

Chapter 01: The Rise of Globalization

True / False

1. With business becoming increasingly global, its success, fortunately, depends only on the domestic environment.

a. True

b. False

ANSWER: False

2. Key aspects of globalization include the elimination of barriers to trade and information technology.

a. True

b. False

ANSWER: True

3. The world economy is quickly shifting away from countries with emerging economies.

a. True

b. False

ANSWER: False

4. The “soft” qualities essential to globalization include openness, protectionism, accountability, connectivity, democracy, and centralization.

a. True

b. False

ANSWER: False

5. A sustainable decoupling process would eventually lead to a multi-polar world—a world economy in which the engines of growth could comprise the United States, the European Union, China, India, Brazil, Russia, and South Africa rather than the United States alone.

a. True

b. False

ANSWER: True

6. The openness and proliferation of globalization and free trade rules can best be attributed to the interwar period between World War I and II.

a. True

b. False

ANSWER: False

7. As part of the World Bank’s Strategic Framework, there are five focus areas that accommodate and facilitate the globalization process including its analytical and advisory role supporting national policies to strengthen free market institutions and infrastructure

that has provided the potential for creating large gains from trade.

a. True

b. False

ANSWER: True

8. For the World Trade Organization, increasing trade barriers has been one of the most simple ways to encourage trade and globalization.

a. True

b. False

ANSWER: False

9. The foundations of the globalized business world are political—and so are the biggest threats to the system.

a. True

b. False

ANSWER: True

10. Countries that have successfully adapted to globalization realize that they cannot succeed without high-quality government management at home.

a. True

b. False

ANSWER: True

11. In communist and state-controlled economies like those in Central Asia property rights either do not exist or are not well defined which discourages domestic and foreign investors from making long-term commitments in these countries.

a. True

b. False

ANSWER: True

12. Globalized economies like New Zealand and Singapore rank at the top in index for absence of corruption by Transparency International.

a. True

b. False

ANSWER: True

13. Text messaging will likely be an unimportant component of emerging economies' mobile phone usage because most people in these countries cannot read or write.

a. True

b. False

ANSWER: False

14. Critics argue that open trade and foreign direct investment always take jobs from

workers in developing economies and transfer them to workers in advanced industrial countries which leave the workers in the developing country, out of work.

- a. True
- b. False

ANSWER: False

15. There appears to be a clear connection between economic freedom and political freedom.

- a. True
- b. False

ANSWER: True

Multiple Choice

Brazilian Juice, a manufacturer of healthy fruit juices in Brazil, sells juice in six different countries including United States. Brazilian juice is engaging in

16. Brazilian Juice, a manufacturer of healthy fruit juices in Brazil, sells juice in six different coun...

- a. economic development in United States.
- b. exercising nontariff barriers in Brazil.
- c. unfair trade practices.
- d. globalization.
- e. the World Trade Bank Group.

ANSWER: d

17. Which of the following is NOT a key aspect of globalization?

- a. The elimination of barriers to trade
- b. Investment
- c. Financial independence
- d. Culture
- e. Information technology

ANSWER: c

18. Countries that have been moving toward more open trade and free market policies are known as ____.

- a. African countries
- b. open-door economies
- c. industrialized countries
- d. globalized economies
- e. emerging economies

ANSWER: e

19. Increasingly, emerging economies are

- a. innovative and technologically advanced.

- b. sources of inexpensive labor.
- c. largely agricultural.
- d. simply copying the technologies used in more advanced economies.
- e. being left behind in the global economy.

ANSWER: a

20. A sustainable decoupling process would eventually lead to ____.

- a. a multi-polar world
- b. globalization
- c. outsourcing
- d. transparency
- e. income inequity

ANSWER: a

A world economy in which the engines of growth could comprise the United States, the European Union, China, India, Brazil, Russia, and South Africa rather than the United States alone can be described as a(n) _____.

21. A world economy in which the engines of growth could comprise the United States, the European Union,...

- a. interdependent world
- b. industrialized world
- c. globalized economy
- d. multi-polar world
- e. diverse world

ANSWER: d

22. According to the authors, which of the following is NOT true regarding globalization lessons for developing countries?

- a. Import oriented nations must switch to concentrate on domestication.
- b. Export oriented nations must diversify their market to include major emerging economies.
- c. Countries emphasizing exports should base their strategy on their true competitive advantage.
- d. For countries with large populations, the size of the domestic market remains most important.
- e. Overindulgence can lead to disaster.

ANSWER: a

23. Which of the following is NOT a main purpose of the IMF?

- a. Provide a forum for cooperation on international monetary problems
- b. Facilitate the sustainable growth of international trade
- c. Promote exchange rate stability
- d. Lend countries foreign exchange when needed
- e. Provide long-term low-interest social sector and infrastructure loans

ANSWER: e

24. What was the initial primary role of the World Bank?

- a. To aide in the reconstruction of Europe after World War II
- b. To provide low-interest mortgage loans to minorities
- c. To try to avoid a repetition of the disastrous economic policies that had contributed to the Great Depression.
- d. To deal primarily with tariff negotiations
- e. To provide loans and take equity position in private companies

ANSWER: a

25. The International Bank for Reconstruction and Development performs which of the following functions?

- a. Provides long-term low-interest social sector and infrastructure loans to the poorest members utilizing foreign aid funds provided by rich nation members
- b. Provide loans and take equity position in private companies of developing countries and works toward developing capital markets in those economies
- c. Supports reconstruction and restructuring of member countries utilizing funds raised in international capital markets
- d. Provides political risk coverage for private investments made in developing countries
- e. Works on issues related to foreign investment disputes

ANSWER: c

26. The Multilateral Investment Guarantee Agency performs which of the following functions?

- a. Provides long-term low-interest social sector and infrastructure loans to the poorest members utilizing foreign aid funds provided by rich nation members
- b. Provide loans and take equity position in private companies of developing countries and works toward developing capital markets in those economies
- c. Supports reconstruction and restructuring of member countries utilizing funds raised in international capital markets
- d. Provides political risk coverage for private investments made in developing countries
- e. Works on issues related to foreign investment disputes

ANSWER: d

27. The International Finance Corporation (IFC) performs which of the following functions?

- a. Provides long-term low-interest social sector and infrastructure loans to the poorest members utilizing foreign aid funds provided by rich nation members
- b. Provide loans and take equity position in private companies of developing countries and works toward developing capital markets in those economies
- c. Supports reconstruction and restructuring of member countries utilizing funds raised in international capital markets
- d. Provides political risk coverage for private investments made in developing countries
- e. Works on issues related to foreign investment disputes

ANSWER: b

28. Which of the following is NOT an objective of the WTO?

- a. Reviewing national trade policies
- b. Acting as a forum for trade negotiations
- c. Naming commissioners to local trade organizations
- d. Settling trade disputes
- e. Administering trade agreements

ANSWER: c

Trade without discrimination, freer trade, predictability, promotion of fair competition, and ____ are the five principles of the multilateral trading system.

29. Trade without discrimination, freer trade, predictability, promotion of fair competition, and ____ are t...

- a. integrated capital markets
- b. encouragement of economic reform in developing countries
- c. liberalization of the trading system
- d. nontariff trade
- e. establishment of "most favored nation" status

ANSWER: b

In Brazil, if there are government organizations that create strong incentives for private investment and operate under a system of checks and balances that function best in a democratic system of government, they could be classified as which of these?

30. In Brazil, if there are government organizations that create strong incentives for private investment...

- a. Transparent organizations
- b. Antitrust corporations
- c. Adaptive institutions
- d. Emerging markets
- e. Capital markets

ANSWER: c

31. To sustain globalization, nations must build institutions that support all of the following EXCEPT

- a. democratic systems of government.
- b. free markets.
- c. command economies.
- d. independent judiciaries.
- e. a free press.

ANSWER: c

32. The most recent devices that enable the greatest ease in portability and accessibility of information are ____.

- a. magazines
- b. newspapers
- c. advertisements
- d. smart phones
- e. computers

ANSWER: d

In India, several politicians are working very hard toward a system of full disclosure and openness that aims to avoid any semblance of corruption and cronyism. These efforts can be described as creating a system focused on ____.

33. In India, several politicians are working very hard toward a system of full disclosure and openness ...

- a. politics
- b. integrity
- c. accountability
- d. transparency
- e. democracy

ANSWER: d

34. Which of the following is NOT true regarding competitive markets?

- a. Successfully globalized economies strive to attain competitive markets at home.
- b. Governments try to minimize the role of state-owned enterprises in market economies.
- c. Regulations that promote free domestic markets also tend to promote globalization.
- d. Antitrust laws must be eliminated if competitive markets are to be sustained.
- e. Antitrust laws interfere with the natural growth of successful businesses.

ANSWER: d

35. Illicit dealings undermine economic performance by doing all of the following EXCEPT:

- a. decreasing costs.
- b. raising competition.
- c. thwarting competition.
- d. reducing transparency.
- e. raising insecurity.

ANSWER: a

ABC Technology touts in their advertisements that their technology can transfer huge amount of data and other information in a second via the Internet. This describes ABC's ____ in technology.

36. ABC Technology touts in their advertisements that their technology can transfer huge amount of data ...

- a. bandwidth
- b. digital server
- c. digital divide

- d. gigabytes
- e. Y2K

ANSWER: a

37. The rapid fall in prices of digital IT equipment and services may
- a. reduce the importance of IT in the global economy.
 - b. spell the end of the digital era.
 - c. make digital divide a myth.
 - d. reduce the availability of bandwidth in developed economies.
 - e. localize the production of goods and services.

ANSWER: c

38. Of the following, which is NOT true regarding the Internet and cell phone era?
- a. Fortunately, the next billion users will be the same as the first billion
 - b. The majority of users will be from developing countries
 - c. Text messaging will likely predominate emerging economies; mobile phone usage
 - d. Countries are skipping the use of land-line technology and jumping to wireless systems
 - e. Developing countries may "leapfrog" an entire generation of technology

ANSWER: a

39. All of the following are arguments against globalization EXCEPT:
- a. it may lead to an increase in the appearance of old industries.
 - b. it may lead to a loss of control over economic policies and developments.
 - c. it may lead to an erosion of communities.
 - d. it can be a force of exploitation and injustice.
 - e. it can cause job losses and stagnant wages.

ANSWER: a

The only way workers in industrialized countries can compete with their counterparts in the developing world will be through:

40. The only way workers in industrialized countries can compete with their counterparts in the developi...
- a. increased use of the cost leadership strategy.
 - b. increased diversity within the organization.
 - c. increased empowerment of employees.
 - d. increased productivity by using technologically-intensive manufacturing technologies.
 - e. increased flat organization structure.

ANSWER: d

41. An office uses printer paper made primarily of recycled paper. This is an example of a ____ policy.
- a. future sourcing
 - b. global warming
 - c. next-generation consumer hook

- d. digital divide
- e. sustainable development

ANSWER: e

Which of the following is NOT true regarding results from a survey by the World Bank on corporate social responsibility (CSR)?

42. Which of the following is NOT true regarding results from a survey by the World Bank on corporate so...

- a. CSR practices are now a significant factor in determining where multinational companies conduct business.
- b. 90% of the companies surveyed have board-approved policies on environmental management.
- c. 90% of multinationals will make their decisions based on CSR issues with regard to foreign direct investment.
- d. CSR issues consistently implemented for the long term lead to sustainable business and development.
- e. CSR includes issues such as labor rights, corruption, human rights, community health, and land rights.

ANSWER: c

Successive waves of globalization include characteristics such as the expansion of trade, the diffusion of technology, extensive migration, and ____.

43. Successive waves of globalization include characteristics such as the expansion of trade, the diffus...

- a. improvements in country infrastructure
- b. increased employee morale
- c. improved healthcare
- d. financial independence
- e. cross-fertilization of diverse cultures

ANSWER: e

44. Which of the following is NOT true regarding globalization?

- a. It guarantees that quality of life for all people will increase.
- b. It creates winners and losers.
- c. It has the potential to increase the quality of life for people.
- d. Some multinational companies will utilize globalization may try to pay substandard wages to the workers they employ in developing countries.
- e. Export barriers may need to be imposed by the WTO to help regulate the actions of multinational companies.

ANSWER: a

45. All of the following countries can be considered globalization “winners” EXCEPT:

- a. China
- b. North Korea

- c. India
- d. Brazil
- e. South Africa

ANSWER: b

Completion

46. _____ refers to a fundamental global shift in which industrialized country-dependent developing economies begin to grow based on their own underlying economic strengths rather than the ups and downs of the world's richest countries.

ANSWER: Decoupling

47. A world economy in which the engines of growth could comprise several major industrialized and emerging market economies such as the United States, the European Union, China, India, Brazil, Russia, and South Africa rather than the United States alone is called _____.

ANSWER: multi-polar world

48. The World Bank was conceived at the _____ Conference in 1944.

ANSWER: Bretton Woods

49. A stock exchange where long-term financial instruments such as stocks and bonds can be bought and sold refers to _____.

ANSWER: capital markets

50. The rules, enforcement mechanisms, and organizations that support market transactions are called _____.

ANSWER: institutions

51. A system of responsibility in which an authority, such as the government, is answerable for its actions refers to _____.

ANSWER: accountability

52. National laws aimed at maintaining competition in all sectors of the economy and preventing monopolistic behavior of firms are called _____.

ANSWER: antitrust laws

53. The period of transformation that adjusts lifestyles to make the Internet and wireless technologies a part of everyday life refers to the _____.

ANSWER: digital era

54. The _____ is a system of interlinked documents contained and accessed via the Internet.

ANSWER: web

55. Economic development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs, whether environmentally, socially or economically is called _____.

ANSWER: sustainable development

Essay

56. Differentiate between the International Monetary Fund and the World Bank as institutions facilitating globalization.

ANSWER: Student answers will vary.

57. Analyze the impact of transparency on globalization.

ANSWER: Student answers will vary.

58. Identify and describe any two key policy measures that make globalization sustainable.

ANSWER: Student answers will vary.

59. Given the rapid advancements in technology in developed countries and fast pace of globalization, it is not possible to bridge the global digital divide. Do you agree with this statement? Why or why not? Explain.

ANSWER: Student answers will vary.

60. What are the best ways industrialized countries can support globalization's "losers"? Support your position using examples.

ANSWER: Student answers will vary.

Subjective Short Answer

61. Scenario – T & M Computers Thomas Benson and Matthew Roderick started a small computer business ten years ago in Rapid City, South Dakota. Armed only with determination and innovative designs, Thomas and Matthew were driven to achieve success for their company, T & M Computers. Their hard work has indeed, paid off. Since the inception of the company, the two owners have watched their business grow and demand for their products increase. Four years ago due to this high product demand, they went international with their business operations. Thomas and Matthew now have international business operations in Singapore, France, Turkey, and Great Britain. Further operational expansion is anticipated within the next year and the company plans to begin operations in Spain, Greece, and Italy. The owner's hard work and dynamic ideas have

proven quite profitable for the company. Thomas and Matthew are pleased with how their operation has grown into becoming a major international business worthy of competing with Intel and Microsoft. T & M Computers may well be the next giant recognized in the field of computer software. T & M Computers are conducting international business operations in world areas, which have recently undergone financial turmoil. Of the following, which organization is most likely to provide assistance in providing global financial stability? a. International Monetary Fund b. The United Nations c. The World Bank d. The Global Center for Financial Restructuring e. The World Trade Organization

ANSWER: a

62. Scenario – T & M Computers Thomas Benson and Matthew Roderick started a small computer business ten years ago in Rapid City, South Dakota. Armed only with determination and innovative designs, Thomas and Matthew were driven to achieve success for their company, T & M Computers. Their hard work has indeed, paid off. Since the inception of the company, the two owners have watched their business grow and demand for their products increase. Four years ago due to this high product demand, they went international with their business operations. Thomas and Matthew now have international business operations in Singapore, France, Turkey, and Great Britain. Further operational expansion is anticipated within the next year and the company plans to begin operations in Spain, Greece, and Italy. The owner's hard work and dynamic ideas have proven quite profitable for the company. Thomas and Matthew are pleased with how their operation has grown into becoming a major international business worthy of competing with Intel and Microsoft. T & M Computers may well be the next giant recognized in the field of computer software. Which one of the following would T & M Computers least expect to be a negative influence from the sovereign governments within the nations where their business operations are located? a. Military hostilities b. Protectionist policies c. Promotion of economic growth and job creation d. Stiff environmental standards e. Stringent immigration policies

ANSWER: c

63. Scenario – T & M Computers Thomas Benson and Matthew Roderick started a small computer business ten years ago in Rapid City, South Dakota. Armed only with determination and innovative designs, Thomas and Matthew were driven to achieve success for their company, T & M Computers. Their hard work has indeed, paid off. Since the inception of the company, the two owners have watched their business grow and demand for their products increase. Four years ago due to this high product demand, they went international with their business operations. Thomas and Matthew now have international business operations in Singapore, France, Turkey, and Great Britain. Further operational expansion is anticipated within the next year and the company plans to begin operations in Spain, Greece, and Italy. The owner's hard work and dynamic ideas have proven quite profitable for the company. Thomas and Matthew are pleased with how their operation has grown into becoming a major international business worthy of competing with Intel and Microsoft. T & M Computers may well be the next giant recognized in the field of computer software. T & M Computers plans to begin operations in areas that recently needed financial assistance and undergone certain levels of reconstruction and reorganizing to their economies. Which organization listed below is most likely to have played an integral part in this? a. The World Trade Organization b. The

World Bank Groupc.The International Development Associationd.The International Finance Corporatione.The sovereign government of Greece

ANSWER: b

64. Scenario – The Everline CorporationThe Everline Corporation is a multinational business that provides state-of-the-art digital communication capabilities to its global customers. Originally operating as a U.S. domestic business based in Duluth, Minnesota, Everline quickly seized on the opportunity provided by international expansion. Within two years, the corporation had expanded into fourteen foreign nations found throughout the Middle East, Europe, Asia, and South America.Everline understands the vital importance of offering effective and affordable communication products to its customers. It realizes the value consumers place on being able to communicate with businesses without delays or hassles. The corporation recognizes its customers need to quickly and efficiently communicate with others in the global marketplace of today. Fueled by its staff of innovative and highly skilled communication engineers, the future for Everline looks more and more promising. Communication needs around the globe continue to grow and this business stands ready to fill the demand. With net profits expected to reach one billion dollars in the next year, this company is decidedly reaping the rewards of its hard work. The Everline Corporation is currently conducting its international communication business during a period of time that is experiencing rapid changes and challenges. Individuals and organizations are adjusting their lifestyles and methods of operations to fully utilize the modern communication technologies available in the marketplace. The time period Everline is currently operating under is best classed as which one of the following terms? a.Digital proliferationb.Modern communication erac.Digital divided.Communication decadee.Digital era

ANSWER: e

65. There is a perceived economic gap among the various foreign customers of the Everline Corporation. This is thought to be mainly the result of the level of access or lack thereof to modern digital information technologies experienced within these individual countries. Considering this perceived economic gap, Everline's operations may be experiencing influence identified as which of the following?a.Digital stagnationb.Digital erac.Digital divided.Bandwidth technology erae.Web revolution

ANSWER: c

66. The Everline Corporation's future business plans include expanding into foreign markets where the use of mobile Web browsing is growing rapidly. Which one of the following countries would this organization be least likely to look toward to include in their future expansion plans? a.Vietnamb.Kenyac.Indiad.Germanye.Nigeria

ANSWER: d

67. The managers of the Everline Corporation attribute their company's continued profitability to the idea that globalization and information technology are closely related to one another. They acknowledge that the information technology revolution has occurred almost instantaneously. Which one of the following would not be considered a benefit derived from this so-called revolution? a.Societal hierarchies have grown in

number to better accommodate information technology changes.b.A more free flow of capital across national boundaries has occurred.c.Operating costs have decreased for many businesses.d.The production of goods and services has become globalized.e.The costs of communication are reduced.

ANSWER: a

68. Scenario – The Renna Company Established in 1956, the Renna Company has always maintained its operations within the boundaries of the United States. Originally based in Lexington, Kentucky, this company has now expanded operations into thirteen other U.S. states. While it's inexpensive and efficient cooling and heating products are in high demand even in foreign markets, this company contends it has no desire for international expansion. Conducting operations strictly within the U.S. borders does not appear to have limited this company overly much. It realized net profits of two billion dollars last year and provided gainful employment for over four thousand workers. The leaders of the Renna Company realize greater profits could be attained through international expansion. However, they stand in agreement when they state, "It is not always the money that best defines the worth of an organization."The company desire to stay true to its mission statement, which claims, "It will serve the marketplace of the United States with its superior products and provide job opportunities with a fair wage for its employees." The Renna Company is very proud of its products and enjoys the fact they are produced and sold in the United States of America. This company truly reflects the success possible when holding to the fact that "Made in America" is still a winner. Which one of the following statements is least likely to be a rationale explaining why the Renna Company staunchly desires to avoid global expansion?a.Globalization can create a wearing away of old industries.b.Globalization brings into play the concept of sustainable development.c.Globalization can contribute to an increase in environmental degradation.d.Global expansion often leads to greater integration and interdependence among economies and societies, which can bring about injustices.e.Economic change comes with a high price tag including job losses and wages that become stagnant.

ANSWER: b

69. All of the following are examples of counterarguments the Renna Company should consider before continuing with their stand of keeping their operations strictly within the borders of the United States except which one? a.Global expansion affords a strong potential for costs of both product production and product purchase to decrease.b.Life expectancy may increase for members of the population within the nations involved in globalization due to the increased quality of life.c.Globalization contributes to faster economic growth for the nations involved.d.The quality of life is most likely to improve for the citizens of the nations that are involved with globalization and trade.e.The wage levels of each nation may become stagnant and some workers may become displaced, having been replaced by less expensive foreign labor.

ANSWER: e

70. The Renna Company has a clear understanding of the benefits of economic development. Economic development which meets the needs of the present generation without compromising the ability of future generations to meet their own needs, whether environmentally, socially or economically is best identified as which one of the following?

a.Sustainable developmentb.Reform processc.Trade liberalizationd.Corporate social responsibilitye.Environmental degradation

ANSWER: a