

## **Chapter 02**

### **The Political, Legal, and Technological Environment**

#### **True / False Questions**

1. Many firms try to work collaboratively with governments as new laws, policies, and regulations are introduced.

True False

2. Government policies toward the dissemination of information that can be viewed as a threat to national security are common.

True False

3. The domestic and international political environment has a major impact on multinational corporations.

True False

4. Collectivism emerged in Italy and France as "national socialism".

True False

5. Great Britain's Labour Party practices "democratic socialism".

True False

6. According to the text, Russia presents the extreme example of how the political environment impacts on international management.

True False

7. Vietnam and Laos have moved towards a totalitarian environment due to the evolution of modern global business.

True False

8. Socialist law comes from the Marxist socialist system and continues to influence regulations in former communist countries.

True False

9. Common law is derived from Roman law and is found in the non-Islamic and non-socialist countries such as France, some countries in Latin America and even Louisiana in the United States.

True False

10. The territoriality principle holds that governments have the right to rule themselves as they see fit.

True False

11. The protective principle holds that every nation has the right of jurisdiction within its legal territory.

True False

12. The doctrine of civility holds that there must be mutual respect for the laws, institutions and government of other countries in the manner of jurisdiction over their own citizens.

True False

13. Under the act of state doctrine, all acts of other governments are considered to be valid by U.S. courts, even if such acts are inappropriate in the United States.

True False

14. The FCPA makes it illegal to influence foreign officials through the granting of favorable tariff rates.

True False

15. The objectives of the FCPA were to stop U.S. MNCs from initiating or perpetuating corruption in foreign governments and to upgrade the image of both the United States and its businesses abroad.

True False

16. The current move toward privatization by an increasing number of countries is an example of the changing international regulatory environment.

True False

17. Trade agreements do not require that trade benefits accorded to one nation be extended to other nations' parties to that agreement.

True False

18. Embedded learning technology will allow thinking to occur in machines.

True False

19. One reason for the rapid increase in telecommunications services is that many countries believe that without an efficient communications system, their economic growth may stall.

True False

20. Technology does not have the potential to displace employees holding positions traditionally reserved for human thinking.

True False

**Multiple Choice Questions**

21. In a business context, individualism is synonymous with:

- A. Collectivism
- B. Socialism
- C. Totalitarianism
- D. Capitalism

22. Aristotle and David Hume contributed to the principle of:

- A. Socialism
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- C. Individualism
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23. Which of the following are characteristics of fascism?

- A. Anticollectivism
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24. Which two countries led the effort to mobilize public and private support for Greece in 2010?

- A. France and Germany
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28. Political repression and denial of rights and civil liberties are dominant ideals of:

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- A. Government regulations
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33. \_\_\_\_\_ law comes from the Marxist socialist system and continues to influence regulations in former communist countries, especially those from the former Soviet Union, as well as present-day China, Vietnam, North Korea and Cuba.

- A. Socialist
- B. Civil or code
- C. Common
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- A. Principle of sovereignty
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37. International law includes the following types of jurisdictional principles:

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- B. Territoriality, sovereignty and nationality
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38. The \_\_\_\_\_ principle holds that every country has jurisdiction (authority or power) over its citizens no matter where they are located.

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39. The \_\_\_\_\_ principle holds that every nation has the right of jurisdiction within its legal territory.

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45. The statute that makes it illegal to influence foreign officials through personal payment of political contributions is referred to as the:

- A. Fairness in International Affairs Act
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52. Which country does not rank high on the ease-of-doing-business index?

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53. The case with cellular phones and networks and open-source models in software are cited to substantiate the fact that:

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59. Over the next decade, the merging of the Internet and wireless technology will radically change the ways in which people:

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- B. Socialize
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60. MNCs are unwilling to put up high investments unless they are assured of:

- A. Operating control on their investment in telecommunications
- B. Expanding demand for telecommunication service
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61. Governments are accepting the belief that the only way to attract foreign investment and know-how in telecommunications is to:

- A. Cede control to private industry
- B. Get cheaper service providers
- C. Get cheap and efficient labor
- D. Get private partners

62. According to the text, NYNEX holds a stake in:

- A. Telecom New Zealand
- B. Thailand's Telecom Asia
- C. Australia's Optus
- D. Thailand's Globe Telecom

63. The Hong Kong office of Salomon Brothers, a U.S. investment bank, estimates that to meet the expanding demand for telecommunication service in Asia, companies will need:

- A. Cheaper technology
- B. Cheap and efficient labor
- C. Considerable increase in investment
- D. Cheaper service providers

64. Some observers have noted that technology already has eliminated much and in the future will eliminate even more of the work now being done by:

- A. Top level managers
- B. Middle managers and white-collar staff
- C. Maintenance workers
- D. Line employees and service staff

65. \_\_\_\_\_ has placed pressure on MNCs to outsource production.
- A. Mounting cost pressure and profit expectations
  - B. Lack of cheap and expert labor
  - C. Global and Internal competition
  - D. Profit expectation by governments
66. Identify the option that would constitute white-collar service industries.
- A. Steel and autos
  - B. Agriculture
  - C. Insurance only
  - D. Insurance and banks
67. Emerging information technology has made work:
- A. More portable
  - B. More risky
  - C. More tedious
  - D. More complicated
68. MNCs have moved certain production activities overseas to capitalize on:
- A. Increasing costs
  - B. Cheap labor
  - C. Larger markets
  - D. Higher purchasing power
69. Low-paid workers in India and Asian countries now are being given subcontracted work such as:
- A. Insurance jobs
  - B. Auto industry jobs
  - C. Labor-intensive hardware development
  - D. Code-writing jobs

70. According to the text, a positive side of the opportunities that technology offers would be:
- A. Decline in the cost of doing business worldwide
  - B. Price rise due to cost of equipments
  - C. Elimination of higher-priced labor
  - D. Replacement of employees by machines

**Essay Questions**

71. What is totalitarianism? Identify its features and forms.

72. What are the four foundations upon which laws are based around the world? Briefly explain each foundation.

73. What jurisdictional principles are given by International Law?

74. Describe the Foreign Corrupt Practices Act. What were the objectives of the FCPA?

75. What is biotechnology? Discuss some of the areas in which it has been used and is likely to be used.

Chapter 02 The Political, Legal, and Technological Environment **Answer Key**

**True / False Questions**

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**TRUE**

*Difficulty: Hard*

2. (p. 36) Government policies toward the dissemination of information that can be viewed as a threat to national security are common.

**TRUE**

*Difficulty: Easy*

3. (p. 36) The domestic and international political environment has a major impact on multinational corporations.

**TRUE**

*Difficulty: Medium*

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**FALSE**

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- B. Lack of cheap and expert labor
- C. Global and Internal competition
- D. Profit expectation by governments

*Difficulty: Medium*

66. (p. 55) Identify the option that would constitute white-collar service industries.

- A. Steel and autos
- B. Agriculture
- C. Insurance only
- D. Insurance and banks**

*Difficulty: Easy*

67. (p. 55) Emerging information technology has made work:

- A. More portable**
- B. More risky
- C. More tedious
- D. More complicated

*Difficulty: Easy*

68. (p. 55) MNCs have moved certain production activities overseas to capitalize on:

- A. Increasing costs
- B. Cheap labor**
- C. Larger markets
- D. Higher purchasing power

*Difficulty: Medium*

69. (p. 55) Low-paid workers in India and Asian countries now are being given subcontracted work such as:

- A. Insurance jobs
- B. Auto industry jobs
- C. Labor-intensive hardware development
- D. Code-writing jobs**

*Difficulty: Medium*

70. (p. 55) According to the text, a positive side of the opportunities that technology offers would be:

- A. Decline in the cost of doing business worldwide**
- B. Price rise due to cost of equipments
- C. Elimination of higher-priced labor
- D. Replacement of employees by machines

*Difficulty: Easy*



**Essay Questions**

71. (p. 40-41) What is totalitarianism? Identify its features and forms.

Totalitarianism refers to a political system in which there is only one representative party which exhibits control over every facet of political and human life. Power is often maintained by suppression of opposition, which can be violent in nature. Media censorship, political repression and denial of rights and civil liberties are dominant ideals. Since only one party within each entity exists, there are many forms of totalitarian government. Other forms of totalitarianism exhibit some form of oppression as well. Parties or individuals that govern an entity based on religious principles will ultimately oppress religious and political expression of its citizens. One final consideration of a totalitarian system is that in which some freedoms may exist. This form has been referred to as right-wing totalitarianism, where some economic freedoms may exist, but there is still a limitation on political freedom. This structure allows for economic freedom because otherwise it is believed that complete oppression will give rise to communism. While it directly opposes socialist and communist ideas, this form of ruling may gain power and support from the military, often in the form of a military leader imposing a government "for the good of the people". This results in military officers filling most government positions.

*Difficulty: Hard*

72. (p. 42) What are the four foundations upon which laws are based around the world? Briefly explain each foundation.

The four foundations upon which laws are based around the world are as follows: Islamic law, Socialist law, Common law and Civil or code law. Islamic law is derived from interpretation of the Qur'an and the teachings of the Prophet Mohammed. It is found in most Islamic countries in the Middle East and Central Asia. Socialist law comes from the Marxist socialist system and continues to influence regulations in former communist countries, especially those from the former Soviet Union, as well as present-day China, Vietnam, North Korea and Cuba. Common law comes from English law and it is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand and others. Civil or code law is derived from Roman law and is found in the non-Islamic and nonsocialist countries such as France, some countries in Latin America and even Louisiana in the United States.

*Difficulty: Hard*

73. (p. 42) What jurisdictional principles are given by International Law?

International law provides for three types of jurisdictional principles. The first is the nationality principle, which holds that every country has jurisdiction (authority or power) over its citizens no matter where they are located. Therefore, a U.S. manager who violates the American Foreign Corrupt Practices Act while traveling abroad can be found guilty in the United States. The second is the territoriality principle, which holds that every nation has the right of jurisdiction within its legal territory. Therefore, a German firm that sells a defective product in England can be sued under English law even though the company is headquartered outside England. The third is the protective principle, which holds that every country has jurisdiction over behavior that adversely affects its national security, even if that conduct occurred outside the country. Therefore, a French firm that sells secret U.S. government blueprints for a satellite system can be subjected to U.S. laws.

*Difficulty: Medium*

74. (p. 43) Describe the Foreign Corrupt Practices Act. What were the objectives of the FCPA?

The Foreign Corrupt Practices Act (FCPA) makes it illegal to influence foreign officials through personal payments or political contributions. The objectives of the FCPA were to stop U.S. MNCs from initiating or perpetuating corruption in foreign governments and to upgrade the image of both the United States and its businesses abroad.

*Difficulty: Medium*

Chapter 02 - The Political, Legal, and Technological Environment

75. (p. 51-52) What is biotechnology? Discuss some of the areas in which it has been used and is likely to be used.

Biotechnology is the integration of science and technology, but more specifically it is the creation of agricultural or medical products through industrial use and manipulation of living organisms. One area in which it has been used is medicine. While pharmaceutical companies mainly manufacture drugs through a process similar to that of organic chemistry, biotech companies attempt to discover genetic abnormalities or medicinal solutions through exploring organisms at the molecular level or formulating compounds from inorganic materials that mirror organic substances. Another aspect of biotech research is geared toward agriculture. Demand for ethanol in the United States is on the rise due to questionable future oil supplies, which has shifted the focus to corn. Using corn as a fuel alternative will not only increase the cost of the good but also create an imbalance between consumable corn and stock used for biofuel. Apart from crops, the meat industry can also benefit from this process. The outbreak of mad cow disease in Great Britain sparked concern when evidence of the disease spread throughout Western Europe; however, the collaborative work of researchers in the United States and Japan may have engineered a solution to the problem by eliminating the gene which is the predecessor to making the animal susceptible to this ailment. Hunger and poor health care is a worldwide issue and advancement in global biotechnology is working to raise the standards.

*Difficulty: Medium*