

International Management, 10e, (Deresky/Miller)

Chapter 1 Assessing the Environment: Political, Economic, Legal, Technological

1) Which of the following is characterized by networks of international linkages comprising economic, financial, political and social markets that bind countries, institutions, and people in an interdependent economy?

- A) communism
- B) nationalization
- C) socialism
- D) globalization

Answer: D

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

2) The pace of globalization has slowed and, in most instances, declined in part because of _____.

- A) protectionism
- B) fluctuating exchange rates
- C) free trade agreements
- D) cultural differences

Answer: A

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

3) _____ results from the lessening of trade barriers and the increased flow of goods and services, capital, labor, and technology around the world.

- A) Economic integration
- B) Nationalization
- C) Protectionism
- D) Mercantilism

Answer: A

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

4) In which of the following groups of trade blocs does most of today's world trade take place?

- A) Middle East, China, and India
- B) North America, Africa, and Canada
- C) Western Europe, Asia, and the Americas
- D) Saudi Arabia, Western Europe, and the Gulf

Answer: C

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

5) The _____ is the simplest and most basic form of regional integration.

- A) common market
- B) political union
- C) customs union
- D) free trade area

Answer: D

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

6) Which of the following is an example of a customs union?

- A) NAFTA
- B) ASEAN
- C) MERCOSUR
- D) EFTA

Answer: C

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

7) Members of _____ allow free trade between members and agree to adopt common tariffs and non-tariff barriers that are applied to imports from nonmember countries.

- A) free trade areas
- B) customs unions
- C) the USMCA
- D) the EFTA

Answer: B

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

8) A formal arrangement between two or more countries to reduce or eliminate tariffs is known as a _____.

- A) quota arrangement
- B) free trade agreement
- C) memorandum of association
- D) memorandum of understanding

Answer: B

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

9) Regional economic group is defined as _____.

- A) an agreement among countries in a geographic region to reduce and ultimately remove tariff and nontariff barriers to the free flow of goods, services and factors of production between each other
- B) an agreement among companies in a geographic region to reduce and ultimately remove tariff and nontariff barriers to the free flow of goods, services and factors of production between each other
- C) an agreement among countries in a geographic region to increase tariff and nontariff barriers to the free flow of goods, services and factors of production between each other
- D) an agreement among countries in a geographic region to increase tariff and nontariff barriers to the free flow of goods, services and factors of production with nonmember countries

Answer: A

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

10) A customs union refers to _____.

A) a group of countries committed to (1) removing all barriers to the free flow of goods and services between each other and (2) the pursuit of a common external trade policy

B) a group of countries committed to (1) removing all barriers to the free flow of goods, services and factors of production between each other and the (2) pursuit of a common external trade policy

C) a group of countries committed to (1) removing all barriers to the free flow of goods and services between each other but pursuing independent external trade policies

D) a group of countries committed to (1) removing all barriers to the free flow of goods, services and factors of production between each other; (2) the adoption of a common currency; (3) the harmonization of tax rates; and the (4) pursuit of a common external trade policy

Answer: A

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

11) A common market refers to _____.

A) a group of countries committed to (1) removing all barriers to the free flow of goods and services between each other and (2) the pursuit of a common external trade policy

B) a group of countries committed to (1) removing all barriers to the free flow of goods, services and factors of production between each other and the (2) pursuit of a common external trade policy

C) a group of countries committed to (1) removing all barriers to the free flow of goods and services between each other but pursuing independent external trade policies

D) a group of countries committed to (1) removing all barriers to the free flow of goods, services and factors of production between each other; (2) the adoption of a common currency; (3) the harmonization of tax rates; and the (4) pursuit of a common external trade policy

Answer: B

Difficulty: 2: Moderate

Chapter: 1

Skill: Application

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

12) Nations pursuing regional integration seek to _____.

- A) increase the scale of the marketplace for firms inside the economic bloc
- B) help firms increase the scale of operations and enhanced productivity
- C) attract direct investment from outside the bloc
- D) all of these

Answer: D

Difficulty: 1: Easy

Chapter: 1

Skill: Application

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

13) Which of the following is a disadvantage of economic integration?

- A) trade creation
- B) loss of sovereignty
- C) increased voting influence of current members
- D) easier to get consensus with a large number of member countries

Answer: B

Difficulty: 1: Easy

Chapter: 1

Skill: Application

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

14) Which of the following is the most likely reason for the establishment of the European Community?

- A) broaden the power of communism within East Germany
- B) create strict tariffs for trade and international business
- C) commit to the removal of trade barriers between countries
- D) establish judicial procedures to handle trade violators

Answer: C

Difficulty: 2: Moderate

Chapter: 1

Skill: Application

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

15) The European Union consists of how many nations?

- A) 12
- B) 27
- C) 34
- D) 46

Answer: B

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

16) The European Union is classified as a(n) _____.

- A) international organization
- B) regional economic group
- C) special interest group
- D) competing firm

Answer: B

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

17) Which of the following is responsible for implementing the decisions of the European Parliament and the European Council?

- A) the Council of the European Union
- B) the European Parliament
- C) the European Court of Justice
- D) the European Commission

Answer: D

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

18) Which of the following is a true statement about China?

- A) The Chinese government's shift from communism to capitalism has led to an increase in FDI.
- B) China attracts FDI because the government has eliminated elaborate bureaucracies.
- C) The Chinese government manipulates market activities for political purposes.
- D) China lacks an educated pool of employees due to slowly developing industrialization.

Answer: C

Difficulty: 3: Challenging

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

19) Which of the following countries is today known as the world's leader for outsourced back-office services and, increasingly, for high-tech services?

- A) China
- B) Brazil
- C) Mexico
- D) India

Answer: D

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

20) Which is the fourth largest trading bloc after the EU, USMCA, and ASEAN and established in 1991?

- A) SAARC
- B) ASEAN
- C) USMCA
- D) MERCOSUR

Answer: D

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

21) To which of the following free-trade agreements do Mexico, Canada and the United States all belong?

- A) USMCA
- B) ASEAN
- C) CAFTA
- D) MERCOSUR

Answer: A

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

22) _____ is the chance that political forces may change a country's business environment in ways that lead investors to lose some or all of the value of their investment or be forced to accept a lower-than-projected rate of return.

- A) Governmental risk
- B) Operating risk
- C) Transaction risk
- D) Political risk

Answer: D

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

23) Which of the following is NOT a way to deal with political risk?

- A) use hedging (for example, local financing)
- B) create dependency (for example, provide control distribution)
- C) emphasize adaptation (for example, development assistance)
- D) use diversion (for example, control all management decisions)

Answer: D

Difficulty: 1: Easy

Chapter: 1

Skill: Application

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

24) Which of the following best describes nationalization?

- A) outsourcing of governmental functions to private entities
- B) hiring preferences given to locals rather than expatriates
- C) government's gradual and subtle actions against a firm
- D) forced sale of an MNC's assets to local buyers

Answer: D

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

25) What occurs when a local government seizes and provides inadequate compensation for the foreign-owned assets of a multinational enterprise?

- A) trade barrier
- B) nationalization
- C) expropriation
- D) ethnocentrism

Answer: C

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

26) Expropriation is most likely to occur in a country that has _____.

- A) numerous MNCs in operation
- B) constant political upheaval and change
- C) a capitalistic economic system in place
- D) stable economic growth and political consistency

Answer: B

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

27) The government of Jonovia seizes all assets of Refresh, a world-famous, soft-drink brand in Jonovia, and offers compensation to the company. This action by the government of Jonovia is an example of _____.

- A) private action
- B) repatriation
- C) privatization
- D) expropriation

Answer: D

Difficulty: 2: Moderate

Chapter: 1

Skill: Application

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

28) Which of the following is an example of a macropolitical risk event?

- A) a terrorist attack
- B) forced sale of equity to host-country nationals
- C) expropriation of corporate assets without prompt and adequate compensation
- D) barriers to repatriation of funds

Answer: A

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

29) Zagreb Inc., a transnational energy company, negotiates a multimillion-dollar contract with the government to provide electricity to Pilladia. The government is voted out of power shortly after. The new government cancels all contracts it has with all oil companies but not contracts with firms in other industries. This is an example of _____.

- A) barriers to repatriation
- B) protectionism
- C) confiscation
- D) micropolitical risk

Answer: D

Difficulty: 2: Moderate

Chapter: 1

Skill: Application

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Analytical thinking

30) Intelligentia is attempting to do business in Bazania, but the Bazanian government purposely delays granting Intelligentia the necessary licenses and permissions required to conduct business in the country. Which of the following best describes this situation?

- A) creeping expropriation
- B) nationalization
- C) barriers to repatriation
- D) confiscation

Answer: A

Difficulty: 2: Moderate

Chapter: 1

Skill: Application

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

31) Micropolitical risk events are those that affect _____.

- A) multiple industries and companies
- B) several other nations in the same region
- C) one industry or company or a few companies
- D) domestic industries or companies

Answer: C

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

32) Recently, the level of _____ in Europe, for example, was a great concern around the world, in particular regarding concerns in the eurozone brought about by debt problems in Greece.

- A) legal risk events
- B) political risk events
- C) cultural risk events
- D) economic risk events

Answer: D

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

33) Expropriation of corporate assets without prompt and adequate compensation is an example of _____.

- A) economic risk
- B) political risk
- C) legal risk
- D) cultural risk

Answer: B

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

34) Country risk is considered similar to _____.

- A) political risk
- B) commercial risk
- C) currency risk
- D) cross-cultural risk

Answer: A

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

35) For autonomous international subsidiaries, most of the influence from political risks will be in which of the following areas?

- A) financial operations
- B) ownership and control
- C) marketing and sales operations
- D) managerial strategy and policy-making

Answer: B

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

36) For global corporations, the primary influence of political risks is likely to be on the firm's _____.

- A) ownership and control
- B) hiring and recruiting policies
- C) transfers of money or products
- D) managerial strategy and policy-making

Answer: C

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

37) An individual from a country with a high degree of political risk would most likely be from _____.

- A) Canada
- B) Singapore
- C) Iraq
- D) Malaysia

Answer: C

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

38) An individual from a country with a low degree of political risk would most likely be from _____.

- A) Venezuela
- B) Canada
- C) Zimbabwe
- D) Iraq

Answer: B

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

39) Which of the following characterizes country risk?

A) The political and legal systems of adjacent nations greatly influence the country risk of nations that host foreign firms.

B) Country risk will change only after the creation of laws and regulations that affect foreign firms.

C) A nation's country risk level remains fairly constant until the election and installation of a new political leader.

D) Country risk is always present, but its nature and intensity vary over time and from country to country.

Answer: D

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

40) _____ includes the initiation of joint ventures with nationals (individuals or those in firms, labor unions, or government) to reduce political risks.

A) Development assistance

B) Equity sharing

C) Localization of the operation

D) Participative management

Answer: B

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

41) Which of the following means of political risk reduction is best suited for firms that decide a high-risk environment is worth the potential returns?

A) avoidance

B) adaptation

C) hedging

D) dependency

Answer: B

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

42) Which of the following strategies is a firm most likely to use, if it initiates a joint venture with a local company in a foreign country, as a way of adapting to risk?

- A) equity sharing
- B) participative management
- C) localization of the operation
- D) development assistance

Answer: A

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

43) Which of the following means of adaptation to political risk requires that a firm actively involve nationals in the management of its subsidiary?

- A) equity sharing
- B) participative management
- C) localization of the operation
- D) development assistance

Answer: B

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

44) In addition to avoidance and adaptation, two other means of risk reduction available to managers are _____ and _____.

- A) qualitative approach; quantitative approach
- B) dependency; hedging
- C) localization; development assistance
- D) equity sharing; participative management

Answer: B

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

45) Which of the following is a form of protectionist policies?

- A) patents
- B) quotas
- C) foreign direct investment
- D) bribes

Answer: B

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

46) _____ poses a severe and random political risk to company personnel and assets, and interrupts the conduct of business.

- A) Globalization
- B) Nationalism
- C) Privatization
- D) Terrorism

Answer: D

Difficulty: 2: Moderate

Chapter: 1

Skill: Application

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

47) If a foreign-based firm borrows money from a host country bank as a hedge against being forced out of operation without adequate compensation, the firm is managing political risk with _____.

- A) local debt financing
- B) position control
- C) development assistance
- D) adaptation

Answer: A

Difficulty: 2: Moderate

Chapter: 1

Skill: Application

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

48) Political risk insurance and local debt financing are both forms of _____.

- A) input control
- B) adaptation
- C) equity sharing
- D) hedging

Answer: D

Difficulty: 3: Challenging

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

49) Which of the following is a form of hedging?

- A) expatriate control in key positions
- B) development assistance
- C) local debt financing
- D) localization of the operation

Answer: C

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

50) A country's ability or intention to meet its financial obligations determines its _____.

- A) technological risk
- B) legal risk
- C) political risk
- D) economic risk

Answer: D

Difficulty: 3: Challenging

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

51) Past court decisions serve as precedents to the interpretation of the law under _____.

- A) civil law
- B) common law
- C) Sharia law
- D) contract law

Answer: B

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

52) _____ is a legal system which is based on a detailed set of written rules and statutes that constitute a legal code.

- A) International law
- B) Civil law
- C) Contract law
- D) Common law

Answer: B

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

53) An international agreement which regulates international business by spelling out the rights and obligations of the seller and buyer is known as _____.

- A) Agreement to Technical Barriers to Trade
- B) International Standards on Accounting and Reporting
- C) General Agreement on Tariffs and Trade
- D) Contracts for International Sale of Goods

Answer: D

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

54) _____ is based on a comprehensive set of laws organized into a code.

- A) Sharia law
- B) Civil law
- C) Common law
- D) Contract law

Answer: B

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

55) The U.S. legal system is largely based on _____.

- A) common law
- B) social law
- C) civil law
- D) theocratic law

Answer: A

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

56) Which of the following terms refers to an agreement by the parties concerned to establish a set of rules for governing a business transaction?

- A) charter
- B) policy
- C) contract
- D) license

Answer: C

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

57) Under which law system must the details of the promises be written into a contract in order for it to be enforced?

- A) common law
- B) theocratic law
- C) civil law
- D) company law

Answer: A

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

58) A _____ is a right granted to the inventor of a product or process that excludes others from making, using, or selling the invention.

- A) patent
- B) trademark
- C) watertight
- D) copyright

Answer: A

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-4: To review the technological environment around the world and how it affects the international manager's decisions and operations as well as the war for talent around the globe

AACSB: Application of knowledge

59) _____ are words or symbols that distinguish a product and its manufacturer from competitors.

- A) Patents
- B) Trademarks
- C) Watermarks
- D) Copyrights

Answer: B

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-4: To review the technological environment around the world and how it affects the international manager's decisions and operations as well as the war for talent around the globe

AACSB: Application of knowledge

60) Tiffany's is an American jewelry store which discovers that several shops in developing countries are selling counterfeited necklaces under their name and label. Which of the following problems are they facing?

- A) patent expiration
- B) trademark infringement
- C) copyright expiration
- D) monopolization

Answer: B

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-4: To review the technological environment around the world and how it affects the international manager's decisions and operations as well as the war for talent around the globe

AACSB: Application of knowledge

61) Which of the following is an example of a trademark infringement?

- A) manufacturers who sell different versions of their own products in different countries
- B) manufacturers who sell counterfeit products under the names and logos of more famous brands
- C) a company which exports factory rejects to developing countries
- D) a company which sells products at half the price of their competitors

Answer: B

Difficulty: 3: Challenging

Chapter: 1

Skill: Concept

LO: 1-4: To review the technological environment around the world and how it affects the international manager's decisions and operations as well as the war for talent around the globe

AACSB: Application of knowledge

62) Which of the following functions does a copyright perform?

- A) It protects the trade secrets of an organization, including its business plans.
- B) It prevents a company from monopolizing an invention.
- C) It distinguishes the product and manufacturers from competitors through distinct words and symbols.
- D) It gives creators of original work the freedom to publish or dispose of them as they choose.

Answer: D

Difficulty: 3: Challenging

Chapter: 1

Skill: Concept

LO: 1-4: To review the technological environment around the world and how it affects the international manager's decisions and operations as well as the war for talent around the globe

AACSB: Application of knowledge

63) Which of the following is an advantage of e-business?

- A) lower cost of production
- B) easy availability of technology
- C) convenience in conducting business worldwide
- D) increased availability of information

Answer: C

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-4: To review the technological environment around the world and how it affects the international manager's decisions and operations as well as the war for talent around the globe

AACSB: Information technology

64) Regional economic groups greatly increase the scale of the marketplace for firms inside the economic bloc.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

65) India's economy grows because of its government, whereas China's economy grows in spite of it.

Answer: FALSE

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

66) China is now a hybrid market-driven economy—driven by competition, capital, and entrepreneurship.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

67) Small- and medium-sized enterprises contribute to their national economies by creating new jobs.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

68) The South Asia Association of Regional Cooperation (SAARC), is a free-trade pact among seven South Asian nations.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

69) USMCA is a treaty entered into by Canada, Mexico, and the United States.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Application

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

70) In 2018, the United States, Mexico, and Canada reached an agreement called the United States-Mexico-Canada Agreement (USMCA).

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Application

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

71) MERCOSUR is an example of an economic union.

Answer: FALSE

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

72) The level of integration of a customs union is greater than that of a free trade area.

Answer: TRUE

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

73) Nationalization describes government seizure of an entire industry, with or without compensation.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

74) Confiscation occurs when a local government seizes and provides adequate compensation for the foreign-owned assets of an MNC.

Answer: FALSE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

75) Confiscation is the seizure of assets without compensation.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

76) Expropriation occurs when a local government seizes and provides compensation for the foreign-owned assets of an MNC.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

77) Privatization refers to the forced sale of an MNC's assets to local buyers with some compensation to the firm, perhaps leaving a minority ownership with the MNC.

Answer: FALSE

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

78) The immediate cause of country risk is a legal or political factor.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

79) Country risk can be potentially present in all nations.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

80) Sustainability—economic, political, social, and environmental—has become a significant worldwide issue.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

81) An event that affects all foreign firms doing business in a country or region is called a micropolitical risk event.

Answer: FALSE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

82) An event that affects one industry or company or only a few companies is called a macropolitical risk event.

Answer: FALSE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

83) Subsidies can help counterbalance harmful consequences that disproportionately affect the poor.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

84) Political risk insurance and local debt financing are forms of dependency.

Answer: FALSE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

85) Under civil law, past court decisions act as precedents to the interpretation of the law and to common custom.

Answer: FALSE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

86) Islamic law is a reflection of the country's culture, religion, and traditions.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

87) Under common law, it is assumed a contract reflects promises that will be enforced without specifying the details in the contract.

Answer: FALSE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

88) A legal contract spells out the rights and obligations of each party and is especially important when relationships go awry. Contract law remains consistent from country to country, and firms must adhere to local standards.

Answer: FALSE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

89) Developing nations have the toughest product liability laws, while developed countries have more relaxed laws.

Answer: FALSE

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

90) Countries seldom impose protectionist policies, such as tariffs and nontariff barriers, quotas, and other import and trade restrictions, to give preference to their own companies and industries.

Answer: FALSE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

91) Civil law can be more adversarial than common law because civil law relies more on the need to interpret laws according to tradition, precedent, and usage.

Answer: FALSE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

92) The Internet has had a considerable influence on how companies buy and sell goods.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-4: To review the technological environment around the world and how it affects the international manager's decisions and operations as well as the war for talent around the globe

AACSB: Information technology

93) Communication is the process of transmitting information, and information are facts put in to a form to assist in decision making. In a multinational setting communication is not important.

Answer: FALSE

Difficulty: 1: Easy

Chapter: 1

Skill: Application

LO: 1-5: To explore essential skills for developing your career as a manager in a multinational company

AACSB: Application of knowledge

94) Critical thinking refers to the purpose-driven and goal oriented thinking that helps identify and solve problems, make decisions, and critique actions.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Application

LO: 1-5: To explore essential skills for developing your career as a manager in a multinational company

AACSB: Application of knowledge

95) Collaborative learning occurs when individuals work independently on projects, tasks, and problem solving.

Answer: FALSE

Difficulty: 1: Easy

Chapter: 1

Skill: Application

LO: 1-5: To explore essential skills for developing your career as a manager in a multinational company

AACSB: Application of knowledge

96) Knowledge application and analysis refers to the ability to learn particular concepts and frameworks and then apply them in various situations.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Application

LO: 1-5: To explore essential skills for developing your career as a manager in a multinational company

AACSB: Application of knowledge

97) Corporate Social Responsibility (CSR) refers to actions taken by a company that goes beyond that of maximizing profits.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Application

LO: 1-5: To explore essential skills for developing your career as a manager in a multinational company

AACSB: Application of knowledge

98) Business ethics are sets of moral principles that shape individual or organizational behavior within organizations.

Answer: TRUE

Difficulty: 1: Easy

Chapter: 1

Skill: Application

LO: 1-5: To explore essential skills for developing your career as a manager in a multinational company

AACSB: Application of knowledge

99) What is the European Union (EU)? Discuss how the EU affects both Europe and international managers working in Europe.

Answer: The EU now comprises a 27-nation, unified market of over 400 million people. Since the euro became a legally tradable currency, Europe's business environment has been transformed. The vast majority of legislative measures have been adopted to create an internal market with free movement of goods and people among the EU countries. The elimination of internal tariffs and customs, as well as financial and commercial barriers, has not eliminated national pride.

Global managers face two major tasks in the EU. One is strategic: how firms outside of Europe can deal with the implications of the EU and of what some have called a "Fortress Europe"—that is, a market giving preference to insiders. The other task is cultural: how to deal effectively with multiple sets of national cultures, traditions, and customs within Europe, such as differing attitudes about how much time should be spent on work versus leisure activities.

Difficulty: 3: Challenging

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

100) What is SAARC?

Answer: SAARC stands for South Asia Association of Regional Cooperation—an association of seven developing South Asian nations. According to the Agreement that was effective January 1, 2006, the countries will lower tariffs by 25% within three to five years and eliminate them within seven years. Trade in South Asia is estimated at \$14 billion, although the majority of that trade will take place between India and Pakistan, the two largest members.

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

101) What is CAFTA-DR?

Answer: The Dominican Republic-Central America FTA (CAFTA-DR) is the first free-trade agreement between the United States and Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic. Collectively, the CAFTA member countries represent the 16th largest U.S. goods trading partner. Trade between the United States and the six CAFTA-DR partners has increased more than 71 percent since inception, from \$35 billion in 2005 to \$60 billion in 2013. However, U.S.-CAFTA trade dropped to \$53 billion in 2015. (U.S. exports to the CAFTA-DR countries totaled \$29 billion; imports totaled \$24 billion.)

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-1: To understand the global business environment and how it affects the strategic and operational decisions which managers must make

AACSB: Application of knowledge

102) How does the phenomenon of ethnicity affect the international manager?

Answer: Ethnicity is a driving force of political instability around the world. Many uprisings and conflicts are expressions of differences in ethnic groupings, and religious disputes often lie at the heart of those differences. Managers must understand the ethnic and religious composition of the host country in order to anticipate problems of general instability as well as those of an operational nature—such as effects on their workforce, on production and access to raw materials, and also the market as a whole.

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Reflective thinking

103) What is political risk? Give an example of how political risk can affect an MNC.

Answer: Political risks are any government action or politically motivated event that could adversely affect the long-run profitability or value of the firm. For example, Bolivia nationalized its natural gas industry ordering foreign companies to give up control of fields and accept much tougher operating terms within six months or leave the country.

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

104) Describe how the political and legal systems of a host country can both harm and benefit a foreign firm.

Answer: The political and legal systems of a host country can be both beneficial and harmful to a foreign firm. Firms can benefit from preferential subsidies, government incentives, and protection from competition that reduce business costs and influences strategic decision making. Numerous governments encourage local MNE investment by offering tax holidays and cash incentives to employ local workers.

On the other hand, political or legislative actions can harm business interests. Laws may be unexpectedly strict or result in unintended consequences. Many laws favor host-country interests, that is, interests in foreign countries where the firm has direct operations.

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

105) Describe country risk and discuss how political and legal systems contribute to country risk. Explain the differences between political systems and legal systems in your answer.

Answer: Country risk is exposure to potential loss or adverse effects on company operations and profitability caused by developments in a country's political and/or legal environments. Also referred to as political risk, it is one of four major types of international business risks. While the immediate cause of country risk is a political or legal factor, underlying such factors may be economic, social, or technological developments. Government intervention, protectionism, and barriers to trade and investment are particularly notable in international business.

Mismanagement or failure of the national economy can lead to financial crises, recessions, market downturns, currency crises, and inflation. Such events usually arise from business cycles, poor monetary or fiscal policies, a defective regulatory environment, or imbalances in the underlying economic fundamentals of the host country.

Political or legislative actions can inadvertently harm business interests, such as laws that are unexpectedly strict or result in unintended consequences. Many laws favor host-country interests—that is, interests in foreign countries where the firm has direct operations.

A political system is a set of formal institutions that constitute a government. It includes legislative bodies, political parties, lobbying groups, and trade unions. The principal functions of a political system are to provide protection from external threats, establish stability based on laws, and govern the allocation of valued resources among the members of a society. A political system also defines how these groups interact with each other.

Each country's political system is unique, having evolved within a particular historical, economic, and cultural context. Political systems are also constantly evolving in response to constituent demands and the evolution of the national and international environment. Constituents are the people and organizations that support the political system and receive government resources.

A legal system is a system for interpreting and enforcing laws. Laws, regulations, and rules establish norms for conduct. A legal system incorporates institutions and procedures for ensuring order and resolving disputes in commercial activities, as well as taxing economic output and protecting intellectual property and other company assets. Political and legal systems are dynamic and constantly changing. The two systems are interdependent—changes in one affect the other. Adverse developments in political and legal systems give rise to country risk. They can result from installation of a new government, shifting values or priorities in political parties, initiatives developed by special interest groups, and the creation of new laws or regulations. Gradual change is easier for the firm to accommodate, while sudden change is harder to deal with and poses greater risk to the firm.

Unfavorable developments give rise to new conditions that may threaten the firm's products, services, or business activities. For example, a new import tariff may increase the cost of a key component used to manufacture a product. A modification in labor law may alter the hours the firm's employees are allowed to work. The installation of a new political leader may lead to government takeover of corporate assets.

Country risk is always present, but its nature and intensity vary over time and from country to country.

Difficulty: 3: Challenging

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

106) Identify and describe four means of political risk adaptation.

Answer: The four means of political risk adaptation are: (1) equity sharing—shared ownership or partial ownership with nationals; (2) participative management—actively involving nationals in the management of the firm; (3) localization of operations—modifications to the company's management style, company name, etc., to accommodate national issues; and (4) development assistance—corporate aid for infrastructure development.

Difficulty: 3: Challenging

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

107) What is currency translation exposure? Provide an example to illustrate your answer.

Answer: The risk of exchange-rate volatility results in currency translation exposure to the firm when the balance sheet of the entire corporation is consolidated, and may cause a negative cash flow from the foreign subsidiary. Currency translation exposure occurs when the value of one country's currency changes relative to that of another. When exchange-rate changes are radical, repercussions are felt around the world. For example, a U.S. company operating in Mexico at the time of the peso devaluation in the late 1990s meant that the company's assets in that country were worth less when translated into U.S. dollars. The company's liabilities, however, were also less.

Difficulty: 3: Challenging

Chapter: 1

Skill: Concept

LO: 1-2: To develop an appreciation for the ways in which political and economic factors and changes influence the opportunities that companies face

AACSB: Application of knowledge

108) What is the difference between common law, Islamic law, and civil law?

Answer: In common law, past court decisions act as precedents to the interpretation of law. Civil law is based on a comprehensive set of laws organized into a code. Interpretations of civil law are based on reference to codes and statutes. In Islamic countries, such as Saudi Arabia, the dominant legal system is Islamic law; based on religious beliefs; it dominates all aspects of life. Islamic law is followed in approximately 27 countries and combines, in varying degrees, civil, common, and indigenous law.

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

109) What methods are used by MNCs to protect intellectual property rights?

Answer: The most common methods of protecting proprietary technology are the use of patents, trademarks, trade names, copyrights, and trade secrets. Various international conventions afford some protection in participating countries; more than 80 countries adhere to the International Convention for the Protection of Industrial Property, often referred to as the Paris Union, for the protection of patents. However, restrictions and differences in the rules in some countries not signatory to the Paris Union, as well as industrial espionage, pose continuing problems for firms trying to protect their technology.

Difficulty: 2: Moderate

Chapter: 1

Skill: Concept

LO: 1-3: To recognize the role of the legal environment in international business

AACSB: Application of knowledge

110) What is globalization? What is the relationship between globalization and information technology?

Answer: Globalization is defined as global competition characterized by networks of international linkages that bind countries, institutions, and people in an interdependent global economy. Information technology, more than anything else, is making those networks of international linkages more possible by boosting the efficiency of that "connectedness." The Internet is propelling electronic commerce around the world. Companies around the world are linked electronically with employees, customers, distributors, suppliers, and alliance partners in many countries making the world a global marketplace.

Difficulty: 3: Challenging

Chapter: 1

Skill: Concept

LO: 1-4: To review the technological environment around the world and how it affects the international manager's decisions and operations as well as the war for talent around the globe

AACSB: Application of knowledge

111) How does the Internet facilitate both e-commerce and business-to-business transactions?

Answer: The Internet and e-business provide a number of uses and advantages in business-to-consumer transactions: (1) convenience in conducting business worldwide—facilitating communication across borders contributes to the shift toward globalization and a global market; (2) an electronic meeting and trading place, which adds efficiency in conducting business sales; (3) a corporate Intranet service, merging internal and external information for enterprises worldwide; (4) power to consumers as they gain access to limitless options and price differentials; and (5) a link and efficiency in distribution. Although most early attention was on e-commerce, experts now believe the real opportunities are in business-to-business (B2B) transactions where the Internet offers assistance with supply chain, procurement, and distribution channels.

Difficulty: 3: Challenging

Chapter: 1

Skill: Concept

LO: 1-4: To review the technological environment around the world and how it affects the international manager's decisions and operations as well as the war for talent around the globe

AACSB: Information technology

112) What are some of the effects of various forms of technology have on international business?

Answer: The rapid advancement in Information Technology will continue to have a transformative effect on global business in all areas and businesses of all sizes. The speed and accuracy of information transmission are changing the nature of the global manager's job by making geographic barriers less relevant. Managers from around the world are recognizing the necessity of being able to access Information Technology.

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-4: To review the technological environment around the world and how it affects the international manager's decisions and operations as well as the war for talent around the globe

AACSB: Information technology

113) What is the meaning of the appropriateness of technology?

Answer: It involves the studying of the possible cultural consequences of the transfer of technology, requiring managers to assess whether the local people are ready and willing to change their values, expectations, and behaviors on the job to use new technological methods, whether applied to production, research, marketing, finance, or some other aspect of the business.

Difficulty: 1: Easy

Chapter: 1

Skill: Concept

LO: 1-4: To review the technological environment around the world and how it affects the international manager's decisions and operations as well as the war for talent around the globe

AACSB: Information technology

114) What are the critical skills that will be needed by an individual involved in international business?

Answer: If you are an employee or someone planning to work in a multinational company or work for a company in another country, you need to develop five critical employability skills: (1) communication, (2) critical thinking, (3) collaboration, (4) knowledge application/analysis, and (5) business ethics/social responsibility.

Difficulty: 2: Moderate

Chapter: 1

Skill: Application

LO: 1-5: To explore essential skills for developing your career as a manager in a multinational company

AACSB: Application of knowledge