

Global Business Today, 11e (Hill)

Chapter 1 Globalization

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

Answer: FALSE

Explanation: Over the past five decades, a fundamental shift has been occurring in the world economy. We have been moving away from a world in which national economies were relatively self-contained entities, isolated from each other by barriers to cross-border trade and investment; by distance, time zones, and language; and by national differences in government regulation, culture, and business systems.

Difficulty: 1 Easy

Topic: What is Globalization?

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

2) To truly benefit from globalization, a firm needs to be a multinational conglomerate rather than a small or mid-size company.

Answer: FALSE

Explanation: A company does not have to be the size of a multinational giant to benefit from globalization. Currently, small and medium-size companies account for 33 percent of the value of U.S. exports of manufactured goods.

Difficulty: 1 Easy

Topic: What is Globalization?

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

3) In today's marketplace, outsourcing efforts are confined to manufacturing activities.

Answer: FALSE

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

Difficulty: 1 Easy

Topic: What is Globalization?

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

Bloom's: Understand

AACSB: Analytical Thinking

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

Answer: TRUE

Explanation: Over the past half century, a number of important global institutions have been created to help manage, regulate, and police the global marketplace and to promote the establishment of multinational treaties to govern the global business system. These include the General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO); the International Monetary Fund (IMF) and its sister institution, the World Bank; and the United Nations (UN). All these institutions were created by voluntary agreement between individual nation-states, and their functions are enshrined in international treaties.

Difficulty: 1 Easy

Topic: Various Types of Institutions in Global Business

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

5) The WTO polices the world trading system, and without this organization, the globalization of markets might not be where it is today.

Answer: TRUE

Explanation: The WTO is primarily responsible for policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties signed by WTO member states. Without an institution such as the WTO, the globalization of markets and production is unlikely to have proceeded as far as it has.

Difficulty: 1 Easy

Topic: Various Types of Institutions in Global Business

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

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

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

Answer: TRUE

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

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

7) The retaliatory trade policies of the 1920s and 1930s contributed to the Great Depression.

Answer: TRUE

Explanation: Many of the barriers to international trade in the 1920s and 1930s took the form of high tariffs on imports of manufactured goods. The typical aim of such tariffs was to protect domestic industries from foreign competition. One consequence, however, was "beggar thy neighbor" retaliatory trade policies, with countries progressively raising trade barriers against each other. Ultimately, this depressed world demand and contributed to the Great Depression of the 1930s.

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

8) The Uruguay Round extended GATT to cover services as well as manufactured goods.

Answer: TRUE

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

9) Enhanced protection for patents and trademarks was one focus of the Uruguay Round.

Answer: TRUE

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

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

10) The lowering of trade and investment barriers creates more opportunities for companies to have the world as their market.

Answer: TRUE

Explanation: The lowering of trade and investment barriers allows firms to view the world, rather than a single country, as their market.

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

11) In recent years, the economies of the world's nation-states have become less intertwined as a result of international trade.

Answer: FALSE

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

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

12) The United Nations created the Millennium Development Goals to increase the number of entrepreneurial activities around the world.

Answer: FALSE

Explanation: In 2000, the United Nations established the Millennium Development Goals to reduce the number of people who live in extreme poverty by 2015.

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: TRUE

Explanation: In economic terms, the most important major innovations in transportation technology are probably the development of commercial jet aircraft and superfreighters and the introduction of containerization, which simplifies transshipment from one mode of transport to another. Containerization has revolutionized the transportation business, significantly lowering the costs of shipping goods over long distances.

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

14) Moore's law helps determine the most appropriate transportation method for a produced good.

Answer: FALSE

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

15) During the 1960s, centrally planned economies associated with the communist world became open to Western international businesses.

Answer: FALSE

Explanation: Half a century ago, four facts described the demographics of the global economy. The first was U.S. dominance in the world economy and world trade picture. The second was U.S. dominance in world foreign direct investment. Related to this, the third fact was the dominance of large, multinational U.S. firms on the international business scene. The fourth was that roughly half the globe—the centrally planned economies of the communist world—was off-limits to Western international businesses. All four of these facts have changed rapidly.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: TRUE

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

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: TRUE

Explanation: Throughout the 1990s, the amount of investment directed at both developed and developing nations increased dramatically, a trend that reflects the increasing internationalization of business corporations.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

18) A domestic enterprise is any business that has productive activities in at least two countries.

Answer: FALSE

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

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

19) Today, many of the former communist nations of Europe and Asia seem to share a commitment to democratic policies and free market economies.

Answer: TRUE

Explanation: Many of the former communist nations of Europe and Asia seem to share a commitment to democratic policies and free market economies. For half a century, these countries were essentially closed to Western international businesses. Now, they present a host of export and investment opportunities.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

20) The amount of foreign direct investment in China has been decreasing since the 1980s.

Answer: FALSE

Explanation: Between 1983 and today, annual foreign direct investment in China increased from less than \$2 billion to \$250 billion annually.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

21) According to many influential economists, the increase in international trade and cross-border investment will result in an increase in the prices of goods and services.

Answer: FALSE

Explanation: Many influential economists, politicians, and business leaders seem to think that the shift toward a more integrated and interdependent global economy is a good thing. They say increased international trade and cross-border investment will result in lower prices for goods and services.

Difficulty: 1 Easy

Topic: The Globalization Debate

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

22) One criticism of globalization is that falling trade barriers encourage companies to locate manufacturing activities in another country to take advantage of lower wage rates.

Answer: TRUE

Explanation: One concern frequently voiced by globalization opponents is that falling barriers to international trade destroy manufacturing jobs in wealthy advanced economies such as the United States and Western Europe. Critics argue that falling trade barriers allow firms to move manufacturing activities to countries where wage rates are much lower.

Difficulty: 1 Easy

Topic: The Globalization Debate

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

Bloom's: Remember

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

23) A firm has to become a multinational enterprise to engage in international business.

Answer: FALSE

Explanation: An international business is any firm that engages in international trade or investment. A firm does not have to become a multinational enterprise, investing directly in operations in other countries, to engage in international business, although multinational enterprises are international businesses.

Difficulty: 1 Easy

Topic: Challenges and Opportunities Created by Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

24) The range of problems that a manager in an international business faces is typically more complex than those faced by a manager in a domestic business.

Answer: TRUE

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

Difficulty: 2 Medium

Topic: Challenges and Opportunities Created by Globalization

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

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

25) As a result of globalization, international businesses can avoid the hassle of currency exchanges during cross-border transactions.

Answer: FALSE

Explanation: Cross-border transactions require that money be converted from the firm's home currency into a foreign currency and vice versa. Because currency exchange rates vary in response to changing economic conditions, managers in an international business must develop policies for dealing with exchange rate movements.

Difficulty: 2 Medium

Topic: Challenges and Opportunities Created by Globalization

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

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

- 26) Many believe that globalization has created a convergence in
- A) the volume of goods and services produced.
 - B) foreign exchange transaction law.
 - C) environmental and labor laws.
 - D) consumer taste preferences.
 - E) the regulation of markets.

Answer: D

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

Difficulty: 2 Medium

Topic: What is Globalization?

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 27) What is the shift toward a more integrated and interdependent world economy called?
- A) international trade
 - B) foreign direct investment
 - C) globalization
 - D) Moore's Law
 - E) containerization

Answer: C

Explanation: Globalization refers to the shift toward a more integrated and interdependent world economy. Globalization has several facets, including the globalization of markets and the globalization of production.

Difficulty: 1 Easy

Topic: What is Globalization?

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

28) Fast food chain restaurants promote different menu choices in different countries depending on a range of factors such as demographics, local taste, income levels, and cultural values. This demonstrates that

- A) significant differences still exist among national markets.
- B) cultural diversity has been replaced by global uniformity.
- C) the global market is less complex than national markets.
- D) only multinational giants can benefit from the globalization of markets.
- E) the social norms in a country do not affect purchase decisions of consumers.

Answer: A

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

Difficulty: 3 Hard

Topic: What is Globalization?

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

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

29) What statement best supports the claim that greater uniformity replaces diversity in the context of global markets?

A) Differences in business systems and legal regulations lead companies to customize their marketing strategies, product features, and operating practices to best match conditions in a particular country.

B) As rival global firms follow each other across countries, they bring with them their brand names, products, and marketing strategies from other national markets, thus creating some homogeneity across markets.

C) Truly innovative companies succeed by developing products that serve specific needs of the local markets.

D) The volume of goods, services, and investment crossing national borders has expanded at a slower rate than world output for more than half a century.

E) The most global of markets are not typically markets for consumer products, as significant differences in consumer tastes and preferences still exist among national markets.

Answer: B

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

Difficulty: 2 Medium

Topic: What is Globalization?

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

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

30) Agri-Corp manufactures large farm implements and currently sources component parts for these large machines from fifteen different companies around globe. They use these sources to take advantage of lower costs. This demonstrates the idea of

A) globalization of markets.

B) containerization of production.

C) dispersal of production.

D) globalization of production.

E) industrialization of markets.

Answer: D

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

Difficulty: 3 Hard

Topic: What is Globalization?

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

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

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

Answer: A

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

Difficulty: 3 Hard

Topic: What is Globalization?

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

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

- 32) West Electronic Corporation sources goods and services for its electronics products from different locations around the globe in an attempt to take advantage of differences in the cost and quality of labor and land. This practice is an example of the
- A) globalization of production.
 - B) globalization of markets.
 - C) dislocation of a developing nation's economy.
 - D) restriction on foreign direct investment.
 - E) regulation of the environment

Answer: A

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

Difficulty: 2 Medium

Topic: What is Globalization?

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

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

33) The labor, energy, land, and capital a country relies on to source goods and services are known as

- A) trade tariffs.
- B) the globalization of markets.
- C) the marketing mix.
- D) the globalization of production.
- E) factors of production.

Answer: E

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

Difficulty: 1 Easy

Topic: What is Globalization?

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

34) During early globalization efforts, outsourcing was typically confined to _____ activities.

- A) marketing
- B) financial
- C) legal
- D) manufacturing
- E) service

Answer: D

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

Difficulty: 2 Medium

Topic: What is Globalization?

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

35) Which global institution has focused on making low-interest loans to governments in poor nations that want to make significant infrastructure investments such as building a road or a bridge?

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

Answer: B

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

Difficulty: 2 Medium

Topic: Various Types of Institutions in Global Business

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

36) Countries that receive loans from the IMF are required to

- A) become a member of the United Nations.
- B) allow developed nations to create businesses in their country.
- C) enforce a democratic government.
- D) use the funds to help individual citizens.
- E) adopt specific economic policies to attain stabilization.

Answer: E

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

Difficulty: 2 Medium

Topic: Various Types of Institutions in Global Business

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 37) According to the UN Charter, one of the four purposes of the UN is to
- A) be a center for harmonizing the actions of nations.
 - B) encourage high tariffs on imports of manufactured goods.
 - C) provide enhanced protection for patents.
 - D) promote the establishment of multinational treaties.
 - E) facilitate globalization of production.

Answer: A

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

Difficulty: 2 Medium

Topic: Various Types of Institutions in Global Business

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 38) A macro factor underlying the trend toward greater globalization is the
- A) rise of communism across the globe.
 - B) increase in nationalization of private organizations.
 - C) increase in diversity in consumer tastes and preferences.
 - D) increase in trade regulations across the globe.
 - E) dramatic developments in information processing and other technologies.

Answer: E

Explanation: Two macro factors underlie the trend toward greater globalization. The first is the decline in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II. The second factor is technological change, particularly the dramatic developments in recent decades in communication, information processing, and transportation technologies.

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

39) Which scenario best demonstrates foreign direct investment?

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

Answer: B

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

40) Savvy Skin Care, a U.S.-based beauty products manufacturer, has set up a manufacturing plant in Hong Kong. This is an example of

- A) foreign direct investment.
- B) international trade.
- C) exporting.
- D) global rivalry.
- E) the globalization of markets.

Answer: A

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

41) Michelle, an Italian fashion designer, sells her merchandise by exporting it to retail stores in the United States, United Kingdom, and Brazil. According to this information, Michelle is participating in

- A) foreign direct investment.
- B) globalization of production.
- C) international trade.
- D) multinational enterprise.
- E) outsourcing.

Answer: C

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

42) For foreign direct investment (FDI) to occur, a firm should primarily

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

Answer: B

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

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

43) Why did many nations impose high tariffs on imports of manufactured goods prior to World War II?

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

Answer: A

Explanation: During the 1920s and 1930s, many of the world's nation-states erected formidable barriers to international trade and foreign direct investment. Many of the barriers to international trade took the form of high tariffs on imports of manufactured goods. The typical aim of such tariffs was to protect domestic industries from foreign competition.

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

44) The main goal of GATT was to

- A) limit foreign competition.
- B) make loans to struggling nations.
- C) increase domestic competition.
- D) privatize state-owned organizations.
- E) reduce trade barriers.

Answer: E

Explanation: Having learned from this experience, the advanced industrial nations of the West committed themselves after World War II to progressively reducing barriers to the free flow of goods, services, and capital among nations. This goal was enshrined in the General Agreement on Tariffs and Trade.

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 45) One result of the Uruguay Round was
- A) increased trade and investment barriers.
 - B) excluding the trade of services from international trade.
 - C) transforming the World Trade Organization into GATT.
 - D) enhanced protection for patents, trademarks, and copyrights.
 - E) promoting the worldwide rise of communism.

Answer: D

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 46) What is implied by the fact that in today's marketplace, the volume of world trade has been growing faster than world GDP?
- A) More companies are relying on domestic firms to obtain parts of their production process.
 - B) The economies of the world's nation-states are becoming less intertwined.
 - C) More companies are dispersing parts of their production process to locations around the globe.
 - D) The world has experienced a loss of overall wealth in the last two decades.
 - E) More countries are imposing trade barriers to minimize competition.

Answer: C

Explanation: The fact that the volume of world trade has been growing faster than world GDP implies several things. First, more firms are doing what Boeing does with the 777 and 787 models: dispersing parts of their production process to different locations around the globe to drive down production costs and increase product quality. Second, the economies of the world's nation-states are becoming ever more intertwined. As trade expands, nations are becoming increasingly dependent on each other for important goods and services. Third, the world has become significantly wealthier in the last two decades. The implication is that rising trade is the engine that has helped pull the global economy along.

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

47) While the lowering of trade barriers made globalization of markets and production a theoretical possibility, what has made it a tangible reality?

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

Answer: A

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

48) Gerald bought his son, David, a computer two years ago. Recently, he decided to buy his daughter, Julian, a computer of her own. When applying Moore's Law to the two-year gap between the purchase of the computers, it is most likely that

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

Answer: D

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

49) Sharron purchased a computer for \$500 in 2018. Compared to the \$900 computer that she purchased in 2011, the new one seems better in terms of the price she has paid and the power of the microprocessor technology. This is best explained by

- A) product liability.
- B) property rights.
- C) Moore's law.
- D) purchasing power parity.
- E) sustainable strategies.

Answer: C

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

50) Connor assured his foreign counterpart that the items would be shipped from St. Louis, Missouri, and arrive in about ten days to Lisbon, Portugal because the parts would stay in the same packing crate and be lifted directly from the truck onto the airplane rather than having to be repackaged. What innovation is Connor referring to?

- A) logistics
- B) communication
- C) containerization
- D) sustainability
- E) customization

Answer: C

Explanation: Containerization has revolutionized the transportation business, significantly lowering the costs of shipping goods over long distances. In economic terms, the most important are probably the development of commercial jet aircraft and superfreighters and the introduction of *containerization*, which simplifies transshipment from one mode of transport to another.

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

51) What country has seen a relative decline in its share of world output between 1960 and 2018?

- A) United States
- B) Brazil
- C) Thailand
- D) China
- E) South Korea

Answer: A

Explanation: In the early 1960s, the United States was still by far the world's dominant industrial power. In 1960, the United States accounted for 38.3 percent of world output, measured by gross domestic product (GDP). By 2018, the United States accounted for 15.8 percent of world output, still the world's largest industrial and commercial power but down significantly in relative size. Of course, the change in the U.S. position was not an absolute decline because the U.S. economy grew significantly between 1960 and 2018 (the economies of Germany, France, Italy, the United Kingdom, and Canada also grew during this time). Rather, it was a relative decline, reflecting the faster economic growth of several other economies, particularly China as well as several other nations in Asia.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

52) Which statement reflects the changing demographics of the global economy?

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

Answer: A

Explanation: Over the past 30 years, U.S. dominance in export markets has waned as Japan, Germany, and a number of newly industrialized countries such as

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

- 53) The change in the United States' position as a dominant industrial power is characterized as a relative decline because it
- A) is the direct result of an isolationism policy.
 - B) doesn't account for entrepreneurial activity.
 - C) actually increased compared to some other developed nations.
 - D) accounts for the production of goods and services.
 - E) reflects the faster economic growth of several other economies.

Answer: E

Explanation: Of course, the change in the U.S. position was not an absolute decline because the U.S. economy grew significantly between 1960 and 2018 (the economies of Germany, France, Italy, the United Kingdom, and Canada also grew during this time). Rather, it was a relative decline, reflecting the faster economic growth of several other economies, particularly China as well as several other nations in Asia.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 54) A positive economic change from 1960 to 2018 was seen in the
- A) growth of the centrally planned economies of the communist world.
 - B) U.S. position in the world economy and world trade picture.
 - C) share of world output enjoyed by rich industrialized countries such as Great Britain, Germany, and France.
 - D) share of world output accounted for by developing nations.
 - E) prevalence of independent and self-contained national economies.

Answer: D

Explanation: In 1960, the United States accounted for 38.3 percent of world output, measured by gross domestic product (GDP). By 2018, the United States accounted for 15.8 percent of world output, down significantly in relative size. The United States was not the only developed nation to see its relative standing slip. The same occurred to Germany, France, and the United Kingdom—all nations that were among the first to industrialize. This change in the U.S. position was not an absolute decline. Rather, it was a relative decline, reflecting the faster economic growth of several other economies, particularly in Asia.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

55) Due to the changing economic geography, many of tomorrow's economic opportunities are most likely to be found in the

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

Answer: D

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

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

56) When trade barriers began to fall, what was the motivation for much of the foreign direct investment by non-U.S. firms?

- A) desire to disperse production activities to optimal locations
- B) need to suppress emerging economies such as China, India, and Brazil
- C) demand for skilled workers in foreign nations
- D) lack of adequate environmental regulations
- E) establishment of multinational treaties

Answer: A

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

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 57) The stock of foreign direct investment refers to
- A) the purchasing power associated with current investments.
 - B) the ability to leverage FDI when negotiating with a foreign entity.
 - C) the total cumulative value of foreign investments as a percentage of a country's GDP.
 - D) the value of foreign investment when accounting for tariffs and other government-imposed costs.
 - E) the number of foreign investments a company has compared to the number of domestic investments.

Answer: C

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

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 58) Silver Fire Electric Inc., a U.S.-based company, has productive activities in more than two countries. Silver Fire Electric is what type of enterprise?

- A) state-owned
- B) universal
- C) private
- D) multinational
- E) public

Answer: D

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

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

59) Kellen's Karpets is headquartered in Las Vegas, Nevada, and has production plants in Mexico and Indonesia. Kellen's Karpets is an example of

- A) an acquisition.
- B) a multinational enterprise.
- C) a factor endowment.
- D) a global trader.
- E) a domestic company.

Answer: B

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

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

60) What are mini-multinationals?

- A) multinational firms from relatively small countries in terms of area
- B) multinationals from the developing nations of the world
- C) multinational firms that operate in only one foreign country
- D) medium- and small-size multinationals
- E) subsidiaries of large multinationals in foreign countries

Answer: D

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

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 61) One advancement that has lowered the barriers many small firms face when building international sales is
- A) containerization.
 - B) JIT inventory systems.
 - C) government-imposed quotas.
 - D) air and railway systems.
 - E) the Internet.

Answer: E

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

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 62) Royal Teas, a U.K.-based company employing just 30 people worldwide, generates \$1.5 million in revenues of which 60 percent comes from exports to Asian countries. Royal Teas is most likely classified as a
- A) large domestic firm.
 - B) mini-multinational firm.
 - C) greenfield firm.
 - D) foreign firm.
 - E) multinational giant.

Answer: B

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

Difficulty: 3 Hard

Topic: The Changing Nature of the Global Economy

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

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

63) What is acting as a deterrent for foreign firms willing to do business with former communist nations of Eastern Europe and central Asia?

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

Answer: B

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

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

64) What is an accurate characterization of the role of international business investments in Latin America today?

- A) Foreign investment by Western international business is frowned upon.
- B) Debt and inflation are down and foreign investment is welcomed.
- C) Latin America is plagued with low growth, high debt, and hyperinflation which discourages investment.
- D) Latin American governments are purchasing businesses from private investors.
- E) There are fewer opportunities for investment because of communist rule.

Answer: B

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

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

65) What country in Latin America has seen a significant expansion in their economy in the past two decades?

- A) Argentina
- B) Peru
- C) Chile
- D) Paraguay
- E) Panama

Answer: C

Explanation: In the past two decades, much of this has changed. Throughout most of Latin America, debt and inflation are down, governments have sold state-owned enterprises to private investors, foreign investment is welcomed, and the region's economies have expanded. Brazil, Mexico, and Chile have led the way. These changes have increased the attractiveness of Latin America, both as a market for exports and as a site for foreign direct investment.

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

66) Which statement is a general implication of globalization?

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

Answer: E

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

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

67) An argument in support of the falling barriers to international trade and investment is that the falling barriers

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

Answer: B

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

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

68) Opponents to globalization believe that when U.S. companies outsource service activities, such as call centers, to a lower-cost foreign supplier, it results in

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

Answer: B

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

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

69) According to globalization opponents, what has increased in wealthy advanced economies as a result of globalization?

- A) unemployment
- B) price of goods and services
- C) demand for unskilled workers
- D) standard of living
- E) income equality

Answer: A

Explanation: One concern frequently voiced by globalization opponents is that falling barriers to international trade destroy manufacturing jobs in wealthy advanced economies such as the United States and western Europe. In the past few years, the same fears have been applied to services, which have increasingly been outsourced to nations with lower labor costs. The popular feeling is that when corporations such as Dell, IBM, or Citigroup outsource service activities to lower-cost foreign suppliers—as all three have done—they are "exporting jobs" to low-wage nations and contributing to higher unemployment and lower living standards in their home nations (in this case, the United States).

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

70) Those who support globalization recognize that while some concessions occur during the process of globalization, ultimately, it still works because

- A) all retaliatory trade policies have been eliminated.
- B) the benefits outweigh the costs.
- C) democratic governments follow this pattern.
- D) the costs affect very few people.
- E) nations need to import goods they are efficient at producing.

Answer: B

Explanation: Supporters of globalization reply that critics of these trends miss the essential point about free trade agreements—the benefits outweigh the costs. They argue that free trade will result in countries specializing in the production of those goods and services that they can produce most efficiently, while importing goods and services that they cannot produce as efficiently.

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

71) Globalization critics argue that the decline in unskilled wage rates in advanced economies is due to the

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

Answer: A

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

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

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

Answer: A

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

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

73) Clean Chemical Corp. recently moved its operations from Houston, Texas, to Somalia. The decision to move was the result of new federal regulations regarding clean air standards that all chemical corporations are subjected to. A critic of globalization would say this example demonstrates what concern?

- A) Free trade discourages firms from advanced nations to move manufacturing facilities to less developed countries.
- B) Facilities in advanced nations are moving to less developed countries that have lower environmental regulations.
- C) Manufacturing enterprises are put at a competitive disadvantage by moving their production facilities to nations that do not have burdensome regulations.
- D) As countries get richer, they relax their environmental and labor regulations.
- E) More countries are working to meet the strict environmental standards set by the U.S. government.

Answer: B

Explanation: Globalization critics often argue that adhering to labor and environmental regulations significantly increases the costs of manufacturing enterprises and puts them at a competitive disadvantage in the global marketplace vis-à-vis firms based in developing nations that do not have to comply with such regulations. A source of concern is that free trade encourages firms from advanced nations to move manufacturing facilities to less developed countries that lack adequate regulations to protect labor and the environment from abuse by the unscrupulous.

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

74) The North American Free Trade Agreement (NAFTA) was formed in 1994 among

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

Answer: A

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

Difficulty: 1 Easy

Topic: The Globalization Debate

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

75) A supporter of globalization would agree that

- A) environmental regulations need to be standardized around the world to equalize the economy.
- B) free trade agreements should be tied to higher environmental standards.
- C) tougher environmental regulations ultimately result in economic progress.
- D) a lack of environmental standards results in more job opportunities in developed nations.
- E) stricter labor standards eventually result in an economic downturn.

Answer: C

Explanation: Supporters argue that tougher environmental regulations and stricter labor standards go hand in hand with economic progress. In general, as countries get richer, they enact tougher environmental and labor regulations.

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

76) Econometric studies show a hump-shaped relationship between income levels and pollution levels. Which of these statements reflects that relationship?

- A) As an economy grows and income levels rise, initially pollution levels also rise.
- B) Decreasing income levels lead to an increase in pollution levels.
- C) As an economy grows, pollution levels show a constant increase.
- D) Economies that are in turmoil reflect pollution levels that are diminishing.
- E) Income levels do not have any correlation with pollution levels.

Answer: A

Explanation: As an economy grows and income levels rise, initially pollution levels also rise. However, past some point, rising income levels lead to demands for greater environmental protection, and pollution levels then fall.

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 77) A concern voiced by critics of globalization is that today's increasingly interdependent global economy shifts economic power toward
- A) supranational organizations such as the World Trade Organization.
 - B) the communist states of eastern Europe and central Asia.
 - C) the medium-size and small U.S. multinationals.
 - D) the national governments of the countries participating in globalization.
 - E) nations that have authoritarian forms of government.

Answer: A

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

Difficulty: 1 Easy

Topic: The Globalization Debate

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 78) The WTO arbitrates trade disputes between its member states. What is one power of particular interest that the WTO can use?
- A) It can restrict the membership of nations in other supranational organizations such as the United Nations.
 - B) It can grant loans to cash-strapped governments in poor nations.
 - C) It supersedes IMF and has complete authority over IMF's actions.
 - D) It can issue a ruling instructing a member state to change trade policies that violate GATT regulations.
 - E) It can make decisions related to international trade without considering the collective interests of member states.

Answer: D

Explanation: The WTO arbitrates trade disputes between its 164 member states. The arbitration panel of the WTO can issue a ruling instructing a member state to change trade policies that violate GATT regulations. If the violator refuses to comply with the ruling, the WTO allows other states to impose appropriate trade sanctions on the transgressor.

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

79) When compared to the past, the gap between rich and poor nations today has

- A) shown no significant change
- B) gotten bigger.
- C) become inexistent.
- D) become balanced.
- E) gotten smaller.

Answer: B

Explanation: Critics of globalization argue that despite the supposed benefits associated with free trade and investment, over the past 100 years or so the gap between the rich and poor nations of the world has gotten wider. In 2019, the 34 member states of the Organisation for Economic Co-operation and Development (OECD), which includes most of the world's rich economies, had an average gross national income (GNI) per person of more than \$40,000, whereas the world's 40 least developed countries had a GNI of under \$1,000 per capita—implying that income per capita in the world's 34 richest nations was 40 times that in the world's 40 poorest.

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

80) Free trade alone, some argue, is a necessary but not sufficient prerequisite to help "highly indebted poorer countries" (HIPCs) bootstrap themselves out of poverty. They also recommend implementing

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

Answer: D

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

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

81) One suggestion for helping poor countries enjoy the benefits of free trade is for richer nations to reduce barriers to importing products from those nations particularly for textiles and _____ products.

- A) electronic
- B) agricultural
- C) service
- D) financial
- E) manufacturing

Answer: B

Explanation: The richest nations of the world also can help by reducing barriers to the importation of products from the world's poorest nations, particularly tariffs on imports of agricultural products and textiles. High-tariff barriers and other impediments to trade make it difficult for poor countries to export more of their agricultural production.

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

82) The minimum that a firm has to do to engage in international business is to

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

Answer: A

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

Difficulty: 2 Medium

Topic: Challenges and Opportunities Created by Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

83) Sun-Jun is the executive general manager of a U.S.-based multinational corporation. Marisol is a manager in a similar position but works for an American company that operates only in the U.S. and does not engage in international business. In this context, which business function will be most typically exclusive to Sun-Jun?

- A) marketing a product or service
- B) maintaining healthy relations with the U.S. government
- C) developing a business strategy
- D) adhering to labor and environmental standards
- E) choosing an appropriate mode for entering a particular foreign country

Answer: E

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

Difficulty: 3 Hard

Topic: Understanding the Differences Between International and Domestic Business

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

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

84) What is globalization? Explain, with examples, how global companies can facilitate the creation of a global market.

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

Difficulty: 2 Medium

Topic: What is Globalization?

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

85) Discuss how small- and medium-size firms can benefit from the globalization of markets.

Answer: A company does not have to be the size of these multinational giants to facilitate, and benefit from, the globalization of markets. In the United States, for example, according to the International Trade Administration, more than 300,000 small- and medium-size firms with fewer than 500 employees export, accounting for 98 percent of the companies that export. More generally, exports from small- and medium-size companies account for 33 percent of the value of U.S. exports of manufactured goods. Typical of these is B&S Aircraft Alloys, a New York company whose exports account for 40 percent of its \$8 million annual revenues. The situation is similar in several other nations. For example, in Germany, a staggering 98 percent of small and midsize companies have exposure to international markets, via either exports or international production. Since 2009, China has been the world's largest exporter, sending more than \$2 trillion worth of products and services last year to the rest of the world.

Difficulty: 2 Medium

Topic: What is Globalization?

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

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

86) What are the roles of the International Monetary Fund (IMF) and the World Bank? Which of these institutions is more controversial? Why?

Answer: The International Monetary Fund (IMF) and the World Bank were both created in 1944 by 44 nations that met at Bretton Woods, New Hampshire. The IMF was established to maintain order in the international monetary system; the World Bank was set up to promote economic development. The IMF is the more controversial of the two sister institutions. The IMF is often seen as the lender of last resort to nation-states whose economies are in turmoil and whose currencies are losing value against those of other nations. IMF loans come with strings attached, however; in return for loans, the IMF requires nation-states to adopt specific economic policies aimed at returning their troubled economies to stability and growth. These requirements have sparked controversy. Some critics charge that the IMF's policy recommendations are often inappropriate; others maintain that by telling national governments what economic policies they must adopt, the IMF is usurping the sovereignty of nation-states. On the other hand, the World Bank has focused on making low-interest loans to cash-strapped governments in poor nations that wish to undertake significant infrastructure investments (such as building dams or roads).

Difficulty: 2 Medium

Topic: Various Types of Institutions in Global Business

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

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

87) Discuss the role of the United Nations and explain the four purposes of the organization.

Answer: The United Nations (UN) was established October 24, 1945, by 51 countries committed to preserving peace through international cooperation and collective security. Today, nearly every nation in the world belongs to the United Nations; membership now totals 193 countries. When states become members of the United Nations, they agree to accept the obligations of the UN Charter, an international treaty that establishes basic principles of international relations. According to the charter, the UN has four purposes: to maintain international peace and security, to develop friendly relations among nations, to cooperate in solving international problems and in promoting respect for human rights, and to be a center for harmonizing the actions of nations. Although the UN is perhaps best known for its peacekeeping role, one of the organization's central mandates is the promotion of higher standards of living, full employment, and conditions of economic and social progress and development—all issues that are central to the creation of a vibrant global economy. As much as 70 percent of the work of the UN system is devoted to accomplishing this mandate. To do so, the UN works closely with other international institutions such as the World Bank. Guiding the work is the belief that eradicating poverty and improving the well-being of people everywhere are necessary steps in creating conditions for lasting world peace.

Difficulty: 2 Medium

Topic: Various Types of Institutions in Global Business

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

88) Explain the factors that led to the Great Depression of the 1930s.

Answer: During the 1920s and 1930s, many of the world's nation-states erected formidable barriers to international trade and foreign direct investment. Many of the barriers to international trade took the form of high tariffs on imports of manufactured goods. The typical aim of such tariffs was to protect domestic industries from foreign competition. One consequence, however, was "beggar thy neighbor" retaliatory trade policies, with countries progressively raising trade barriers against each other. Ultimately, this depressed world demand and contributed to the Great Depression of the 1930s.

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

89) Describe the implications that result as the volume of world trade continues to grow faster than world GDP.

Answer: The fact that the volume of world trade has been growing faster than world GDP implies several things. First, more firms are doing what Boeing does with the 777 and 787: dispersing parts of their production process to different locations around the globe to drive down production costs and increase product quality. Second, the economies of the world's nation-states are becoming ever more intertwined. As trade expands, nations are becoming increasingly dependent on each other for important goods and services. Third, the world has become significantly wealthier in the last two decades. The implication is that rising trade is the engine that has helped pull the global economy along.

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

90) Briefly discuss the ways in which technological change has affected globalization.

Answer: The lowering of trade barriers made globalization of markets and production a theoretical possibility. Technological change has made it a tangible reality. Since the end of World War II, the world has seen major advances in communication, information processing, and transportation technology, including the explosive emergence of the Internet.

Over the past 30 years, global communications have been revolutionized by developments in satellite, optical fiber, wireless technologies, and the Internet. These technologies rely on the microprocessor to encode, transmit, and decode the vast amount of information that flows along these electronic highways.

Viewed globally, the Internet has emerged as an equalizer. It rolls back some of the constraints of location, scale, and time zones. The Internet makes it much easier for buyers and sellers to find each other, wherever they may be located and whatever their size. It allows businesses, both small and large, to expand their global presence at a lower cost than ever before. Just as important, it enables enterprises to coordinate and control a globally dispersed production system in a way that was not possible 25 years ago.

In economic terms, the most important are probably the development of commercial jet aircraft and superfreighters and the introduction of containerization, which simplifies transshipment from one mode of transport to another. Containerization has revolutionized the transportation business, significantly lowering the costs of shipping goods over long distances.

Difficulty: 3 Hard

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

91) Define containerization and explain how it has changed the way goods are transported around the world.

Answer: In addition to developments in communications technology, several major innovations in transportation technology have occurred since the 1950s. In economic terms, the most important are probably the development of commercial jet aircraft and superfreighters and the introduction of *containerization*, which simplifies transshipment from one mode of transport to another. Containerization has revolutionized the transportation business, significantly lowering the costs of shipping goods over long distances. Because the international shipping industry is responsible for carrying about 90 percent of the *volume* of world trade in goods, this has been an extremely important development. Before the advent of containerization, moving goods from one mode of transport to another was very labor intensive, lengthy, and costly. It could take days and several hundred longshore workers to unload a ship and reload goods onto trucks and trains. With the advent of widespread containerization in the 1970s and 1980s, the whole process can now be executed by a handful of longshore workers in a couple of days. As a result of the efficiency gains associated with containerization, transportation costs have plummeted, making it much more economical to ship goods around the globe, thereby helping drive the globalization of markets and production.

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

92) In the context of international trade and investment, describe how the former communist nations of Europe and Asia have been changing.

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

Difficulty: 3 Hard

Topic: The Changing Nature of the Global Economy

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

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

93) Elaborate on why globalization is not inevitable.

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

Difficulty: 3 Hard

Topic: The Changing Nature of the Global Economy

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

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

94) Discuss how supporters and opponents of globalization regard its effect on jobs and income.

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

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

95) Analyze the antiglobalization protest that took place in Seattle in December 1999. What was being protested? Did the protest succeed? How was the protest viewed by the world?

Answer: Popular demonstrations against globalization date back to December 1999, when more than 40,000 protesters blocked the streets of Seattle in an attempt to shut down a World Trade Organization meeting being held in the city. The demonstrators were protesting against a wide range of issues, including job losses in industries under attack from foreign competitors, downward pressure on the wage rates of unskilled workers, environmental degradation, and the cultural imperialism of global media and multinational enterprises, which was seen as being dominated by what some protesters called the "culturally impoverished" interests and values of the United States. All of these ills, the demonstrators claimed, could be laid at the feet of globalization. The World Trade Organization was meeting to try to launch a new round of talks to cut barriers to cross-border trade and investment. As such, it was seen as a promoter of globalization and a target for the protesters. The protests turned violent, transforming the normally placid streets of Seattle into a running battle between "anarchists" and Seattle's bemused and poorly prepared police department. Pictures of brick-throwing protesters and armored police wielding their batons were duly recorded by the global media, which then circulated the images around the world. Meanwhile, the WTO meeting failed to reach an agreement, and although the protests outside the meeting halls had little to do with that failure, the impression took hold that the demonstrators had succeeded in derailing the meetings.

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

96) Explain how supporters of globalization view the idea that the decline in unskilled wage rates and the demand for unskilled workers is due to the migration of low-wage manufacturing jobs offshore.

Answer: Globalization critics argue that the decline in unskilled wage rates is due to the migration of low-wage manufacturing jobs offshore and a corresponding reduction in demand for unskilled workers. However, supporters of globalization see a more complex picture. They maintain that the weak growth rate in real wage rates for unskilled workers owes far more to a technology-induced shift within advanced economies away from jobs where the only qualification was a willingness to turn up for work every day and toward jobs that require significant education and skills. They point out that many advanced economies report a shortage of highly skilled workers and an excess supply of unskilled workers. Thus, growing income inequality is a result of the wages for skilled workers being bid up by the labor market and the wages for unskilled workers being discounted. In fact, evidence suggests that technological change has had a bigger impact than globalization on the declining share of national income enjoyed by labor. This suggests that a solution to the problem of slow real income growth among the unskilled is to be found not in limiting free trade and globalization but in increasing society's investment in education to reduce the supply of unskilled workers.

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

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

Difficulty: 2 Medium

Topic: The Globalization Debate

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

98) What are some of the challenges faced by managers of an international business?

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

Difficulty: 2 Medium

Topic: Challenges and Opportunities Created by Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

99) How is managing an international business different from managing a purely domestic business?

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

Difficulty: 2 Medium

Topic: Understanding the Differences Between International and Domestic Business

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation