

Chapter 1 Globalization

True/False

Question ID: 1-1

Question: International business is any commercial transaction that crosses the borders of two or more nations.

Answer: TRUE

Diff: 1 Page Ref: 4

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-2

Question: Imports are goods and services purchased abroad and brought into a country.

Answer: TRUE

Diff: 1 Page Ref: 4

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-3

Question: Products marketed in all countries essentially without any changes are known as sourced products.

Answer: FALSE

Diff: 3 Page Ref: 6

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-4

Question: The term *globalization of production* refers to convergence in buyer preferences in markets around the world.

Answer: FALSE

Diff: 2 Page Ref: 6

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-5

Question: The General Agreement on Tariffs and Trade (GATT) was designed to promote free trade by reducing both tariffs and nontariff barriers to international trade.

Answer: TRUE

Diff: 1 Page Ref: 9

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-6

Question: Today, NAFTA is the international organization that enforces the rules of international trade worldwide.

Answer: FALSE

Diff: 1 Page Ref: 9, 10

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-7

Question: The power of the General Agreement on Tariffs and Trade (GATT) to settle trade disputes is what sets it apart from its predecessor, the World Trade Organization (WTO).

Answer: FALSE

Diff: 1 Page Ref: 10

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-8

Question: In the World Trade Organization (WTO) dispute settlement system, the WTO has the ability to penalize offending nations.

Answer: TRUE

Diff: 1 Page Ref: 10

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-9

Question: Resistance to worldwide trade agreements is causing some nations to place greater emphasis on regional pacts.

Answer: TRUE

Diff: 1 Page Ref: 11

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-10

Question: Gross national product (GNP) is the value of all goods and services produced by a domestic economy over a one-year period.

Answer: FALSE

Diff: 2 Page Ref: 11

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-11

Question: A country's GDP per capita is its GDP divided by its population.

Answer: TRUE

Diff: 2 Page Ref: 11

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-12

Question: Extranets give distributors and suppliers access to a company's online database to place orders electronically.

Answer: TRUE

Diff: 2 Page Ref: 14

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-13

Question: One commonality among the world's least-global nations is low levels of corruption.

Answer: FALSE

Diff: 2 Page Ref: 16

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-14

Question: The role of the World Bank is to provide financing for national economic development efforts.

Answer: TRUE

Diff: 2 Page Ref: 17

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-15

Question: The rules of the international monetary system are enforced by the World Bank.

Answer: FALSE

Diff: 2 Page Ref: 17

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-16

Question: Critics of globalization argue that it eliminates jobs in developing nations.

Answer: FALSE

Diff: 2 Page Ref: 18

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-17

Question: Pro-globalization economists believe globalization increases wealth in both developed and developing nations.

Answer: TRUE

Diff: 2 Page Ref: 19

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-18

Question: Flexible labour markets allow workers to be redeployed rapidly to sectors of the economy where they are highly valued.

Answer: TRUE

Diff: 2 Page Ref: 20

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-19

Question: Supporters and critics of globalization appear to agree that globalization causes dislocation in labour markets.

Answer: TRUE

Diff: 2 Page Ref: 20

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-20

Question: Critics of globalization believe the overall gains that accrue to national economies are worth the lost livelihoods of some workers.

Answer: FALSE

Diff: 2 Page Ref: 20

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-21

Question: Opponents of globalization argue that it causes a "race to the bottom" in environmental conditions.

Answer: TRUE

Diff: 2 Page Ref: 21

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-22

Question: Research shows that pollution-intensive US companies tend to invest in nations with stricter environmental standards.

Answer: TRUE

Diff: 2 Page Ref: 21

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-23

Question: International firms tend to support reasonable labour and environmental laws to expand future local markets for their businesses.

Answer: TRUE

Diff: 2 Page Ref: 21

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-24

Question: Multinational corporations (MNCs) have direct investments abroad in multiple countries.

Answer: TRUE

Diff: 1 Page Ref: 26

Skill: Concept

Objective: 1-4 Identify the types of companies that participate in international business.

Question ID: 1-25

Question: The revenues of the world's largest businesses are lower in value than the gross domestic products of the smallest nations.

Answer: FALSE

Diff: 2 Page Ref: 26

Skill: Concept

Objective: 1-4 Identify the types of companies that participate in international business.

Question ID: 1-26

Question: A born global firm is a company that engages in international business from or near its inception.

Answer: TRUE

Diff: 1 Page Ref: 27

Skill: Concept

Objective: 1-4 Identify the types of companies that participate in international business.

Question ID: 1-27

Question: Research shows that only large companies can export successfully.

Answer: FALSE

Diff: 1 Page Ref: 27

Skill: Concept

Objective: 1-4 Identify the types of companies that participate in international business.

Question ID: 1-28

Question: Some businesses can become completely immune to events in the international business environment.

Answer: FALSE

Diff: 2 Page Ref: 29

Skill: Concept

Objective: 1-5 Describe the global business environment and identify its four main elements.

Question ID: 1-29

Question: The world today is experiencing a trend toward more porous national boundaries.

Answer: TRUE

Diff: 1 Page Ref: 29

Skill: Concept

Objective: 1-5 Describe the global business environment and identify its four main elements.

Question ID: 1-30

Question: It is rare for a business to search for production bases and markets at the same time.

Answer: FALSE

Diff: 2 Page Ref: 29

Skill: Concept

Objective: 1-5 Describe the global business environment and identify its four main elements.

Multiple Choice

Question ID: 1-31

Question: All goods and services purchased abroad and brought into a country are called _____.

- A) domestic products
- B) exports
- C) national products
- D) imports

Answer: D

Diff: 1 Page Ref: 4

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-32

Question: Any commercial transaction that crosses the borders of two or more nations is known as _____.

- A) an export
- B) e-business
- C) international business
- D) an import

Answer: C

Diff: 1 Page Ref: 4

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-33

Question: _____ are all goods and services sold abroad and sent out of a country.

- A) Global products
- B) Exports
- C) Global licences
- D) Imports

Answer: B

Diff: 1 Page Ref: 4

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-34

Question: Olive oil made in Italy and sold in Canada is an example of which of the following?

- A) Global brand
- B) Canadian export
- C) Canadian import
- D) Standardized product

Answer: C

Diff: 2 Page Ref: 4

Skill: Application

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-35

Question: Robeeze baby shoes, made in Canada and sold in Russia, are an example of which of the following?

- A) Canadian export
- B) outsourced product
- C) globally licensed product
- D) Canadian import

Answer: A

Diff: 2 Page Ref: 4

Skill: Application

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-36

Question: The most remarkable facilitator of societal and commercial changes today is prompted by _____.

- A) increasing imports
- B) international business networks
- C) improvements in telecommunications
- D) use of computer networks and e-commerce

Answer: D

Diff: 2 Page Ref: 4

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-37

Question: Which of the following is defined as the use of computer networks to purchase, sell, or exchange products; service customers; and collaborate with partners?

- A) E-commerce
- B) Intranet
- C) International business
- D) Extranet

Answer: A

Diff: 2 Page Ref: 4

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-38

Question: _____ is the trend toward greater economic, cultural, political, and technological interdependence among national institutions and economies.

- A) International business
- B) Denationalization
- C) Globalization
- D) E-business

Answer: C

Diff: 1 Page Ref: 6

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-39

Question: Which of the following refers to convergence in buyer preferences in markets around the world?

- A) Homogenization of markets
- B) Globalization of markets
- C) Internationalization of markets
- D) Denationalization of markets

Answer: B

Diff: 2 Page Ref: 6

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-40

Question: Which of the following is most likely not an effect of globalization?

- A) Increases in the variety of capital flows across national borders
- B) Increases in the economic isolation of developing countries
- C) Increases in the rate at which products are diffused worldwide
- D) Increases in the volume of cross-border transactions

Answer: B

Diff: 3 Page Ref: 4

Skill: Critical thinking

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-41

Question: *Denationalization* refers to _____.

- A) a loss of sovereignty among nations
- B) national boundaries becoming less relevant
- C) cooperation between nations to reduce trade barriers

D) attempts by international organizations to resolve trade conflicts

Answer: B

Diff: 2 Page Ref: 6

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-42

Question: Which of the following are products marketed in all countries essentially without any changes?

A) National products

B) Adapted products

C) Global products

D) Locally responsive products

Answer: C

Diff: 1 Page Ref: 6

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-43

Question: _____ is defined as the dispersal of production activities to locations that help a company achieve its cost-minimization or quality-maximization objectives for a good or service.

A) Importing

B) Globalization of production

C) Global strategy development

D) Globalization of markets

Answer: B

Diff: 2 Page Ref: 7

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-44

Question: Which of the following is an example of the globalization of production?

A) Canadian consumers buy foods imported from Australia.

B) A Chinese company sells textiles to European car makers.

C) A US company builds a manufacturing facility in India.

D) A Swiss watch manufacturer builds a manufacturing facility in Switzerland.

Answer: C

Diff: 2 Page Ref: 7

Skill: Application

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-45

Question: Whereas relocating production to low-cost locales traditionally meant production of _____ almost exclusively, it increasingly applies to the production of _____.

A) services; goods

B) imports; exports

C) goods; services

D) domestic products; global brands

Answer: C

Diff: 2 Page Ref: 8

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-46

Question: Which of the following is an example of a service that a company might produce in a foreign country to benefit from low-cost labour?

A) House cleaning

B) Dental care

C) Appliance repair

D) Research & development

Answer: D

Diff: 1 Page Ref: 8

Skill: Application

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-47

Question: Two major forces that underlie the expansion of globalization are _____ and _____.

- A) deregulation of tourism; the rise of nationalism
- B) economic interdependence; the decline of international organizations
- C) increasing trade barriers; political unrest
- D) falling barriers to trade and investment; technological innovation

Answer: D

Diff: 2 Page Ref: 9

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-48

Question: The purpose of the General Agreement on Tariffs and Trade (GATT) was to _____.

- A) create an international currency
- B) regulate exchange rates
- C) create regional trade organizations
- D) promote free trade

Answer: D

Diff: 2 Page Ref: 9

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-49

Question: Taxes levied on traded goods are known as which of the following?

- A) Quotas
- B) Import barriers
- C) Tariffs
- D) Export levies

Answer: C

Diff: 2 Page Ref: 9

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-50

Question: A limit placed on the quantity of an imported product is known as which of the following?

- A) Import sanction
- B) Tariff
- C) Embargo
- D) Nontariff barrier

Answer: D

Diff: 2 Page Ref: 9

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-51

Question: A major flaw of the original General Agreement on Tariffs and Trade (GATT) was that it lacked the power to _____.

- A) erect barriers to trade
- B) dismantle bilateral trade agreements
- C) govern exchange rates
- D) enforce world trade rules

Answer: D

Diff: 2 Page Ref: 9

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-52

Question: Which of the following most likely represents the greatest accomplishment of the 1994 revision of the GATT?

- A) Creation of the World Trade Organization
- B) Creation of regional trade agreements
- C) Creation of the World Bank
- D) Creation of the International Monetary Fund

Answer: A

Diff: 2 Page Ref: 9

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-53

Question: The three main goals of the _____ are to help the free flow of trade, help negotiate the further opening of markets, and settle trade disputes between its members.

- A) General Agreement on Tariffs and Trade (GATT)
- B) World Trade Organization (WTO)
- C) World Bank
- D) International Monetary Fund (IMF)

Answer: B

Diff: 2 Page Ref: 10

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-54

Question: All of the following represent examples of regional trade agreements EXCEPT _____.

- A) WTO
- B) EU
- C) APEC
- D) NAFTA

Answer: A

Diff: 2 Page Ref: 11

Skill: Application

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-55

Question: The value of all goods and services produced by a country's domestic and international activities over a one-year period is the country's _____.

- A) gross domestic product (GDP)
- B) trade balance
- C) gross national product (GNP)
- D) production quotient

Answer: C

Diff: 2 Page Ref: 11

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-56

Question: _____ helps nations to produce a greater amount of output.

- A) Increasing tariffs
- B) Improvements in technology
- C) Openness to trade
- D) E-commerce

Answer: C

Diff: 2 Page Ref: 11

Skill: Application

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-57

Question: Innovations in _____ are helping globalize markets and production.

- A) production materials
- B) packaging
- C) tariff collection
- D) the shipping industry

Answer: D

Diff: 2 Page Ref: 14

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-58

Question: An anthropologist may want to examine the influence of globalization on _____.

- A) the living standards
- B) the culture of people
- C) education levels
- D) trade relationships

Answer: B

Diff: 2 Page Ref: 17

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-59

Question: In the KOF Index of Globalization, Canada ranks number 7 in terms of _____.

- A) overall globalization
- B) economic globalization
- C) political globalization
- D) social globalization

Answer: D

Diff: 2 Page Ref: 16

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-60

Question: The KOF Index of Globalization considers a factor that measures the flow of ideas and information in a country. This is _____ globalization.

- A) technological
- B) social
- C) economic
- D) political

Answer: B

Diff: 2 Page Ref: 15

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-61

Question: According to the KOF Index of Globalization, _____ is the overall most globalized country.

- A) Switzerland
- B) Singapore
- C) United States
- D) Belgium

Answer: D

Diff: 1 Page Ref: 16

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-62

Question: The world's *least* global nations have one commonality, which is _____.

- A) high import tariffs
- B) growing services sectors
- C) low levels of technological connectivity
- D) inept political leadership

Answer: C

Diff: 2 Page Ref: 16

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-63

Question: The first age of globalization extended from _____.

- A) the mid-1700s to the 1850s
- B) the mid-1800s to the 1920s
- C) 1920 to 1950
- D) 1960 to 2000

Answer: B

Diff: 1 Page Ref: 17

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-64

Question: The first age of globalization was halted by all of the following EXCEPT _____.

- A) the Great Depression
- B) the Russian Revolution
- C) the First World War
- D) the Cold War

Answer: D

Diff: 2 Page Ref: 17

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-65

Question: For 75 years, from the start of the First World War to the end of the Cold War, there was a geographic divide between _____, and an ideological divide between _____.

- A) North and South; protectionism and socialism
- B) North and South; regionalism and globalization
- C) East and West; regionalism and globalization
- D) East and West; communism and capitalism

Answer: D

Diff: 2 Page Ref: 15

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-66

Question: Which of the following helped launch the second age of globalization?

- A) The end of the Cold War
- B) The end of the Korean War
- C) The collapse of the Berlin Wall
- D) The end of the Second World War

Answer: C

Diff: 2 Page Ref: 17

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-67

Question: The _____ is an agency created to provide financing for national economic development efforts.

- A) International Monetary Fund
- B) World Trade Organization
- C) European Union
- D) World Bank

Answer: D

Diff: 2 Page Ref: 17

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-68

Question: Which of the following was created to regulate fixed exchange rates and enforce the rules of the dealing with international monies?

- A) International Monetary Fund
- B) World Trade Organization
- C) United Nations
- D) World Bank

Answer: A

Diff: 1 Page Ref: 17

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-69

Question: The International Monetary Fund serves each of the following purposes EXCEPT _____.

- A) promoting international monetary cooperation
- B) facilitating balanced growth of international trade
- C) encouraging competitive exchange devaluation
- D) making financial resources temporarily available to members

Answer: C

Diff: 2 Page Ref: 17

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-70

Question: According to the *opponents* of globalization, which of the following occurs as a result of worker dislocation brought about by globalization?

- A) Increased labour costs for companies.
- B) Gradual lowering of workers' wages.
- C) Sudden widespread wage decreases.
- D) Increased investment in individual education.

Answer: B

Diff: 2 Page Ref: 19

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-71

Question: Supporters of globalization argue that openness to international trade in a developing nation will _____.

- A) bring in workers from developed countries
- B) raise per capita income in that country
- C) increase emigration to developed countries
- D) inspire local workers to work harder

Answer: B

Diff: 2 Page Ref: 19

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-72

Question: Trade unions claim that globalization _____.

- A) strengthens global labour standards
- B) slows down production
- C) lowers global labour standards
- D) increases worker discontent

Answer: C

Diff: 3 Page Ref: 21

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-73

Question: A special region in which companies can engage in tariff-free importing and exporting is called a(n) _____.

- A) regional economic integration zone (REIZ)
- B) international customs zone (ICZ)
- C) export-processing zone (EPZ)
- D) free trade development zone (FTDZ)

Answer: C

Diff: 3 Page Ref: 21

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-74

Question: Opponents of globalization argue that globalization causes environmental conditions to _____.

- A) increase gradually
- B) remain at status quo levels
- C) decline slightly, then level off
- D) decline significantly

Answer: D

Diff: 2 Page Ref: 21

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-75

Question: The three main branches of the debate over income inequality include each of the following EXCEPT _____.

- A) inequality within nations
- B) inequality in nongovernmental organizations
- C) inequality between nations
- D) global inequality

Answer: B

Diff: 2 Page Ref: 21–23

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-76

Question: A business that has direct investments (in the form of marketing or manufacturing subsidiaries) abroad in multiple countries is called a _____.

- A) born global firm
- B) multinational corporation
- C) multiregional company
- D) international corporation

Answer: B

Diff: 1 Page Ref: 26

Skill: Concept

Objective: 1-4 Identify the types of companies that participate in international business.

Question ID: 1-77

Question: Which of the following makes the world market more accessible for companies that sell traditional products by lessening the cost and difficulties associated with global communication?

- A) Technology
- B) Franchising opportunities
- C) Licensing
- D) Financial capital

Answer: A

Diff: 2 Page Ref: 25

Skill: Concept

Objective: 1-4 Identify the types of companies that participate in international business.

Question ID: 1-78

Question: Key characteristics of born global firms are an _____ and knowledge-based organizational capabilities.

- A) inventive R&D centre
- B) insular management style
- C) integrated global network
- D) innovative culture

Answer: D

Diff: 2 Page Ref: 25

Skill: Concept

Objective: 1-4 Identify the types of companies that participate in international business.

Question ID: 1-79

Question: The "global business environment" consists of four distinct elements: globalization, national business environments, the international business environment, and _____.

- A) falling trade and investment barriers
- B) international firm management
- C) technological innovation
- D) multinational corporations

Answer: B

Diff: 2 Page Ref: 26

Skill: Concept

Objective: 1-5 Describe the global business environment and identify its four main elements.

Scenario: Tacky Toys and Mushi Toys

Tacky Toys, a Canada-based toy retailer, buys all its merchandise from Mushi Toys, a Japan-based toy manufacturer with production facilities in 12 nations. Mushi Toys markets its toys globally without modification.

Question ID: 1-80

Question: Tacky Toys buying its merchandise from Mushi Toys is an example of _____.

- A) importing
- B) bartering
- C) exporting
- D) globalization

Answer: A

Diff: 1 Page Ref: 4

Skill: Application

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-81

Question: Mushi Toys selling its products to Tacky Toys is an example of _____.

- A) importing
- B) bartering
- C) exporting
- D) globalization

Answer: C

Diff: 1 Page Ref: 4

Skill: Application

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-82

Question: The products that Mushi Toys manufactures are examples of _____.

- A) global products
- B) Internet products
- C) value-added exports
- D) industrial products

Answer: A

Diff: 1 Page Ref: 6

Skill: Application

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-83

Question: Mushi Toys is an example of a(n) _____.

- A) domestic company
- B) multinational company
- C) direct exporter
- D) Internet-based company

Answer: B

Diff: 1 Page Ref: 26

Skill: Application

Objective: 1-4 Identify the types of companies that participate in international business.

Scenario: Ciao Manufacturing

The Italian car company, Ciao, has made plans to expand its operations by building a manufacturing facility in a foreign market. Ciao has been very successful selling its small, economical, and stylish cars in Italy and Spain, and firm managers believe that the Ciao cars will be equally profitable in other markets.

Question ID: 1-84

Question: Ciao plans to build a model of car that can be marketed in Italy, Spain, and another new foreign market essentially without any changes. The car would be an example of which of the following?

- A) Global product
- B) Source product
- C) Offshore product
- D) Market leader product

Answer: A

Diff: 2 Page Ref: 6

Skill: Application

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-85

Question: In marketing a single car to customers in Italy, Spain, and the new foreign market, which of the following is most likely to help Ciao reduce its marketing costs?

- A) Seeking sales growth in a fourth market
- B) Creating TV ads in a single language
- C) Standardizing marketing activities
- D) Decentralizing control over its marketing

Answer: C

Diff: 2 Page Ref: 6

Skill: Application

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-86

Question: The decision by Ciao to build a manufacturing facility in a foreign market is an example of which of the following?

- A) Globalization of markets
- B) Globalization of production
- C) Denationalization
- D) Standardization

Answer: B

Diff: 2 Page Ref: 6

Skill: Application

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Scenario: Acme Software

Acme Software is a Canadian company that makes software for the health-care industry. Recently Acme has been investigating whether it would be beneficial to sell global products or move some of its production overseas. Acme hires a consulting group to help determine which, if any, globalization activities could promote business growth.

Question ID: 1-87

Question: The consulting group identifies two software development companies in India that could provide programming services at a lower cost than Acme's current cost for programming. Which of the following, if true, would most strongly suggest that outsourcing to these software companies would NOT promote Acme's business growth?

- A) Indian software developers could provide a high degree of technical expertise for Acme.
- B) Software development in the health care industry tends to be more costly than in other industries.
- C) Though both companies experience significant employee turnover, product quality does not appear to suffer.
- D) Cultural differences in working with the Indian companies would cost more to resolve than any savings gained.

Answer: D

Diff: 3 Page Ref: 8

Skill: Critical Thinking

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-88

Question: Which of the following would be most important for the Acme staff to consider when deciding whether to outsource its software development to India in order to lower production costs?

- A) Will Acme save money on advertising by targeting Indian Internet users?
- B) How intense is the competition from foreign companies in other markets in India?
- C) What type of training is received by programmers in the software firms Acme is considering?
- D) How successful have Indian companies been at marketing to global customers?

Answer: C

Diff: 3 Page Ref: 8–9

Skill: Critical Thinking

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Scenario: Jeans Unlimited

Jeans Unlimited produces clothing for young adults. It designs the clothes at its Montreal headquarters and produces them at facilities in two Southeast Asian countries. The company recently received negative press after one of its facilities was found using questionable, albeit legal, labour practices—including employing child labour and operating in a manner that damages the environment.

Question ID: 1-89

Question: The facilities that Jeans Unlimited operates in Southeast Asia are examples of _____.

- A) global products
- B) international business
- C) globalization of markets
- D) globalization of production

Answer: D

Diff: 2 Page Ref: 7–8

Skill: Application

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-90

Question: Which of the following arguments against globalization could most likely be made using Jeans Unlimited as an example?

- A) Globalization is responsible for laying off public sector workers in developed countries.
- B) Globalization empowers supranational institutions at the expense of national governments.
- C) Globalization causes companies to produce goods in nations with the most lenient labour regulations.
- D) Globalization is widening the gap in average incomes between rich and poor nations.

Answer: C

Diff: 3 Page Ref: 19

Reflective thinking skills

Skill: Critical Thinking

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-91

Question: Jeans Unlimited has designed a new line of accessories and must build a new facility to produce them. To avoid paying tariffs when importing raw materials for processing and when exporting finished goods, the company should consider locating its assembly plant in a(n) _____.

- A) developing country
- B) export processing zone
- C) tariff-free environment
- D) import processing zone

Answer: B

Diff: 2 Page Ref: 21

Skill: Application

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Scenario: Donna Bader, Global Executive

Donna Bader is a successful global business executive with 15 years of marketing experience throughout Europe. Donna is participating in a forum designed to prepare young executives for their initial forays into international business.

Question ID: 1-92

Question: According to Donna, a key to success in global markets is having detailed knowledge of what international customers want, and ensuring that the company is flexible enough to customize products to meet those needs.

Donna is referring to the notion of _____.

- A) improving logistics
- B) knowing how to analyze a problem
- C) emphasizing global awareness
- D) knowing the customer

Answer: D

Diff: 2 Page Ref: 22

Skill: Application

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-93

Question: Donna believes that to be successful globally a company must design and build products and services for export from the beginning, not as an afterthought following the conquest of domestic markets. Donna is referring to the principle that businesses should _____.

- A) know their customers
- B) emphasize global awareness
- C) monitor global markets
- D) market effectively

Answer: B

Diff: 3 Page Ref: 22

Skill: Application

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Scenario: Globalization Debate

In his international business class, Professor Jang organizes a debate on the societal effects of globalization. Juan Prince takes a position against globalization. He emphasizes how supranational institutions can threaten national sovereignty. He also notes the prevalence of low wages and sweatshop conditions as firms utilize low-cost labour abroad. Juan then describes the detrimental effects of corporate pollution on the environment, and he ends his argument by explaining how market globalization helps homogenize national cultures. Rina Taylor is assigned to counter Juan's position.

Question ID: 1-94

Question: Which of the following does Juan most likely cite to support his argument regarding the influence of supranational institutions on national sovereignty?

- A) Examples of the International Monetary Fund (IMF) imposing its will on nations.
- B) The fact that the World Trade Organization is led by elected representatives.
- C) The political influence of large firms such as Walmart.
- D) The effect of globalization on the spread of democracy worldwide.

Answer: A

Diff: 3 Page Ref: 24

Skill: Critical Thinking

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-95

Question: Which of the following most likely supports Rina's argument over Juan's concerning wages and working conditions in developing countries?

- A) Some developing countries today still suffer from low economic growth.
- B) Some developing countries have experienced significant increases in wages as a result of globalization.

- C) The move of one international company to Mexico resulted in 2,700 lost jobs for Canadians.
- D) Minimum wages should be established at set levels, regardless of the impact on the number of jobs.

Answer: B

Diff: 3 Page Ref: 19–20

Skill: Critical Thinking

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-96

Question: Rina most likely counters Juan's claim regarding the environmental effects of globalization by pointing out which of the following?

- A) Land preservation is more important than pollution reduction for preserving the environment.
- B) China's landscape was permanently altered by the construction of the Three Gorges Dam.
- C) Pollution-intensive Canadian firms tend to invest in countries with stricter environmental standards.
- D) Attempts at foreign cultural imperialism are often blocked by national governments.

Answer: C

Diff: 3 Page Ref: 21

Skill: Critical Thinking

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-97

Question: Which of the following most likely supports Rina's argument over Juan's concerning the homogenization of national cultures?

- A) Many countries specialize in producing the goods and services they can produce most efficiently.
- B) Globalization tends to shift not just superficial aspects of culture, but deeply held beliefs as well.
- C) Material goods such as cell phones and computers are found in most homes throughout the world.
- D) In most industries, domestic operation alone cannot sustain competitive business growth.

Answer: A

Diff: 3 Page Ref: 25

Skill: Critical Thinking

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Scenario: Sabrina's Spices & Sauces

Last year, Sabrina Shin started a business selling all types of spices and hot sauces. The business is small but this entrepreneur's dreams are big. Given limited demand and sales fluctuations in the domestic market, Sabrina has been considering going international. Yet she has little information, many doubts, and no guidance.

Question ID: 1-98

Question: Which of the following can help Sabrina reach consumers in different corners of the world quickly and inexpensively?

- A) Intranet
- B) Extranet
- C) GPS
- D) Internet

Answer: D

Diff: 1 Page Ref: 14

Skill: Application

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-99

Question: If you were to advise Sabrina on the myths versus facts of exporting, which of the following would you say is a fact?

- A) Only large companies can export successfully.
- B) Sabrina's products do not need export licensing.
- C) Small businesses have no place to turn for export advice.
- D) There is no export financing available for Sabrina's business.

Answer: B

Diff: 3 Page Ref: 27

Skill: Application

Objective: 1-4 Identify the types of companies that participate in international business.

Question ID: 1-100

Question: If Sabrina needs \$500 000 to expand her business internationally, which of the following organizations might be her best bet?

- A) Any commercial bank in Canada
- B) World Trade Organization
- C) Business Development Bank of Canada
- D) International Monetary Fund

Answer: C

Diff: 3 Page Ref: 25

Skill: Application

Objective: 1-4 Identify the types of companies that participate in international business.

Fill-In-The-Blank

Question ID: 1-101

Question: Goods and services sold abroad and sent out of a country are called _____.

Answer: exports

Diff: 1 Page Ref: 4

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-102

Question: The term _____ refers to national boundaries becoming less relevant.

Answer: denationalization

Diff: 2 Page Ref: 6

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-103

Question: The term _____ refers to entities cooperating across national boundaries.

Answer: internationalization

Diff: 3 Page Ref: 6

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-104

Question: Companies that sell global products can reduce costs by _____ certain marketing activities.

Answer: standardizing

Diff: 3 Page Ref: 6

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-105

Question: Makers of global seasonal products may supplement domestic sales with _____ to level their income streams.

Answer: international sales

Diff: 3 Page Ref: 7

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-106

Question: _____ refers to the dispersal of production activities to locations that help a company achieve its cost-minimization or quality-maximization objectives for a good or service.

Answer: Globalization of production

Diff: 2 Page Ref: 7

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-107

Question: The quest for _____ draws many companies into international markets.

Answer: natural resources

Diff: 2 Page Ref: 8

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-108

Question: The two main forces that underlie the globalization of markets and production are _____ and technological innovation.

Answer: falling barriers to trade and investment

Diff: 2 Page Ref: 9

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-109

Question: _____ is the sum of all individual nations' gross domestic product (GDP) figures.

Answer: World GDP

Diff: 3 Page Ref: 11

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-110

Question: _____ is the value of all goods and services produced by a country's domestic and international activities over a one-year period.

Answer: Gross national product (GNP)

Diff: 2 Page Ref: 11

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-111

Question: The KOF Index of Globalization comprises a compilation of over a dozen variables within three categories: economic globalization, _____, and political globalization.

Answer: social globalization

Diff: 3 Page Ref: 14

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-112

Question: Drivers of the first age of globalization (from the mid-1800s to the 1920s) included the steamship, telegraph, railroad, and later, the _____ and airplane.

Answer: telephone

Diff: 3 Page Ref: 17

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-113

Question: _____ are special areas in which companies engage in tariff-free importing and exporting.

Answer: Export-processing zones (EPZs)

Diff: 2 Page Ref: 21

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-114

Question: The three main branches of the debate over income inequality are inequality within nations, inequality between nations, and _____.

Answer: global inequality

Diff: 2 Page Ref: 21-23

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-115

Question: _____ involves the idea that a nation-state (1) is autonomous; (2) can freely select its government; (3) cannot intervene in the affairs of other nations; (4) can control movements across its borders; and (5) can enter into binding international agreements.

Answer: National sovereignty

Diff: 2 Page Ref: 24

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-116

Question: National _____ is a strong shaper of a people's values, attitudes, customs, beliefs, and communication styles.

Answer: culture

Diff: 1 Page Ref: 24

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-117

Question: _____ allows countries to specialize in producing goods and services in which they are most efficient.

Answer: Trade

Diff: 1 Page Ref: 25

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-118

Question: Largely because of advances in _____, small and medium-sized companies are accounting for a greater portion of international business.

Answer: technology

Diff: 1 Page Ref: 27

Skill: Concept

Objective: 1-4 Identify the types of companies that participate in international business.

Question ID: 1-119

Question: The rise of a new international entity called the _____ suggests that any firm, regardless of age, experience, and resources, can engage in international business.

Answer: born global firm

Diff: 1 Page Ref: 27

Skill: Concept

Objective: 1-4 Identify the types of companies that participate in international business.

Question ID: 1-120

Question: The four elements comprising the "global business environment" include _____, national business environments, the international business environment, and international firm management.

Answer: globalization

Diff: 1 Page Ref: 28–29

Skill: Concept

Objective: 1-5 Describe the global business environment and identify its four main elements.

Essay

Question ID: 1-121

Question: Explain what we mean by "international business," why is it special; and describe in detail how it affects each of us in our daily activities.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

International business is any commercial transaction that crosses the borders of two or more nations. In our daily activities, we encounter terms such as *outsourcing*, *emerging markets*, *competitive advantage*, *sustainability*, and *social responsibility*.

Each of us experiences the result of dozens of international transactions every day. A quick glance at the "Made in" tags on our jacket, backpack, watch, wallet, or other items will demonstrate the pervasiveness of international business transactions.

Part of international business is imports and exports. Imports are goods and services purchased abroad and brought into a country. Exports are goods and services sold abroad and sent out of a country.

International business differs from business in a purely domestic content in that nations create entirely different commercial environments in which to conduct global business.

Diff: 1 Page Ref: 4, 28–29

Skill: Synthesis

Objective: 1-1 Describe the process of globalization and how it affects markets and production; 1-5 Describe the global business environment and identify its four main elements.

Question ID: 1-122

Question: Explain in detail e-business (e-commerce) and describe how it helps companies conduct international business.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

E-business (e-commerce) is the use of computer networks to purchase, sell, or exchange products; service customers; and collaborate with partners. E-business is making it easier for companies to make their products abroad, not simply import and export finished goods.

Technology is one of the two main drivers of globalization and has had a huge impact on expanding global business.

Born global firms often rely completely on technology and e-commerce to make their mark on the international business world.

Diff: 2 Page Ref: 4–5, 14, 27

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production; 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-123

Question: Explain in detail what constitutes globalization and describe its main characteristics; include the factors that influence countries to be more or less global.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

Globalization is the trend toward greater economic, cultural, political, and technological interdependence among national institutions and economies. Globalization is a trend characterized by *denationalization* (national boundaries becoming less relevant) and is different from *internationalization* (entities cooperating across national boundaries). The greater interdependence that globalization is causing means an increasingly freer flow of goods, services, money, people, and ideas across national borders.

The KOF Index of Globalizations measures countries' extent of globalization based on economic globalization, social globalization and political globalization.

Diff: 2 Page Ref: 6, 9, 14, 15–16

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production; 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-124

Question: Describe in detail what benefits (or drawbacks) a company might experience from the globalization of markets.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

The *globalization of markets* refers to convergence in buyer preferences in markets around the world.

The benefits of the globalization of markets for companies include:

1. *Reduces marketing costs.* Companies that sell global products can reduce costs by standardizing certain marketing activities. A company selling a global consumer good can make an identical product for the global market and then simply design different packaging to account for the language spoken in each market. Companies can achieve further cost savings by keeping an ad's visual component the same for all markets but dubbing TV ads and translating print ads into local languages.
2. *Creates new market opportunities.* A company that sells a global product can explore opportunities abroad if the home market is small or becomes saturated. Seeking sales growth abroad can be absolutely essential for an entrepreneur or small company that sells a global product but has a limited home market.
3. *Levels uneven income streams.* A company that sells a product with universal, but seasonal, appeal can use international sales to level its income stream. By supplementing domestic sales with international sales, the company can reduce or eliminate wide variations in sales between seasons and steady its cash flow.

Diff: 2 Page Ref: 6–7, 21

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-125

Question: Describe in detail how a company might benefit from the globalization of production. Give specific examples of how companies have expanded their production and the benefits and problems that might have resulted.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

The *globalization of production* refers to the dispersal of production activities to locations that help a company achieve its cost-minimization or quality-maximization objectives for a good or service. This includes the sourcing of key production inputs (such as raw materials or products for assembly) as well as the international outsourcing of services.

The globalization of production can benefit companies through the following ways:

1. *Access to lower cost workers.* Global production activities allow companies to reduce overall production costs through access to low-cost labour. For decades, companies located their factories in low-wage nations to churn out all kinds of goods, including toys, small appliances, inexpensive electronics, and textiles. Yet whereas moving production to low-cost locales traditionally applied to *production of goods* almost exclusively, it increasingly applies to the *production of services* such as accounting and research. Many European and US businesses have moved their customer service and other nonessential operations to places as far away as India to slash costs by as much as 60 percent.
2. *Access technical expertise.* Companies also produce goods and services abroad to benefit from technical know-how.
3. *Access production inputs.* Globalization of production allows companies to access resources that are unavailable or more costly at home. The quest for natural resources draws many companies into international markets.

Diff: 2 Page Ref: 6, 7–9, 20

Skill: Synthesis

Objective: 1-1 Describe the process of globalization and how it affects markets and production.

Question ID: 1-126

Question: Describe the process of globalization and explain the two main forces driving globalization.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

Globalization is the trend toward greater economic, cultural, political, and technological interdependence among national institutions and economies. Globalization is a trend characterized by *denationalization* (national boundaries becoming less relevant) and is different from *internationalization* (entities cooperating across national boundaries). The greater interdependence that globalization is causing means an increasingly freer flow of goods, services, money, people, and ideas across national borders.

Two main forces underlie the globalization of markets and production: *falling barriers to trade and investment* and *technological innovation*.

1. Falling barriers to trade and investment. In 1947, political leaders of 23 nations (12 developed and 11 developing economies) made history when they created the General Agreement on Tariffs and Trade (GATT)—a treaty designed to promote free trade by reducing both tariffs and nontariff barriers to international trade. *Tariffs* are essentially taxes levied on traded goods, and *nontariff barriers* are limits on the quantity of an imported product. The treaty was successful in its early years. After four decades, world merchandise trade had grown 20 times larger, and average tariffs had fallen from 40 percent to 5 percent. Significant progress occurred again with a 1994 revision of the GATT treaty. Nations that had signed on to the treaty further reduced average tariffs on merchandise trade and lowered subsidies (government financial support) for agricultural products. The treaty's revision also clearly defined *intellectual property rights*—giving protection to copyrights (including computer programs, databases, sound recordings, and films), trademarks and service marks, and patents (including trade secrets and know-how). A major flaw of the original GATT was that it lacked the power to enforce world trade rules. Likely the greatest accomplishment of the 1994 revision was the creation of the *World Trade Organization*.

2. Technological innovation. Although falling barriers to trade and investment encourage globalization, technological innovation is accelerating its pace. Significant advancements in information technology and transportation methods are making it easier, faster, and less costly to move data, goods, and equipment around the world. Important technological innovations include e-mail, videoconferencing, the Internet, the World Wide Web, corporate intranets and extranets, and advancements in transportation technologies (including GPS and RFID).

Diff: 3 Page Ref: 6, 9–14

Skill: Concept

Objective: 1-1 Describe the process of globalization and how it affects markets and production; 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-127

Question: Describe the two major forces that drive globalization and how they work together to expand globalization.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

Two main forces underlie the globalization of markets and production: *falling barriers to trade and investment* and *technological innovation*. These two features are increasing competition among nations by leveling the global business playing field. Greater competition is simultaneously driving companies worldwide into more direct confrontation and cooperation. Local industries once isolated by time and distance are increasingly accessible to large international companies based many thousands of miles away. Some small and medium-sized local firms are compelled to cooperate with one another or with larger international firms to remain competitive. Other local businesses revitalize themselves in a bold attempt to survive the competitive onslaught. And on a global scale, consolidation is occurring in many industries as former competitors link up to challenge others on a worldwide basis.

Diff: 3 Page Ref: 4–5, 9–14

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-128

Question: Identify the World Trade Organization's (WTO) three main goals and explain how the WTO differs from the General Agreement on Tariffs and Trade (GATT). Give examples of countries that have been affected by WTO rules.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

The World Trade Organization (WTO) is the international organization that enforces the rules of international trade. The three main goals of the WTO are to help the free flow of trade, help negotiate the further opening of markets, and settle trade disputes among its members. It is the power of the WTO to settle trade disputes that really sets it apart from its predecessor, the GATT. The various WTO agreements are essentially contracts between member nations that commit them to maintaining fair and open trade policies. Offenders must realign their trade policies according to WTO guidelines or face fines and, perhaps, trade sanctions (penalties). Because of its ability to penalize offending nations, the WTO's dispute settlement system truly is the spine of the global trading system. The WTO replaced the *institution* of GATT but absorbed all of the former GATT *agreements*. Thus, the GATT institution no longer officially exists.

Diff: 3 Page Ref: 9–11, 24

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-129

Question: Explain how technological innovation impacts globalization and how it is accelerating the process.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

Significant advancements in information technology and transportation methods are making it easier, faster, and less costly to move data, goods, and equipment around the world.

1. *E-mail and videoconferencing.* Operating across borders and time zones complicates the job of coordinating and controlling business activities. But technology can speed the flow of information and ease the tasks of coordination and control. Electronic mail (e-mail) is an indispensable tool that managers use to stay in contact with international operations and to respond quickly to important matters. Videoconferencing allows managers in different locations to meet in virtual face-to-face meetings. Primary reasons for 25 to 30 percent annual growth in videoconferencing include lower-cost bandwidth (communication channels) used to transmit information, lower-cost equipment, and the rising cost of travel for businesses. Videoconferencing equipment can cost as little as \$5000 and as much as \$340 000. A company that does not require ongoing videoconferencing can pay even less by renting the facilities and equipment of a local conference centre.

2. *Internet and World Wide Web.* Companies use the Internet to quickly and cheaply contact managers in distant locations—for example, to inquire about production runs, revise sales strategies, and check on distribution bottlenecks. They also use the Internet to achieve longer-term goals, such as sharpen their forecasting, lower their inventories, and improve communication with suppliers. The lower cost of reaching an international customer base especially benefits small firms, which were among the first to use the Web as a global marketing tool. Further gains arise from the ability of the Internet to cut postproduction costs by decreasing the number of intermediaries a product passes through on its way to the customer. Eliminating intermediaries greatly benefits online sellers of books, music, and travel services, among others.

3. *Company intranets and extranets:* Internal company Web sites and information networks (*intranets*) give employees access to company data using personal computers. *Extranets* give distributors and suppliers access to a company's database to place orders or restock inventories electronically and automatically. These networks permit international companies (along with their suppliers and buyers) to respond to internal and external conditions more quickly and more appropriately.

4. *Advancements in transportation technologies.* Retailers worldwide rely on imports to stock their storerooms with finished goods and to supply factories with raw materials and intermediate products. Innovation in the shipping industry is helping globalize markets and production by making shipping more efficient and dependable. In the past, a cargo ship would sit in port up to 10 days while it was unloaded one pallet at a time. But because cargo today is loaded onto a ship in 20- and 40-foot containers that are quickly unloaded onto railcars or truck chassis at the final destination, a 700-foot cargo ship is routinely unloaded in just 15 hours. Operation of cargo ships is now simpler and safer due to computerized charts that pinpoint a ship's movements on the high seas using Global Positioning System (GPS) satellites. Combining GPS with radio frequency identification (RFID) technology allows continuous monitoring of individual containers from port of departure to destination. RFID can tell whether a container's doors are opened and closed on its journey and can monitor the temperature inside refrigerated containers.

Diff: 2 Page Ref: 14

Skill: Synthesis

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-130

Question: Explain in detail the factors that help make some countries more global than others. Identify several highly global nations based on the KOF Index of Globalization.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

Several factors help to make some countries more global than others.

1. Economic globalization: trade and investment flows, and trade barriers
2. Social globalization: flow of ideas and information
3. Political globalization: degree of political cooperation between countries

The top ten highly global nations are Belgium, Ireland, Netherlands, Austria, Singapore, Sweden, Denmark, Hungary, Portugal, and Switzerland.

Diff: 2 Page Ref: 15–16

Skill: Concept

Objective: 1-2 Identify the two forces causing globalization to increase.

Question ID: 1-131

Question: One argument in the debate surrounding globalization is about the inequality between nations. Discuss the major points of the inequality between nations argument and describe how falling barriers to trade and investment might help reduce the inequality between nations.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

The inequality between nations debate questions the widening gap in average incomes between rich and poor nations. If we compare average incomes in high-income countries with average incomes in middle- and low-income nations, we do find a widening gap. But averages conceal differences between nations. On closer inspection, it appears the gap between rich and poor nations is not occurring everywhere: one group of poor nations is closing the gap with rich economies, while a second group of poor countries is falling further behind. For example, China is narrowing the income gap between itself and the United States as measured by GDP per capita, but the gap between Africa and the United States is widening. China's progress is no doubt a result of its integration with the world economy and annual economic growth rates of around 9 percent. Another emerging market, India, is also narrowing its income gap with the United States by embracing globalization. Developing countries that embrace globalization are increasing personal incomes, extending life expectancies, and improving education systems. In addition, post-communist countries that welcomed world trade and investment experienced high growth rates in GDP per capita. But nations that remain closed off from the world economy have performed far worse.

Falling barriers to trade and investment may help reduce the inequality between nations by leveling the global business playing field. Specifically, the WTO launched a new round of negotiations in Doha, Qatar, in late 2001. The renewed negotiations were designed to lower trade barriers further and to help poor nations in particular.

Agricultural subsidies that rich countries pay to their own farmers are worth \$1 billion per day—more than six times the value of their combined aid budgets to poor nations. Because 70 percent of poor nations' exports are agricultural products and textiles, wealthy nations had intended to further open these and other labour-intensive industries. Poor nations were encouraged to reduce tariffs among themselves and were to receive help in integrating themselves into the global trading system. Although the Doha round was to conclude by the end of 2004, negotiations are proceeding more slowly than was anticipated.

Diff: 3 Page Ref: 9–11, 15–16, 21–23

Skill: Synthesis

Objective: 1-2 Identify the two forces causing globalization to increase; 1-3 Summarize the evidence for each main argument in the globalization debate

Question ID: 1-132

Question: Explain in detail how this current period of globalization compares with the first age of globalization.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

The first age of globalization extended from the mid-1800s to the 1920s. In those days, labour was highly mobile, with 300,000 people leaving Europe each year in the 1800s and 1 million people leaving each year after 1900. Other than in wartime, nations did not even require passports for international travel before 1914. And like today, workers in wealthy nations back then feared competition for jobs from high- and low-wage countries.

Trade and capital flowed more freely than ever during that first age of globalization. Huge companies from wealthy nations built facilities in distant lands to extract raw materials and produce all sorts of goods. Large cargo ships plied the seas to deliver their manufactures to distant markets. The transatlantic cable (completed in 1866) allowed news between Europe and the United States to travel faster than ever before. The drivers of that first age of globalization included the steamship, telegraph, railroad, and, later, the telephone and airplane.

Although it took until the 1990s for international capital flows, in absolute terms, to recover to levels seen prior to the First World War, the global economy had finally been reborn. Lowering the cost of telecommunications and binding our world more tightly together are the drivers of this second age of globalization—communication satellites, fiber optics, microchips, and the Internet.

Diff: 2 Page Ref: 9–14, 17

Skill: Synthesis

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-133

Question: Compare and contrast the purposes of the World Bank and the International Monetary Fund. Give specific examples of how the actions of these two bodies have impacted selected countries.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the

textbook, class discussions, Internet, and/or newspapers and other publications.

The World Bank is an agency created to provide financing for national economic development efforts. The initial purpose of the World Bank was to finance European reconstruction following the Second World War. It later shifted its focus to the general financial needs of developing countries, and today it finances many economic development projects in Africa, South America, and Southeast Asia.

The International Monetary Fund (IMF) is an agency created to regulate fixed exchange rates and enforce the rules of the international monetary system. Today, the IMF has 185 member countries. Some of the purposes of the IMF include promoting international monetary cooperation; facilitating expansion and balanced growth of international trade; avoiding competitive exchange devaluation; and making financial resources temporarily available to members.

Diff: 3 Page Ref: 17–18, 23–24

Skill: Concept

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.

Question ID: 1-134

Question: Globalization's impact on jobs and wages is an important topic for debate. Discuss the major points *in support of* globalization in the jobs and wages debate, and describe how the actions of large multinational corporations affect the issues in the jobs and wages debate.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

Supporters of globalization credit it with improving standards of living and making possible new ways of life. They argue that globalization increases wealth and efficiency in all nations, generates labour market flexibility in developed nations, and advances the economies of developing nations.

1. Increases wealth and efficiency in all nations. Some economists believe globalization increases wealth and efficiency in both developed and developing nations. Globalization supporters argue that openness to international trade (the ratio of trade to national output) increases national production (by increasing efficiency) and raises per capita income (by passing savings on to consumers). For instance, by squeezing inefficiencies out of the retail supply chain, powerful global retailers help restrain inflation and boost productivity. Some economists predict that removing all remaining barriers to free trade would significantly boost worldwide income and greatly benefit developing nations.

2. Generates labour market flexibility in developed nations. Globalization supporters believe globalization creates positive benefits by generating labour market flexibility in developed nations. It is claimed that benefits derive from worker dislocation, or "churning" as it is called when there is widespread job turnover throughout an economy. Flexible labour markets allow workers to be redeployed rapidly to sectors of the economy where they are highly valued and in demand. This also allows employees, particularly young workers, to change jobs easily with few negative effects. For instance, a young person can gain experience and skills with an initial employer and then move to a different job that provides a better match between employee and employer.

3. Advances economies of developing nations. Those in favour of globalization argue that globalization and international outsourcing help to advance developing nations' economies.

A multinational corporation (MNC) is a business that has direct investments (in the form of marketing or manufacturing subsidiaries) abroad in multiple countries. The actions of multinationals affect the issues in the jobs and wages debate because these companies generate significant jobs, investment, and tax revenue for the regions and nations they enter. Likewise, they can leave thousands of people out of work when they close or scale back operations. Mergers and acquisitions between multinationals are commonly worth billions of dollars and increasingly involve companies based in emerging markets. Some companies have more employees than many of the smallest countries and island nations have citizens. Walmart has 2 055 000 employees—the most of any company. We see the enormous economic clout of multinational corporations when we compare the revenues of the Global 500 ranking of companies to the value of goods and services that countries generate. If Walmart were a country, it would weigh in as a rich nation and rank just below Switzerland.

Diff: 3 Page Ref: 17, 19–20, 26–27

Skill: Synthesis

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate; 1-4 Identify the types of companies that participate in international business.

Question ID: 1-135

Question: Explain how technological innovation has benefitted entrepreneurs in their search for opportunities for globalization.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

Technological innovation is accelerating the pace of globalization. Significant advancements in information technology and transportation methods are making it easier, faster, and less costly to move data, goods, and equipment around the world. Important technological advances include e-mail, videoconferencing, the Internet and the World Wide Web, company intranets and extranets, and advancements in transportation technologies (including GPS and RFID). Entrepreneurs and small businesses have benefitted from these technological innovations because in this age of globalization, small companies are increasingly active in international trade and investment. Companies are exporting earlier and growing faster, often with help from technology. Whereas traditional distribution channels often gave only large companies access to distant markets, electronic distribution is a cheap and effective alternative for small businesses that sell digitized products. Small companies that sell traditional products also benefit from technology that lowers the cost and difficulties of global communication.

Diff: 3 Page Ref: 14, 27

Skill: Synthesis

Objective: 1-2 Identify the two forces causing globalization to increase; 1-4 Identify the types of companies that participate in international business.

Question ID: 1-136

Question: Explain with examples why entrepreneurs and small businesses are increasingly active in international trade and investment.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

In this age of globalization, small companies are increasingly active in international trade and investment. Companies are exporting earlier and growing faster, often with help from technology. Whereas traditional distribution channels often gave only large companies access to distant markets, electronic distribution is a cheap and effective alternative for small businesses that sell digitized products. Small companies that sell traditional products also benefit from technology that lowers the cost and difficulties of global communication.

Diff: 2 Page Ref: 27

Skill: Concept

Objective: 1-4 Identify the types of companies that participate in international business.

Question ID: 1-137

Question: What are several myths that keep small companies from engaging in exporting and the facts that dispel these myths?

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

Myth 1: Only large companies can export successfully.

Fact: Most exporters are small and medium-sized enterprises with fewer than 50 employees. Exporting can reduce the dependency of small firms on domestic markets and can help them avoid seasonal sales fluctuations. A product popular domestically, or perhaps even unsuccessful at home, may be wanted elsewhere in the global market.

Myth 2: Small businesses can find little export advice.

Fact: Novice and experienced exporters alike can receive comprehensive export assistance from federal agencies (www.export.gov). International trade specialists can help small businesses locate and use federal, state, local, and private-sector programs. They are also an excellent source of market research, trade leads, financing, and trade events.

Myth 3: Licensing requirements needed to export are too complicated.

Fact: Most products do not need export licenses. Exporters need only to write "NLR" for "no license required" on their Shipper's Export Declaration. A license is generally needed only for high-tech or defense-related goods or when the receiving country is under a US embargo or other restriction.

Myth 4: Small businesses cannot obtain export financing.

Fact: The Small Business Administration and the Export-Import Bank work together in lending money to small businesses. Whereas the SBA is responsible for loan requests below \$750 000, the Ex-Im Bank handles transactions over \$750 000. The Trade and Development Agency also helps small and medium-sized firms obtain financing for international projects.

Diff: 2 Page Ref: 27

Skill: Concept

Objective: 1-4 Identify the types of companies that participate in international business.

Question ID: 1-138

Question: Describe key characteristics of a born global firm, and explain why a born global firm would be attuned to

international firm management.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

Answer: Globalization has given rise to a new international entity, the *born global firm*—a company that adopts a global perspective and engages in international business from or near its inception. Key characteristics of born global firms are an innovative culture and knowledge-based organizational capabilities. Although these firms first appeared in nations having small domestic markets, today they arise from all major trading nations. Remarkably, many of these companies rise to the status of international competitor in less than three years. Perhaps the extreme example of a born global firm is one that reaches out to customers around the world solely through the Internet.

A born global firm would be attuned to international firm management because managing a global company is vastly different from managing a purely domestic business. Companies must abide by the rules in every market in which they choose to operate. Therefore, the context of international business management is defined by the characteristics of national business environments. Because of widely dispersed production and marketing activities today, firms commonly interact with people in distant locations within the international business environment. Finally, managers and their firms are compelled to be knowledgeable about the nations in which they operate because of the integrating power of globalization. Businesses should try to anticipate events and forces that can affect their operations by closely monitoring globalization, national business environments, and the international business environment.

Diff: 3 Page Ref: 27–29

Skill: Synthesis

Objective: 1-4 Identify the types of companies that participate in international business; 1-5 Describe the global business environment and identify its four main elements.

Question ID: 1-139

Question: Explain globalization of production and include its benefits. Why should a company study international firm management if its leadership commits to globalization of production?

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

Globalization of production refers to the dispersal of production activities to locations that help a company achieve its cost-minimization or quality-maximization objectives for a good or service. This includes the sourcing of key production inputs (such as raw materials or products for assembly) as well as the international outsourcing of services.

Benefits to companies for the globalization of production include:

1. *Access to lower-cost workers.* Global production activities allow companies to reduce overall production costs through access to low-cost labour. For decades, companies located their factories in low-wage nations to churn out all kinds of goods, including toys, small appliances, inexpensive electronics, and textiles. Yet whereas moving production to low-cost locales traditionally meant *production of goods* almost exclusively, it increasingly applies to the *production of services* such as accounting and research. Although most services must be produced where they are consumed, some services can be performed at remote locations where labour costs are lower. Many European and US businesses have moved their customer service and other nonessential operations to places as far away as India to slash costs by as much as 60 percent.
2. *Access to technical expertise.* Companies also produce goods and services abroad to benefit from technical know-how.
3. *Access to production inputs.* Globalization of production allows companies to access resources that are unavailable or more costly at home. The quest for natural resources draws many companies into international markets.

If a company commits to the globalization of production, its leadership should study international firm management because this management arena is vastly different from managing a purely domestic business. Companies must abide by the rules in every market in which they choose to operate. Therefore, the context of international business management is defined by the characteristics of national business environments. Because of widely dispersed production and marketing activities today, firms commonly interact with people in distant locations within the international business environment. Finally, managers and their firms are compelled to be knowledgeable about the nations in which they operate because of the integrating power of globalization. Businesses should try to anticipate events and forces that can affect their operations by closely monitoring globalization, national business environments, and the international business environment.

Diff: 3 Page Ref: 7–9, 28–29

Skill: Synthesis

Objective: 1-1 Describe the process of globalization and how it affects markets and production; 1-5 Describe the global business environment and identify its four main elements.

Question ID: 1-140

Question: Explain the globalization of markets, and describe how a company might work within an international business environment to take advantage of the globalization of markets.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

Globalization of markets refers to convergence in buyer preferences in markets around the world. This trend is occurring in many product categories, including consumer goods, industrial products, and business services. Global products are products marketed in all countries essentially without any changes. The globalization of markets is important to international business because of the benefits it offers companies.

To take advantage of the globalization of markets, a company must operate within an international business environment. The international business environment influences how firms conduct their operations in both subtle and not-so-subtle ways. No business is entirely immune to events in the international business environment, as evidenced by the long-term trend toward more porous national borders. The drivers of globalization are causing the flows of trade, investment, and capital to grow and become more entwined—often causing firms to search simultaneously for production bases and new markets. Companies today must keep their finger on the pulse of the international business environment to see how it may affect their business activities.

Important factors are the four main elements in the global business environment: globalization, the international business environment, the national business environment and international firm management.

Diff: 3 Page Ref: 6, 28–29

Skill: Synthesis

Objective: 1-1 Describe the process of globalization and how it affects markets and production; 1-5 Describe the global business environment and identify its four main elements.

Question ID: 1-141

Question: Describe in detail the “global business environment” model and each of its four elements.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

International business is special because it occurs within a dynamic, integrated system that weaves together four distinct elements:

1. *The forces of globalization.* Globalization is a potent force transforming our societies and commercial activities in countless ways. In this way, the drivers of globalization (technological innovation and falling trade and investment barriers) influence every aspect of the global business environment. The dynamic nature of globalization also creates increasing competition for all firms everywhere, as managers begin to see the entire world as an opportunity. At home and abroad, firms must remain vigilant to the fundamental societal and commercial changes that globalization is causing.
2. *The international business environment.* The international business environment influences how firms conduct their operations in both subtle and not-so-subtle ways. No business is entirely immune to events in the international business environment, as evidenced by the long-term trend toward more porous national borders. The drivers of globalization are causing the flows of trade, investment, and capital to grow and become more entwined—often causing firms to search simultaneously for production bases *and* new markets. Companies today must keep their finger on the pulse of the international business environment to see how it may affect their business activities.
3. *Many national business environments.* Each national business environment is composed of unique cultural, political, legal, and economic characteristics that define business activity within that nation's borders. This set of national characteristics can differ greatly from country to country. But, as nations open up and embrace globalization, their business environments are being transformed. Globalization can cause powerful synergies and enormous tensions to arise within and across various elements of a society. Company managers must be attentive to such nuances, adapting their products and practices as needed.
4. *International firm management.* International firm management is vastly different from managing a purely domestic business. Companies must abide by the rules in every market in which they choose to operate. Therefore, the context of international business management is defined by the characteristics of national business environments. Because of widely dispersed production and marketing activities today, firms commonly interact with people in distant locations within the international business environment. Finally, managers and their firms are compelled to be knowledgeable about the nations in which they operate because of the integrating power of globalization. Businesses should try to anticipate events and forces that can affect their operations by closely monitoring globalization, national business environments, and the international business environment.

Diff: 3 Page Ref: 28–29

Skill: Concept

Objective: 1-5 Describe the global business environment and identify its four main elements.

Question ID: 1-142

Question: Globalization has both supporters and opponents. Discuss in detail how both of these groups view globalization's impact on the *environment*, *national sovereignty*, and *culture*.

Answer: Specific examples of companies and/or countries to illustrate your answers can be drawn from the textbook, class discussions, Internet, and/or newspapers and other publications.

Environment: opponents say that globalization causes a "race to the bottom" in environmental conditions, meaning that companies from developed countries do not care about the environment in the country of production.

Supporters say that companies are now looking at relocating the countries with new and stricter environmental laws and therefore developing countries are paying more attention to environmental protection because they want foreign investors. So environmental policies are improving overall.

Opponents of globalization protest that strong developed nations as well as supranational organizations such as IMF exert too much influence on weaker governments. Big multinational firms also have much financial power to influence local governments who want to appear competent by bringing in foreign investment. Supporters on the other hand point to the spread of democracy as a proof that globalization is focused on giving peoples of poor nations more freedom and increased level of economic well-being.

Opponents argue that globalization eradicates cultural differences and influences valuable local cultural norms to disappear. Supporters argue that in many countries the local culture is stronger because nations want to fight the intrusion of foreign cultural imports.

Diff: 3 Page Ref: 21, 24–25, 22, 24–25

Skill: Synthesis

Objective: 1-3 Summarize the evidence for each main argument in the globalization debate.