.

Since 1980, the world's containership fleet has more than quadrupled, reflecting in part the growing volume of international trade and in part the switch to this mode of transportation.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

92. The _____ has been a major force facilitating international trade in services.

- A. advent of containerization
- B. development of commercial jet aircraft
- C. retaliatory trade policies toward international trade in goods
- D. decline in the U.S. share of world output
- E. advent of the Internet

The Internet has been a major force facilitating international trade in services.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

93. Which of the following statements is true about the implications of technological innovations for the globalization of markets?
- A. Technological innovations have facilitated the globalization of production, but have failed to facilitate the globalization of markets.
 - B. Though technological innovations are ushering in the “global village,” significant national differences remain in consumer preferences, and business practices.**
 - C. Technological innovations have caused the rise of communism across the globe.
 - D. Technological innovations have failed to create global markets for consumer products.
 - E. Technological innovations have increased the cost of communication which is hampering globalization of markets.

While modern communication and transportation technologies are ushering in the “global village,” significant national differences remain in culture, consumer preferences, and business practices.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

94. Which of the following is most likely to be observed in today's global economy?
- A. Increasing U.S. share of world output
 - B. Large U.S. entrepreneurial firms dominating the international business scene
 - C. Increasing U.S. dominance in the world economy and world trade picture
 - D. Most of the nations being governed by centrally planned economies of the communist world
 - E. Rapid rise in the share of world output accounted for by developing nations such as China and India**

As emerging economies such as China, India, and Brazil continue to grow, a further relative decline in the share of world output and world exports accounted for by the United States and other long-established developed nations seems likely.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

95. _____ was the world's most dominant industrial power in the early 1960s.

- A. India
- B. Brazil
- C. Spain
- D. The United States**
- E. China

In the early 1960s, the United States was still by far the world's dominant industrial power.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

96. Which of the following countries has seen a relative decline in its share of world output between 1960 and 2010?

- A. The United States
- B. Thailand
- C. Japan
- D. China
- E. South Korea

From 1960 to 2010, China's share of world output increased from a trivial amount to 9.4 percent, making it the world's second largest economy. Other countries that markedly increased their share of world output included Japan, Thailand, Malaysia, Taiwan, and South Korea.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

97. Which of the following statements is true about the changing demographics of the global economy?

- A. U.S. dominance in export markets has waned as Japan, Germany, and a number of newly industrialized countries have taken a larger share of world exports.
- B. The change in the position of the U.S. in terms of the share of world output is the result of the absolute decline in the health of the U.S. economy.
- C. From 1960 to 2010, countries that experienced a large decrease in their share of world output include Japan, Thailand, Malaysia, Taiwan, and South Korea.
- D. The United States is the only developed nation to see its relative standing in the share of world output slip.
- E. Today, roughly half the globe—the centrally planned economies of the communist world—is off-limits to Western international businesses.

Over the past 30 years, U.S. dominance in export markets has waned as Japan, Germany, and a number of newly industrialized countries such as South Korea and China have taken a larger share of world exports.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

98. Which of the following has seen a positive change from 1960 to 2010?

- A. Growth of the centrally planned economies of the communist world
- B. U.S. position in the world economy and world trade picture
- C. The share of world output enjoyed by rich industrialized countries such as Great Britain, Germany, and Japan
- D.** The share of world output accounted for by developing nations
- E. Prevalence of independent and self-contained national economies

Most forecasts now predict a rapid rise in the share of world output accounted for by developing nations such as China, India, Russia, Indonesia, Thailand, South Korea, Mexico, and Brazil, and a commensurate decline in the share enjoyed by rich industrialized countries such as Great Britain, Germany, Japan, and the United States.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

99. In the context of the changing demographics of the global economy, which of the following has seen a decline?

- A. Economic development and industrialization of the developing nations
- B. The U.S. share of world exports of goods and services**
- C. Deregulation of the markets in the centrally planned economies of the communist world
- D. Japan, Thailand, Malaysia, Taiwan, and South Korea's share of world output
- E. Economic opportunities in the developing nations of the world

Over the past 30 years, U.S. dominance in export markets has waned as Japan, Germany, and a number of newly industrialized countries such as South Korea and China have taken a larger share of world exports.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

100. Due to the changing economic geography, many of tomorrow's economic opportunities are most likely to be found in the:

- A. rich industrialized nations of the world like Great Britain and Germany.
- B. centrally planned economies of the communist world.
- C. United States.
- D. developing nations of the world such as China, India, and Brazil.
- E. countries that are currently not members of the World Trade Organization.

Many of tomorrow's economic opportunities may be found in the developing nations of the world, and many of tomorrow's most capable competitors will probably also emerge from these regions.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

101. The motivation for much of the foreign direct investment by non-U.S. firms was the desire to:

- A. disperse production activities to optimal locations.
- B. suppress the emerging economies such as China, India, and Brazil.
- C. spread communism throughout the world.
- D. increase the competition between domestic industries and U.S. corporations.
- E. bridge the national differences in culture, consumer preferences, and business practices.

The motivation for much of the foreign direct investment by non-U.S. firms was the desire to disperse production activities to optimal locations and to build a direct presence in major foreign markets.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

102. The _____ refers to the total cumulative value of foreign investments.

- A. weighted average foreign exchange
- B. leveraged foreign investment
- C. stock of foreign direct investment
- D. adjusted foreign exchange
- E. horizontal foreign direct investment

The stock of foreign direct investment refers to the total cumulative value of foreign investments.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

103. Which of the following statements is true about the changing foreign direct investment picture of the global economy?

- A. Throughout the 1990s, the amount of investment directed at both developed and developing nations decreased dramatically.
- B. There has been a fall in the share of FDI stock accounted for by developing nations reflecting a declining trend for firms from these countries to invest outside their borders.
- C. Among developing nations, the lowest recipient of foreign direct investment has been China.
- D. The share of FDI stock accounted for by U.S. firms has been drastically increasing from 1980s.
- E. The sustained flow of foreign investment into developing nations is an important stimulus for economic growth in those countries.

The sustained flow of foreign investment into developing nations is an important stimulus for economic growth in those countries, which bodes well for the future of countries such as China, Mexico, and Brazil—all leading beneficiaries of this trend.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

104. The sustained flow of foreign investment into developing nations:

- A. has resulted in the rise of communism in those countries.
- B. has been increasing since the 1980s.**
- C. is aimed at Western powers building political influence in those regions.
- D. is detrimental to the economic growth in those countries.
- E. has resulted in a declining trend for firms from these countries to invest outside their borders.

The share of the total stock accounted for by U.S. firms declined from about 38 percent in 1980 to 24 percent in 2010. Meanwhile, the shares accounted for by the world's developing nations increased markedly.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

105. _____ has experienced a decline in the share of FDI stock between 1980 and 2010.

- A. India
- B. The United States**
- C. France
- D. China
- E. South Korea

The share of the total stock accounted for by U.S. firms declined from about 38 percent in 1980 to 24 percent in 2010. Meanwhile, the shares accounted for by France and the world's developing nations increased markedly.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

106. Silver Fire Electric Inc., a U.S. company, has productive activities in more than two countries. As a result, it would be most appropriate to refer to Silver Fire Electric as a(n) _____ enterprise.

- A. regional
- B. pan-American
- C. unlimited
- D.** multinational
- E. public

A multinational enterprise (MNE) is any business that has productive activities in two or more countries.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

107. A notable trend in the demographics of the multinational enterprise since the 1960s is the:

- A. replacement of medium-size and small multinational companies by the multinational giants.
- B. decline of the non-U.S. multinationals.
- C. decline of multinationals entering the developing nations of the world.
- D.** growth of mini-multinationals.
- E. monopolization of the markets in developing countries by U.S. multinational corporations.

The rise of non-U.S. multinationals and the growth of mini-multinationals have been the two most notable trends in the demographics of multinational enterprise, since the 1960s.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

108. In the global marketplace, the globalization of the world economy has resulted in a relative decline in the:

- A. growth of medium-size and small multinationals.
- B. dominance of U.S. firm.**
- C. rise of non-U.S. multinationals.
- D. desire to disperse production activities outside the home country.
- E. emergence of firms from developing nations as important competitors.

The globalization of the world economy has resulted in a relative decline in the dominance of U.S. firms in the global marketplace.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: Drivers of Globalization

109. What are mini-multinationals?

- A. Multinational firms from relatively small countries in terms of area
- B. Multinationals from the developing nations of the world
- C. Multinational firms that operate in only one foreign country
- D. Medium-sized and small multinationals
- E. Subsidiaries of large multinationals in foreign countries

Medium-size and small multinationals are called mini-multinationals.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

110. Which of the following statements is true about the trends in the changing nature of multinational enterprises?

- A. Global business activity is increasingly being dominated by large U.S. multinational corporations.
- B. The number of medium-size and small multinationals is decreasing continuously.
- C. The ranks of the world's largest 100 multinationals are dominated by firms from developing economies.
- D. The Internet is increasing the barriers that small firms face in building international sales.
- E. International business is conducted not just by large firms but also by medium-size and small enterprises.

International business is conducted not just by large firms but also by medium-size and small enterprises.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

111. Universal Lingo, a UK based language translation company employing just 65 people worldwide, has an annual turnover of \$1.5 million. In this context, Universal Lingo is most likely to be classified as a(n):

- A. large domestic firm.
- B.** mini-multinational firm.
- C. localized company.
- D. limited company.
- E. multinational giant.

A trend in international business has been the growth of medium-size and small multinationals (mini-multinationals).

AACSB: Reflective thinking

Blooms: Apply

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

112. In the present times, many of the former Communist nations of Europe and Asia:

- A. are closed for Western international businesses.
- B. are committed to democratic politics.**
- C. are against free market economics.
- D. have prohibited the use of the Internet by small multinationals.
- E. have highly developed economies.

Many of the former Communist nations of Europe and Asia seem to share a commitment to democratic politics and free market economics. For half a century, these countries were essentially closed to Western international businesses.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

113. Which of the following statements is true about the former communist nations of East Europe and central Asia?

- A. These countries show no commitment toward democratic and free-market policies.
- B. These countries have completely moved away from the unstable totalitarian and authoritarian form of government.
- C. These economies are yet essentially closed to Western international businesses.
- D. Businesses in these economies tend to be characterized by high risks as well as high returns.
- E. Compared to the rest of the world, the economies of many of the former Communist states are more developed.

Many of the former Communist nations of Europe and Asia seem to share a commitment to democratic politics and free market economics. However, disturbing signs of growing unrest and totalitarian tendencies continue to be seen in several of these countries. Thus, the risks involved in doing business in such countries are high, but so may be the returns.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

114. Which of the following conditions is most likely to act as a deterrent for foreign firms willing to do business with former Communist nations of East Europe and central Asia?

- A. The high levels of economic development in these countries
- B. The signs of growing unrest and totalitarian tendencies seen in these countries**
- C. A strong commitment to market-based economic systems seen in these countries
- D. The collapse of communism in these countries
- E. Low returns involved in doing business in these countries

Disturbing signs of growing unrest and totalitarian tendencies continue to be seen in several Eastern European and Central Asian states. Thus, the risks involved in doing business in such countries are high, but so may be the returns.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

115. Which of the following statements is true about the implications of revolutions occurring in China for international businesses?

- A. China is moving away from free market economic system.
- B. China represents a huge and largely untapped market for international business.**
- C. Between 1983 and 2010, the foreign direct investment in China decreased dramatically.
- D. China's new firms have failed to be capable competitors in the global market.
- E. China is continuously discouraging the use of free market economy.

The potential consequences for international business in China are enormous. On the one hand, China represents a huge and largely untapped market. On the other hand, China's new firms are proving to be very capable competitors, and they could take global market share away from Western and Japanese enterprises.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: Drivers of Globalization

116. In the past two decades, majority of Latin American countries have:

- A. experienced a decline in the health of their economies.
- B. sold state-owned enterprises to private investors.**
- C. been characterized by low growth, high debt, and hyperinflation.
- D. restricted investment by foreign firms.
- E. discouraged both democracy and free market reforms.

In the past two decades, much has changed in Latin America. Debt and inflation are down, governments have sold state-owned enterprises to private investors, foreign investment is welcomed, and the region's economies have expanded.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

117. Which of the following statements is true about the global economy of the twenty first century?
- A. National economies are becoming less integrated into a single and interdependent economic system.
 - B. The number of nations joining the ranks of the developed world has reduced.
 - C. Countries have extensively adopted liberal economic policies.
 - D. There are fewer instances of state-owned businesses privatized and markets being opened to more competition.
 - E. The world is currently moving toward an economic system that is more unfavorable for international business.

The move toward a global economy has been strengthened by the widespread adoption of liberal economic policies by countries that had firmly opposed them for two generations or more.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

118. Which of the following statements is true about the general implications of globalization?

- A. Globalization is inevitable.
- B. From a purely economic perspective, globalization is all good.
- C. Globalization has no negative impacts on the economies of the developed world.
- D. Globalization has reduced the risks associated with global financial contagion.
- E. As a result of globalization, a severe crisis in one region of the world can affect the entire globe.

During 2008–2009 a crisis that started in the financial sector of America, where banks had been too liberal in their lending policies to homeowners, swept around the world and plunged the global economy into its deepest recession since the early 1980s, illustrating once more that in an interconnected world a severe crisis in one region can affect the entire globe.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

119. An argument in support of the falling barriers to international trade and investment is that the falling barriers:

- A. prohibit countries from specializing in the production of goods and services.
- B. drive the global economy toward greater prosperity.**
- C. reduce the need to export jobs overseas.
- D. increase the bargaining power of business firms by decreasing the incomes of consumers.
- E. reduce attacks from foreign competitors.

Many influential economists, politicians, and business leaders argue that falling barriers to international trade and investment are the twin engines driving the global economy toward greater prosperity.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

120. "Exporting jobs" to low-wage nations has contributed to:

- A. higher living standards in those countries that "export" the jobs.
- B. higher unemployment in wealthy advanced economies such as the United States.**
- C. increase in the income levels in those nations that "export" the jobs.
- D. lower standards of living in those countries in which the jobs are exported.
- E. reduced specialization in the production of goods and services.

The popular feeling is that when corporations outsource service activities to lower-cost foreign suppliers they are "exporting jobs" to low-wage nations and contributing to higher unemployment and lower living standards in their home nations.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

121. Which of the following statements is true about the implications of globalization on developing countries?

- A. Globalization has depressed wages in developing nations.
- B. Among the developed countries, the earnings gap between workers in skilled and unskilled sectors has widened.
- C. Globalization is increasing the wage gap between developing and developed nations as developed nations experience rapid economic growth.
- D. The citizens of developing countries have achieved higher living standards due to globalization.
- E. Globalization has destroyed manufacturing jobs in developing economies.

As a result of globalization, fewer complaints are heard from the citizens of developing countries, who welcome the higher living standards that progress brings.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

122. As a result of globalization, the _____ in the United States has increased.

- A. unemployment rate
- B. price of goods and services
- C. demand for unskilled workers
- D. standard of living
- E. income equality between workers in skilled and unskilled sectors

The popular feeling is that when corporations such as Dell, IBM, or Citigroup outsource service activities to lower-cost foreign suppliers—as all three have done—they are “exporting jobs” to low-wage nations and contributing to higher unemployment and lower living standards in their home nations (in this case, the United States).

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

123. Supporters of globalization insist that dislocation in the form of lost jobs is a trade-off that will ultimately lead to the economy being better off. Which of the following is being justified in this case?

- A. Protectionism and retaliatory trade policy
- B. Free trade of goods and services**
- C. Rise of Communism
- D. High tariff on imports of manufactured goods
- E. The need to be a self-contained nation

Supporters of globalization argue that when a country embraces free trade, there is always some dislocation, but the whole economy is better off as a result.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

124. Which of the following must be true if the critics of globalization are correct?

(p. 30)

- A. The share of national income received by labor, as opposed to the share received by the owners of capital should have increased in advanced nations.
- B.** A decline in the labor's share of the economic pie means lower living standards.
- C. The decline in labor's share of national income is due to improvement in production technology and productivity.
- D. Decline in unskilled wage rates is due to the shift within advanced economies toward jobs that do not require significant education and skills.
- E. The real labor compensation has expanded in most developed nations since the 1980s.

Even though labor's share of the economic pie may have declined, this does not mean lower living standards if the size of the total pie has increased sufficiently to offset the decline in labor's share—in other words, if economic growth and rising living standards in advanced economies have offset declines in labor's share (this is the position argued by supporters of globalization).

AACSB: Reflective thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

125. Globalization critics argue that the decline in unskilled wage rates in advanced economies is due to the:

- A. migration of low-wage manufacturing jobs offshore.
- B. technology induced shift toward jobs that require significant education and skills.
- C. increased supply of highly skilled workers.
- D. reducing demand for unskilled workers in developing nations.
- E. reducing national differences in the cost of labor between developed and developing nations.

Globalization critics argue that the decline in unskilled wage rates is due to the migration of low-wage manufacturing jobs offshore and a corresponding reduction in demand for unskilled workers.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

126. Growing income inequality between the skilled and unskilled workers in advanced nations, such as the United States, is a result of the:

- A. wages for skilled workers being bid up by the labor market and the wages for unskilled workers being discounted.
- B. decrease in the outsourcing of low-wage manufacturing jobs offshore and a corresponding increase in demand for unskilled workers.
- C. shift within advanced economies toward jobs where the only qualification is the willingness to turn up for work every day.
- D. increasing wage gap between developing and developed nations.
- E. shortage of unskilled workers and an excess supply of highly skilled workers.

Growing income inequality is a result of the wages for skilled workers being bid up by the labor market and the wages for unskilled workers being discounted.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

127. In the context of the environment, globalization critics argue that:

- A. free trade discourages firms from advanced nations to move manufacturing facilities to less developed countries.
- B. adhering to labor and environmental regulations significantly increases the costs of manufacturing enterprises.**
- C. manufacturing enterprises are put at a competitive disadvantage by moving their production facilities to nations that do not have burdensome regulations.
- D. as countries get richer, they relax their environmental and labor regulations.
- E. while pollution levels are rising in the world's richer countries, they have been falling in developing nations.

Globalization critics often argue that adhering to labor and environmental regulations significantly increases the costs of manufacturing enterprises and puts them at a competitive disadvantage in the global marketplace vis-à-vis firms based in developing nations that do not have to comply with such regulations.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

128. The NAFTA was formed in 1994 between:

- A. Canada, Mexico, and the United States.
- B. the United States, Brazil, and Argentina.
- C. Canada, Argentina, and Mexico.
- D. Columbia, Venezuela, and Brazil.
- E. Uruguay, Columbia, and Costa Rica

The North American Free Trade Agreement (NAFTA) was formed in 1994 between Canada, Mexico and the United States.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

129. Which of the following is the most appropriate solution to the problem of rising carbon dioxide emissions in developed economies?

- A. Roll back the trade liberalization efforts that have fostered economic growth and globalization.
- B. Tie free trade agreements to the implementation of fewer environmental and labor laws in less developed countries.
- C. Get the nations of the world to agree to policies designed to limit pollutant emissions.
- D. Increase the export of low-wage manufacturing jobs to developing nations
- E. Restrict international trade and investment only to services.

The solution to the problem of increasing carbon dioxide emissions with higher income levels is probably not to roll back the trade liberalization efforts that have fostered economic growth and globalization, but to get the nations of the world to agree to policies designed to limit carbon emissions.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

130. A concern voiced by critics of globalization is that today's increasingly interdependent global economy shifts economic power toward:

- A. supranational organizations such as the World Trade Organization.
- B. the communist states of eastern Europe and central Asia.
- C. the medium-size and small U.S. multinationals
- D. the national governments of the countries participating in globalization.
- E. nations that have authoritarian form of government.

A concern voiced by critics of globalization is that today's increasingly interdependent global economy shifts economic power away from national governments and toward supranational organizations such as the World Trade Organization, the European Union, and the United Nations.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

131. As perceived by critics of globalization, the national sovereignty of democratic states and the ability to control their own destiny has been undermined due to the:

- A. retaliatory trade policies of the developing nations.
- B. policies imposed by the unelected bureaucrats of supranational organizations.**
- C. rise of communism across the globe.
- D. growth of mini-multinationals.
- E. declining non-U.S. multinational corporations.

As perceived by critics, globalization is causing unelected bureaucrats to now impose policies on the democratically elected governments of nation-states, thereby undermining the sovereignty of those states.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

132. Which of the following falls under the functions of the WTO?

- A. It can restrict the membership of nations in other supranational organizations such as the United Nations.
- B. It can grant loans to cash-strapped governments in poor nations.
- C. It supercedes IMF and has complete authority over IMF's actions.
- D.** It can issue a ruling instructing a member-state to change trade policies that violate GATT regulations.
- E. It can take decisions related to international trade without considering the collective interests of member-states.

The arbitration panel of the WTO can issue a ruling instructing a member state to change trade policies that violate GATT regulations. If the violator refuses to comply with the ruling, the WTO allows other states to impose appropriate trade sanctions on the transgressor.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

133. Which of the following is a major reason for some of the world's poorest countries to have suffered from economic stagnation?

- A. Commitment to democratic government
- B. Rapidly expanding population**
- C. Implementation of the economic policies that are based on free market economics
- D. Tough labor regulations
- E. Low barriers to foreign direct investment

Countries such as Afghanistan, Cambodia, Cuba, Haiti, Iraq, Libya, Nigeria, Sudan, Vietnam, and Zaire have failed to improve the economic lot of their citizens during recent decades. A contributing factor is the rapidly expanding populations in many of these countries.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

134. Free trade alone, some argue, is a necessary but not sufficient prerequisite to help the world's poorest countries bootstrap themselves out of poverty. They also recommend:

- A. a highly regulated command economy.
- B. weaker property rights laws.
- C. weaker labor regulations.
- D. large-scale debt relief.
- E. rapid expansion in population.

Free trade alone is a necessary, but not sufficient prerequisite to help HIPC countries bootstrap themselves out of poverty. Instead, large-scale debt relief is needed for the world's poorest nations to give them the opportunity to restructure their economies and start the long climb toward prosperity.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

135. The minimum that a firm has to do to engage in international business is to:

- A. export or import products from other countries.
- B. invest directly in operations in another country.
- C. establish joint ventures or strategic alliances with companies in other countries.
- D. export low-wage manufacturing jobs to companies in other countries.
- E. develop franchises and subsidiaries in other countries.

All a firm has to do to engage in international business is export or import products from other countries.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Topic: Managing in the Global Marketplace

136. Ryan is the executive general manager of a U.S. multinational and Jacob is a manager in a similar position, but works for another U.S. company that operates only in its home country. In this context, which of the following business functions will be most typically exclusive to Ryan?

- A. Marketing a product or service
- B. Maintaining healthy relations with the U.S. government
- C. Planning on a business strategy
- D. Adhering to the labor and environmental standards
- E. Choosing an appropriate mode for entering a particular foreign country

The managers in an international business must decide which foreign markets to enter and which to avoid. They must choose the appropriate mode for entering a particular foreign country.

AACSB: Reflective thinking

Blooms: Apply

Difficulty: 3 Hard

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Topic: Managing in the Global Marketplace

Essay Questions

137. What is globalization? How do global companies such as IKEA, Starbucks, and McDonald's facilitate the creation of a global market?

The globalization of markets refers to the merging of historically distinct and separate national markets into one huge global marketplace. Falling barriers to cross-border trade have made it easier to sell internationally. It has been argued for some time that the tastes and preferences of consumers in different nations are beginning to converge on some global norm, thereby helping to create a global market. Consumer products such as Citigroup credit cards, Coca-Cola soft drinks, Sony PlayStation video games, McDonald's hamburgers, Starbucks coffee, and IKEA furniture are frequently held up as prototypical examples of this trend. Firms such as those just cited are more than just benefactors of this trend; they are also facilitators of it. By offering the same basic product worldwide, they help to create a global market.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

138. Explain the concepts of "globalization of markets" and "globalization of production."

Globalization has several facets, including the globalization of markets and the globalization of production.

The globalization of markets refers to the merging of historically distinct and separate national markets into one huge global marketplace. Falling barriers to cross-border trade have made it easier to sell internationally. It has been argued for some time that the tastes and preferences of consumers in different nations are beginning to converge on some global norm, thereby helping to create a global market.

The globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (such as labor, energy, land, and capital). By doing this, companies hope to lower their overall cost structure or improve the quality or functionality of their product offering, thereby allowing them to compete more effectively.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: What Is Globalization?

139. Briefly trace the history of the G20 and describe its current role in international business.

Established in 1999, the G20 comprises the finance ministers and central bank governors of the 19 largest economies in the world, plus representatives from the European Union and the European Central Bank. Originally established to formulate a coordinated policy response to financial crises in developing nations, in 2008 and 2009 it became the forum through which major nations attempted to launch a coordinated policy response to the global financial crisis that started in America and then rapidly spread around the world, ushering in the first serious global economic recession since 1981.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-01 Understand what is meant by the term globalization.

Topic: The Emergence of Global Institutions

140. Why were high tariffs imposed on imports of manufactured goods?

Many of the barriers to international trade took the form of high tariffs on imports of manufactured goods. The typical aim of such tariffs was to protect domestic industries from foreign competition. One consequence, however, was “beggar thy neighbor” retaliatory trade policies, with countries progressively raising trade barriers against each other.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

141. What are the implications of the Uruguay Round held under the umbrella of GATT for international business?

Under the umbrella of GATT, eight rounds of negotiations among member states worked to lower barriers to the free flow of goods and services. The most recent negotiations to be completed, known as the Uruguay Round, were finalized in December 1993. The Uruguay Round further reduced trade barriers; extended GATT to cover services as well as manufactured goods; provided enhanced protection for patents, trademarks, and copyrights; and established the World Trade Organization to police the international trading system.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-02 Recognize the main drivers of globalization.

Topic: Drivers of Globalization

142. What is a multinational enterprise? What have been the two most notable trends in multinational enterprises since the 1960s?

A multinational enterprise is any business that has productive activities in two or more countries. The two most notable trends in multinational enterprises since the 1960s have been (1) the rise of non-U.S. multinationals and (2) the growth of mini-multinationals. The globalization of the world economy has resulted in a relative decline in the dominance of U.S. firms in the global marketplace. Another trend in international business has been the growth of medium-size and small multinationals (mini-multinationals). Although most international trade and investment is still conducted by large firms, many medium-size and small businesses are becoming increasingly involved in international trade and investment.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

143. In the context of international trade and investment, describe how the former Communist nations of Europe and Asia have been changing.

Many of the former Communist nations of Europe and Asia seem to share a commitment to democratic politics and free market economics. If this continues, the opportunities for international businesses are significant. For half a century, these countries were essentially closed to Western international businesses. Now they present a host of export and investment opportunities. Just how this will play out over the next 10 to 20 years is difficult to say. The economies of many of the former Communist states are still relatively undeveloped, and their continued commitment to democracy and free market economics cannot be taken for granted. Disturbing signs of growing unrest and totalitarian tendencies continue to be seen in several Eastern European and Central Asian states, including Russia, which has shown signs of shifting back toward greater state involvement in economic activity and authoritarian government. Thus, the risks involved in doing business in such countries are high, but so may be the returns.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

144. Elaborate on why globalization is not inevitable.

The world may be moving toward a more global economic system, but globalization is not inevitable. Countries may pull back from the recent commitment to liberal economic ideology if their experiences do not match their expectations. There are clear signs, for example, of a retreat from liberal economic ideology in Russia. If Russia's hesitation were to become more permanent and widespread, the liberal vision of a more prosperous global economy based on free market principles might not occur as quickly as many hope. Clearly, this would be a tougher world for international businesses.

AACSB: Reflective thinking

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-03 Describe the changing nature of the global economy.

Topic: The Changing Demographics of the Global Economy

145. Discuss the arguments that are for and against globalization regarding jobs and income.

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Globalization opponents argue that falling barriers to international trade destroy manufacturing jobs in wealthy advanced economies such as the United States and Western Europe. Falling barriers allow firms to move manufacturing activities to countries where wage rates are much lower. Because of this, wage rates of poorer Americans have fallen significantly over the past quarter of a century. Supporters of globalization argue that free trade will result in countries specializing in the production of those goods and services that they can produce most efficiently, while importing goods and services that they cannot produce as efficiently.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

146. Discuss the concerns voiced by critics of globalization regarding labor policies and environment.

A source of concern for critics of globalization is that free trade encourages firms from advanced nations to move manufacturing facilities to less developed countries that lack adequate regulations to protect labor and the environment from abuse by the unscrupulous. Globalization critics often argue that adhering to labor and environmental regulations significantly increases the costs of manufacturing enterprises and puts them at a competitive disadvantage in the global marketplace vis-à-vis firms based in developing nations that do not have to comply with such regulations. Firms deal with this cost disadvantage, the theory goes, by moving their production facilities to nations that do not have such burdensome regulations or that fail to enforce the regulations they have.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

147. What are the various reasons for economic stagnation in many of the world's poorest
(p. 34) countries?

Many of the world's poorest countries have suffered from totalitarian governments, economic policies that destroyed wealth rather than facilitated its creation, endemic corruption, scant protection for property rights, and war. Such factors help explain why countries such as Afghanistan, Cambodia, Cuba, Haiti, Iraq, Libya, Nigeria, Sudan, Vietnam, and Zaire have failed to improve the economic lot of their citizens during recent decades. A complicating factor is the rapidly expanding populations in many of these countries. Without a major change in government, population growth may exacerbate their problems.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Topic: The Globalization Debate

148. Why are supranational organizations, such as the World Trade Organization and the United Nations, criticized?

A concern voiced by critics of globalization is that today's increasingly interdependent global economy shifts economic power away from national governments and toward supranational organizations such as the World Trade Organization, the European Union, and the United Nations. As perceived by critics, unelected bureaucrats now impose policies on the democratically elected governments of nation-states, thereby undermining the sovereignty of those states and limiting the nation's ability to control its own destiny.

AACSB: Analytic

Blooms: Remember

Difficulty: 1 Easy

149. What are some of the challenges faced by managers of an international business?

Managing an international business is challenging in many ways and involves a great deal of complexity. The managers of an international business must decide where in the world to site production activities to minimize costs and to maximize value added. They must decide whether it is ethical to adhere to the lower labor and environmental standards found in many less developed nations. Then they must decide how best to coordinate and control globally dispersed production activities. The managers in an international business also must decide which foreign markets to enter and which to avoid. They must choose the appropriate mode for entering a particular foreign country. These managers must also deal with government restrictions on international trade and investment. They must find ways to work within the limits imposed by specific governmental interventions.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Topic: Managing in the Global Marketplace

150. How is managing an international business different from managing a purely domestic business?

Managing an international business is different from managing a purely domestic business for at least four reasons: (1) countries are different, (2) the range of problems confronted by a manager in an international business is wider and the problems themselves are more complex than those confronted by a manager in a domestic business, (3) an international business must find ways to work within the limits imposed by government intervention in the international trade and investment system, and (4) international transactions involve converting money into different currencies.

AACSB: Analytic

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Topic: Managing in the Global Marketplace