Chapter 01

Globalization

True / False Questions

1. The shift toward a more integrated and interdependent world economy is referred to as globalization.

   True False

2. A company does not need a large size to facilitate, and benefit from, the globalization of markets.

   True False

3. Companies hope to lower their overall cost structure or improve the quality or functionality of their product offering through globalization of production.

   True False

4. The most global markets currently are markets for consumer products.

   True False

5. Outsourcing is a process that is limited to manufacturing enterprises.

   True False

6. The health care sector in the U.S. cannot avail the benefits of outsourcing to low-cost producers in other nations because of the nature of the work.

   True False

7. The World Bank has focused on policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties.

   True False

8. The World Bank is known as the lender of the last resort.

   True False

9. One of the UN's central mandates is the promotion of higher standards of living, full employment, and conditions of economic and social progress and development.

   True False

10. In 2008 and 2009, the GATT became the forum though which major nations attempted to launch a coordinated policy response to the global financial crisis, which started in America.

    True False

11. The Uruguay Round, finalized in December 1993, reduced protection for patents, trademarks, and copyrights.

    True False

12. "Beggar thy neighbor" retaliatory trade policies involved countries progressively lowering trade barriers against each other, which contributed to the Great Depression of the 1930s.

    True False

13. Rivers Inc., a U.S. based sports apparel manufacturer, sets up a production unit in China to take advantage of the lower labor costs there. This is an example of foreign direct investment.

    True False

14. World Bank gives an aid of 100 million dollars to Kenya for creating rural health care facilities. This is an example of foreign direct investment.

    True False

15. The lowering of barriers to international trade enables firms to view the world, rather than a single country, as their market.

    True False

16. According to WTO data, the volume of world merchandise trade has grown faster than the world economy since 1950.

    True False

17. The expansion of world trade implies that nations are becoming less dependent on each other for important goods and services.

    True False

18. Over the past 30 years the flow of FDI has accelerated faster than the growth in world trade and world output.

    True False

19. The globalization of markets and production and the resulting growth of world trade, foreign direct investment, and imports all imply that firms are finding their home markets protected from foreign competitors.

True False

20. The cost of microprocessors continues to fall, while their power increases. This statement supports the predictions made by Moore's Law.

True False

21. Efficiency gains associated with containerization have caused transportation costs to fall dramatically.

True False

22. The Internet has developed into the information backbone of the global economy.

True False

23. Globalization of markets has resulted in greater differentiation of consumer tastes and preferences.

True False

24. In the early 1960s, the United States was by far the world's dominant industrial power. However by 2009, it lost its dominant position and now, is no longer the world's largest industrial power.

True False

25. Non-U.S. firms increasingly began to invest across national borders because they wanted to disperse production activities to optimal locations and to build a direct presence in major foreign markets.

True False

26. A multinational enterprise (MNE) is any business that exports or imports products from other countries.

True False

27. A current trend in international business is the decline of medium-sized and small multinationals, known as mini-multinationals.

True False

28. The globalization of the world economy has resulted in a relative increase in the dominance of U.S. firms in the global marketplace.

True False

29. Doing business in Russia involves risks because the country has shown signs of shifting back toward greater state involvement in economic activity and authoritarian government.

True False

30. Current trends indicate the world is moving toward an economic system that is more favorable for international business.

True False

31. Globalization reduces the risks of global financial contagion.

True False

32. 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.

True False

33. Evidence suggests that technological change has had a bigger impact than globalization on the declining share of national income enjoyed by labor.

True False

34. Recent evidence indicates that the solution to the problem of stagnant incomes among the unskilled is to be found in increasing government regulation of markets.

True False

35. According to supporters of free trade, as countries get richer they commit greater violation of environmental and labor regulations.

True False

36. According to critics of globalization, today's interdependent global economy limits a nation's national sovereignty.

True False

37. Critics of globalization suggest that over the last century, the gap between the rich and poor nations of the world has shrunken.

True False

38. Supporters of debt relief argue that new democratic governments in poor nations should not be forced to honor debts incurred by corrupt and dictatorial predecessors.

True False

39. A firm does not have to become a multinational enterprise to engage in international business.

True False

40. Differences between countries require that an international business vary its practices country by country.

True False

41. Cross-border business transactions have become easier for international businesses because they use a common currency.

True False

42. A domestic business must find ways to work within the limits imposed by governmental intervention in the international trade and investment system.

True False

43. Managing an international business is much easier than managing a domestic business.

True False

Multiple Choice Questions

44. Since the collapse of communism at the end of the 1980s, the erstwhile communist nations have transformed their economies by globalizing their markets. This involves ____.

A. regulating markets
B. privatizing state-owned enterprises
C. decreasing competition
D. reducing foreign investment

45. Which of the following is a consequence of globalization?

A. Decreasing interdependence between national economies
B. Increasing outsourcing of services
C. Differentiation of material culture
D. Increase in barriers to cross-border trade

46. Which of the following has enabled globalization of markets?

A. Differentiation amongst national markets
B. Falling barriers to cross border trade
C. Reduced homogeneity of material culture across the world
D. Increased government ownership of factors of production

47. Which of the following factors hinders globalization of consumer goods market?

A. National differences in tastes and preferences
B. Higher production costs in developed nations
C. Homogenization of material culture
D. Increasing outsourcing of goods and services

48. Globalization of markets results in markets becoming ____.

A. less interdependent
B. less diverse
C. more protected
D. less competitive

49. A U.S. Investment firm, Fin-Smart, set up a customer service call center in India to take advantage of the lower labor costs. This is called ____.

A. homogenizing markets
B. vertical integration
C. outsourcing
D. horizontal integration

50. Early outsourcing efforts were primarily confined to ____.

A. health care
B. service activities
C. technological research
D. manufacturing activities

51. Which of the following is NOT an impediment that makes it difficult for firms to achieve the optimal dispersion of their productive activities to locations around the globe?

A. Reduced tariffs on imports of manufactured goods
B. Government regulations
C. Issues associated with economic and political risk
D. Barriers to foreign direct investment

52. The General Agreement on Tariffs and Trade (GATT) was responsible for ____.

A. protecting government owned enterprises
B. policing the global marketplace
C. limiting nuclear testing
D. promoting environment friendly technology

53. The ______ 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 member states.

A. International Development Association
B. World Bank
C. International Court of justice
D. World Trade Organization

54. The World Trade Organization promotes ____.

A. lowering of barriers to cross-border trade and investment
B. infrastructural development in poor nations through low-interest loans
C. state ownership of major enterprises
D. regulation of national economies

55. Which of the following is true about the International Monetary Fund?

A. It is primarily responsible for policing the world trading system.
B. It is seen as the lender of last resort to nation-states whose economies are in turmoil.
C. It is responsible for establishing multinational treaties to govern the global business system.
D. It was established to formulate a coordinated policy response to financial crises in developing nations.

56. The _____ was established on October 24, 1945, by 51 countries committed to preserving peace through international cooperation and collective security.

A. World Trade Organization
B. United Nations
C. G20
D. World Bank

57. The G20 was originally established to ____.

A. preserve peace through international cooperation and collective security
B. maintain order in the international monetary system
C. formulate a coordinated policy response to financial crises in developing nations
D. manage, regulate, and police the global marketplace

58. _____ occurs when a firm exports goods or services to consumers in another country.

A. International trade
B. Foreign direct investment
C. Inward investment
D. Outsourcing

59. In late 2001, the WTO launched a new round of talks in Doha aimed at:

A. helping member states to cope with financial crisis.
B. further liberalization of the global trade and investment framework.
C. protecting national economies from global competition.
D. promoting higher standards of living in all member states.

60. Which of the following is NOT included in world merchandise trade?

A. Manufactured goods
B. Agricultural goods
C. Services
D. Mining products

61. _____ have/has the most to gain from reductions in agricultural tariffs and subsidies that are a part of the Doha agenda.

A. The world's developed nations
B. The world's poorer nations
C. European nations
D. The United States

62. Which of the following is NOT a consequence of the reduction in trade barriers and restrictions on FDI since 1950?

A. Firms are dispersing parts of their production process to global locations to drive down production costs and increase product quality.
B. The economies of the world's nation states are becoming more intertwined.
C. Nations are becoming more independent of each other for important goods and services.
D. The world has become significantly wealthier since 1950.

63. The financial crisis in the U.S. in 2009 was triggered by ____.

A. the global hike in the price of crude oil
B. the slowdown in U.S. imports
C. the problems in the U.S. subprime mortgage lending market
D. the artificial fixing of currency rate by China

64. _____ predicts that the power of microprocessor technology doubles and its cost of production falls in half every 18 months.

A. Keynes's Law
B. Say's Law
C. Moore's Law
D. Sullivan Principles

65. Containerization allows:

A. reduction of the time needed to get from one location to another.
B. simplification of transshipment from one mode of transport to another.
C. buyers and sellers to find each other easily.
D. enterprises to coordinate and control a globally dispersed production system.

66. The relative decline of the United States in the share of world output and world exports reflects ____.

A. an increase in the barriers to foreign trade in the U.S.
B. the deepening of the global financial crisis
C. the reduced industrialization in developing nations
D. the growth in the economic development of the world economy

67. In the 1970s, many Japanese firms invested in North America and Europe:

A. to avoid a highly competitive domestic market.
B. to exploit high domestic tariff barriers.
C. as a hedge against unfavorable currency movements.
D. to take advantage of low labor costs.

68. What is the total cumulative value of foreign investments best referred to as?

A. Accumulation of foreign shares
B. Portfolio investments
C. Stock of foreign direct investments
D. Stock market investments

69. Throughout the 1990s, the amount of foreign direct investment directed at both developed and developing nations increased dramatically. This trend reflects:

A. a slowdown in global economic activity.
B. the increasing share of the U.S. in the total FDI stock.
C. the decline in cross-border flows of foreign direct investment.
D. the increasing internationalization of business corporations.

70. Which of the following countries has been the largest recipient of foreign direct investment and received about $60 billion to $100 billion a year in inflows in 2004-2009?

A. Brazil
B. Russia
C. India
D. China

71. A multinational enterprise (MNE) is a firm that ____.

A. exports its products to multiple countries
B. has production units in more than two countries
C. does most of its business on the Internet
D. lists its securities on a public exchange

72. Which of these statements pertaining to cross-border FDI flows is true?

A. There was a growth of FDI between 2004 and 2007.
B. A slump in FDI from 1998 to 2000 was followed by a surge from 2001 to 2003.
C. Among developing nations, the largest recipient of FDI has been Russia.
D. The dramatic increase in FDI reflects the decreasing internationalization of business corporations.

73. Since the 1960s, which of the following has been a notable trend in the demographics of the multinational enterprise?

A. The decline of multinational companies in the manufacturing sector
B. The growth of government-owned multinational enterprises
C. The decline of non-U.S. multinationals
D. The growth of mini-multinationals

74. In the last two decades, Latin American countries like Brazil, Mexico, and Chile have ____.

A. embraced communist principles
B. promoted government ownership of enterprises
C. experienced increasing debt and inflation
D. welcomed foreign investment

75. Which of the following is a risk associated with globalization?

A. Restrictions on competition
B. Global financial contagion
C. Excessive market regulation
D. Differentiation of markets

76. Supporters of globalization maintain that the apparent decline in real wage rates of unskilled workers:

A. is due to technological changes that create greater demand for skilled workers.
B. is due to the migration of low-wage manufacturing jobs offshore.
C. can be checked by increasing government ownership of enterprises.
D. can be checked by limiting free trade and foreign investment.

77. A study published in 2011 by the OECD noted that:

A. the real household income of the unskilled workers in the U.S. increased more in comparison to that of the skilled workers.
B. in almost all countries real income levels declined over the 20-year period studied.
C. falling unemployment rates brought gains to low-wage workers and fairly broad-based wage growth.
D. the gap between the poorest and richest segments of society in some OECD countries had widened.

78. A number of econometric studies have found consistent evidence of a hump-shaped relationship between income levels and pollution levels. According to this, as an economy grows and income levels rise:

A. initially the pollution levels remain low
B. after a while the pollution levels decrease
C. the pollution levels also rise in proportion to the economic growth
D. there is increasing industrialization which leads to greater pollution

79. NAFTA was passed only after:

A. China agreed to establish a higher minimum wage.
B. the U.S. agreed to limit the number of jobs that could be outsourced.
C. Mexico committed to tougher enforcement of environmental protection regulations.
D. Canada committed to establish new limits on FDI.

80. Globalization is criticized because it increases the power of ____.

A. governments to own enterprises
B. unskilled labor to form labor unions
C. supranational organizations over nation-states
D. nation-states to regulate markets and reduce competition

81. The World Trade Organization has estimated that the developed nations of the world can raise global economic welfare by $128 billion by:

A. removing subsidies given to their agricultural producers.
B. increasing tariff barriers to trade in agriculture.
C. increasing outsourcing of manufacturing processes.
D. reducing defense expenditure.

82. An international business, unlike a multinational enterprise, ____.

A. needs to have manufacturing units in at least two foreign nations
B. needs to manufacture products or provide services that target a global market
C. need not customize its products to the requirements of national markets
D. need not invest directly in operations in other countries

83. Which of the following statements is true about an international business?

A. An international business needs to invest directly in operations in other countries.
B. An international business needs to have homogenous practices across countries.
C. An international business can be managed in the same way that a domestic business is managed.
D. An international business must find ways to work within the limits imposed by government intervention.

84. What is the main reason that managing an international business differs from managing a domestic business?

A. Because international managers are more experienced.
B. Because countries differ in their cultures and systems.
C. Because countries want to do business with their neighbors.
D. Because countries want to keep their transactions simple.

Essay Questions

85. With the help of an example discuss the characteristics of globalization.

86. Explain what is meant by the globalization of markets. Provide an example. What are the most global markets?

87. Discuss the concept of the globalization of production.

88. What is the World Trade Organization? What is its role in the world economy?

89. What is the International Monetary Fund? What is the World Bank? What is their relationship, if any, with each other?

90. What is the Uruguay Round? List the measures implemented in the Uruguay Round?

91. Explain the trends in world trade and foreign direct investment over the last half century.

92. Explain how a company competes using outsourcing. Provide an example.

93. Discuss the impact of technological change on global markets.

94. Explain the notion of the Internet emerging as an equalizer.

95. Innovations in transportation have had a major impact on global trade. Consider one of these innovations: containerization. Why is this innovation so significant?

96. Discuss the demographics of world trade since the 1960s. How has the role of the U.S. changed? How is world trade expected to change in the future?

97. How has the foreign direct investment picture changed since the 1960s?

98. What is a multinational enterprise (MNE)? How does a mini-multinational differ from an MNE?

99. Why does China represent both opportunities and threats for established international businesses?

100. Consider the global economy of the 21st century. What important changes are taking place? What do these changes mean for international companies?

101. Consider whether the shift toward a more integrated and interdependent global economy is a good thing. Discuss the shift from the eyes of the consumer, the worker, the company, and the environmentalist.

102. Discuss what occurred in Seattle in 1999 at the meeting of the WTO and why the events were important to the future of global trade.

103. Falling barriers to international trade destroy manufacturing jobs in wealthy advanced economies. Discuss this statement. Do you agree? Why or why not?

104. Why is managing an international business different from managing a purely domestic business?

105. What are some of the issues a manager of an international business must confront that a manager of a domestic business never confronts?

Chapter 01 Globalization Answer Key

True / False Questions

1. The shift toward a more integrated and interdependent world economy is referred to as globalization.

TRUE

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

2. A company does not need a large size to facilitate, and benefit from, the globalization of markets.

TRUE

A company does not have to be the size of multinational giants to facilitate, and benefit from, the globalization of markets. In the United States, for example, nearly 90 percent of firms that export are small businesses employing less than 100 people, and their share of total U.S. exports has grown steadily over the past decade to now exceed 20 percent.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

3. Companies hope to lower their overall cost structure or improve the quality or functionality of their product offering through globalization of production.

TRUE

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. By doing this, companies hope to lower their overall cost structure or improve the quality or functionality of their product offering, thereby allowing them to compete more effectively.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

4. The most global markets currently are markets for consumer products.

FALSE

The most global markets currently are not markets for consumer products—where national differences in tastes and preferences are still often important enough to act as a brake on globalization—but markets for industrial goods and materials that serve a universal need the world over.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

5. Outsourcing is a process that is limited to manufacturing enterprises.

FALSE

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

6. The health care sector in the U.S. cannot avail the benefits of outsourcing to low-cost producers in other nations because of the nature of the work.

FALSE

In 2008 some 34,000 Filipinos were transcribing American medical files. Some estimates suggest the outsourcing of many administrative procedures in health care, such as customer service and claims processing, could reduce health care costs in America by as much as $70 billion.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

7. The World Bank has focused on policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties.

FALSE

The World Trade Organization 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. The World Bank was set up to promote economic development.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: The Emergence of Global Institutions

8. The World Bank is known as the lender of the last resort.

FALSE

The IMF was established to maintain order in the international monetary system. It 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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: The Emergence of Global Institutions

9. One of the UN's central mandates is the promotion of higher standards of living, full employment, and conditions of economic and social progress and development.

TRUE

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: The Emergence of Global Institutions

10. In 2008 and 2009, the GATT became the forum though which major nations attempted to launch a coordinated policy response to the global financial crisis, which started in America.

FALSE

Originally, the G20tx was established to formulate a coordinated policy response to financial crises in developing nations. In 2008 and 2009 it became the forum though which major nations attempted to launch a coordinated policy response to the global financial crisis that started in America and then rapidly spread around the world.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: The Emergence of Global Institutions

11. The Uruguay Round, finalized in December 1993, reduced protection for patents, trademarks, and copyrights.

FALSE

Under the umbrella of GATT, the most recent negotiations to be completed, known as the Uruguay Round, were finalized in December 1993. The Uruguay Round provided enhanced protection for patents, trademarks, and copyrights.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

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

12. "Beggar thy neighbor" retaliatory trade policies involved countries progressively lowering trade barriers against each other, which contributed to the Great Depression of the 1930s.

FALSE

The typical aim of tariffs on imports of manufactured goods 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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

13. Rivers Inc., a U.S. based sports apparel manufacturer, sets up a production unit in China to take advantage of the lower labor costs there. This is an example of foreign direct investment.

TRUE

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

14. World Bank gives an aid of 100 million dollars to Kenya for creating rural health care facilities. This is an example of foreign direct investment.

FALSE

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

15. The lowering of barriers to international trade enables firms to view the world, rather than a single country, as their market.

TRUE

The lowering of barriers to international trade enables firms to view the world, rather than a single country, as their market.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

16. According to WTO data, the volume of world merchandise trade has grown faster than the world economy since 1950.

TRUE

According to WTO data, the volume of world merchandise trade has grown faster than the world economy since 1950.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

17. The expansion of world trade implies that nations are becoming less dependent on each other for important goods and services.

FALSE

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

18. Over the past 30 years the flow of FDI has accelerated faster than the growth in world trade and world output.

TRUE

In general, over the past 30 years the flow of FDI has accelerated faster than the growth in world trade and world output. For example, between 1992 and 2008, the total flow of FDI from all countries increased more than eightfold while world trade by value grew by some 150 percent and world output by around 45 percent.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

19. The globalization of markets and production and the resulting growth of world trade, foreign direct investment, and imports all imply that firms are finding their home markets protected from foreign competitors.

FALSE

The globalization of markets and production and the resulting growth of world trade, foreign direct investment, and imports all imply that firms are finding their home markets under attack from foreign competitors.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

20. The cost of microprocessors continues to fall, while their power increases. This statement supports the predictions made by Moore's Law.

TRUE

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).

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

21. Efficiency gains associated with containerization have caused transportation costs to fall dramatically.

TRUE

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

22. The Internet has developed into the information backbone of the global economy.

TRUE

The Internet has developed into the information backbone of the global economy. In North America alone, e-commerce retail sales reached $365 billion in 2012 (up from almost nothing in 1998), while global e-commerce sales surpassed $1 trillion for the first time in 2012.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

23. Globalization of markets has resulted in greater differentiation of consumer tastes and preferences.

FALSE

Globalization of markets has reduced the cultural distance between countries and is bringing about some convergence of consumer tastes and preferences. At the same time, global communication networks and global media are creating a worldwide culture.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

24. In the early 1960s, the United States was by far the world's dominant industrial power. However by 2009, it lost its dominant position and now, is no longer the world's largest industrial power.

FALSE

In the early 1960s, the United States was still by far the world's dominant industrial power. In 1963 the United States accounted for 40.3 percent of world economic activity, measured by gross domestic product (GDP). By 2009, the United States accounted for 24.1 percent of world output (measured by gross national income, or GNI), still the world's largest industrial power but down significantly in relative size since the 1960s.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

25. Non-U.S. firms increasingly began to invest across national borders because they wanted to disperse production activities to optimal locations and to build a direct presence in major foreign markets.

TRUE

As the barriers to the free flow of goods, services, and capital fell, and as other countries increased their shares of world output, non-U.S. firms increasingly began to invest across national borders. The motivation for much of this 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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

26. A multinational enterprise (MNE) is any business that exports or imports products from other countries.

FALSE

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

AACSB: Analytic
Accessibility: Keyboard Navigation

Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

27. A current trend in international business is the decline of medium-sized and small multinationals, known as mini-multinationals.

FALSE

Since the 1960s, two notable trends in the demographics of the multinational enterprise have been (1) the rise of non-U.S. multinationals and (2) the growth of mini-multinationals.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

28. The globalization of the world economy has resulted in a relative increase in the dominance of U.S. firms in the global marketplace.

FALSE

By 2008 some 19 of the world's 100 largest nonfinancial multinationals were now U.S. enterprises; 13 were French; 13, German; 14, British; and 10, Japanese. The globalization of the world economy has resulted in a relative decline in the dominance of U.S. firms in the global marketplace.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

29. Doing business in Russia involves risks because the country has shown signs of shifting back toward greater state involvement in economic activity and authoritarian government.

TRUE

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

30. Current trends indicate the world is moving toward an economic system that is more favorable for international business.

TRUE

Over the next few decades, countries such as the Czech Republic, Mexico, Poland, Brazil, China, India, and South Africa may build powerful market-oriented economies. Current trends indicate the world is moving toward an economic system that is more favorable for international business.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

31. Globalization reduces the risks of global financial contagion.

FALSE

Even from a purely economic perspective, globalization is not all good. The opportunities for doing business in a global economy may be significantly enhanced, but as we saw in 1997-1998, the risks associated with global financial contagion are also greater.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

32. 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.

TRUE

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

33. Evidence suggests that technological change has had a bigger impact than globalization on the declining share of national income enjoyed by labor.

TRUE

Evidence suggests that technological change has had a bigger impact than globalization on the declining share of national income enjoyed by labor.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

34. Recent evidence indicates that the solution to the problem of stagnant incomes among the unskilled is to be found in increasing government regulation of markets.

FALSE

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 in increasing society's investment in education to reduce the supply of unskilled workers.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

35. According to supporters of free trade, as countries get richer they commit greater violation of environmental and labor regulations.

FALSE

Supporters of free trade and greater globalization 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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

36. According to critics of globalization, today's interdependent global economy limits a nation's national sovereignty.

TRUE

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

37. Critics of globalization suggest that over the last century, the gap between the rich and poor nations of the world has shrunken.

FALSE

Critics of globalization argue that despite the supposed benefits associated with free trade and investment, over the past hundred years or so the gap between the rich and poor nations of the world has gotten wider.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

38. Supporters of debt relief argue that new democratic governments in poor nations should not be forced to honor debts incurred by corrupt and dictatorial predecessors.

TRUE

Supporters of debt relief argue that new democratic governments in poor nations should not be forced to honor debts that were incurred and mismanaged long ago by their corrupt and dictatorial predecessors.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

39. A firm does not have to become a multinational enterprise to engage in international business.

TRUE

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.
Topic: Managing in the Global Marketplace

40. Differences between countries require that an international business vary its practices country by country.

TRUE

As their organizations increasingly engage in cross-border trade and investment, managers need to recognize that the task of managing an international business differs from that of managing a purely domestic business in many ways. Differences between countries require that an international business vary its practices country by country.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business

managers.
Topic: Managing in the Global Marketplace

41. Cross-border business transactions have become easier for international businesses because they use a common currency.

FALSE

Cross-border transactions also 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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.
Topic: Managing in the Global Marketplace

42. A domestic business must find ways to work within the limits imposed by governmental intervention in the international trade and investment system.

FALSE

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.
Topic: Managing in the Global Marketplace

43. Managing an international business is much easier than managing a domestic business.

FALSE

A further way in which international business differs from domestic business is the greater complexity of managing an international business. In addition to the problems that arise from the differences between countries, a manager in an international business is confronted with a range of other issues that the manager in a domestic business never confronts.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.
Topic: Managing in the Global Marketplace

Multiple Choice Questions

44. Since the collapse of communism at the end of the 1980s, the erstwhile communist nations have transformed their economies by globalizing their markets. This involves ____.

A. regulating markets
B. privatizing state-owned enterprises
C. decreasing competition
D. reducing foreign investment

Since the collapse of communism at the end of the 1980s, the pendulum of public policy in nation after nation has swung toward the free market end of the economic spectrum. Regulatory and administrative barriers to doing business in foreign nations have been reduced, while those nations have often transformed their economies, privatizing state-owned enterprises, deregulating markets, increasing competition, and welcoming investment by foreign businesses.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: Introduction

45. Which of the following is a consequence of globalization?

A. Decreasing interdependence between national economies
B. Increasing outsourcing of services
C. Differentiation of material culture
D. Increase in barriers to cross-border trade

The process of outsourcing legal services from developed nations to lower-cost locations is indicative of what is occurring in today's global economy. Because of rapid advances in telecommunications and the removal of barriers to cross-border trade and investment, such outsourcing is becoming increasingly common.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: Introduction

46. Which of the following has enabled globalization of markets?

A. Differentiation amongst national markets
B. Falling barriers to cross border trade
C. Reduced homogeneity of material culture across the world
D. Increased government ownership of factors of production

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

47. Which of the following factors hinders globalization of consumer goods market?

A. National differences in tastes and preferences
B. Higher production costs in developed nations
C. Homogenization of material culture
D. Increasing outsourcing of goods and services

The most global markets currently are not markets for consumer products—where national differences in tastes and preferences are still often important enough to act as a brake on globalization—but markets for industrial goods and materials that serve a universal need the world over.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

48. Globalization of markets results in markets becoming ____.

A. less interdependent
B. less diverse
C. more protected
D. less competitive

As markets become global, greater uniformity replaces diversity. In an increasing number of industries, it is no longer meaningful to talk about "the German market," "the American market," "the Brazilian market," or "the Japanese market"; for many firms there is only the global market.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

49. A U.S. Investment firm, Fin-Smart, set up a customer service call center in India to take advantage of the lower labor costs. This is called ____.

A. homogenizing markets
B. vertical integration
C. outsourcing
D. horizontal integration

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

50. Early outsourcing efforts were primarily confined to ____.

A. health care
B. service activities
C. technological research
D. manufacturing activities

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

51. Which of the following is NOT an impediment that makes it difficult for firms to achieve the optimal dispersion of their productive activities to locations around the globe?

A. Reduced tariffs on imports of manufactured goods
B. Government regulations
C. Issues associated with economic and political risk
D. Barriers to foreign direct investment

Substantial impediments still make it difficult for firms to achieve the optimal dispersion of their productive activities to locations around the globe. These impediments include formal and informal barriers to trade between countries, barriers to foreign direct investment, transportation costs, and issues associated with economic and political risk.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

52. The General Agreement on Tariffs and Trade (GATT) was responsible for ____.

A. protecting government owned enterprises
B. policing the global marketplace
C. limiting nuclear testing
D. promoting environment friendly technology

As markets globalize and an increasing proportion of business activity transcends national borders, institutions are needed to help manage, regulate, and police the global marketplace, and to promote the establishment of multinational treaties to govern the global business system. Over the past half century, a number of important global institutions have been created to help perform these functions, including the General Agreement on Tariffs and Trade (GATT).

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: The Emergence of Global Institutions

53. The ______ 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 member states.

A. International Development Association
B. World Bank
C. International Court of justice
D. World Trade Organization

The World Trade Organization 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. As of 2011, 154 nations that collectively accounted for 97 percent of world trade were WTO members, thereby giving the organization enormous scope and influence.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: The Emergence of Global Institutions

54. The World Trade Organization promotes ____.

A. lowering of barriers to cross-border trade and investment
B. infrastructural development in poor nations through low-interest loans
C. state ownership of major enterprises
D. regulation of national economies

The WTO is also responsible for facilitating the establishment of additional multinational agreements between WTO member states. Over its entire history, and that of the GATT before it, the WTO has promoted the lowering of barriers to cross-border trade and investment.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: The Emergence of Global Institutions

55. Which of the following is true about the International Monetary Fund?

A. It is primarily responsible for policing the world trading system.
B. It is seen as the lender of last resort to nation-states whose economies are in turmoil.
C. It is responsible for establishing multinational treaties to govern the global business system.
D. It was established to formulate a coordinated policy response to financial crises in developing nations.

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. During the past two decades, for example, the IMF has lent money to the governments of troubled states, including Argentina, Indonesia, Mexico, Russia, South Korea, Thailand, and Turkey.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: The Emergence of Global Institutions

56. The _____ was established on October 24, 1945, by 51 countries committed to preserving peace through international cooperation and collective security.

A. World Trade Organization
B. United Nations
C. G20
D. World Bank

The United Nations was established on 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 191 countries.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: The Emergence of Global Institutions

57. The G20 was originally established to ____.

A. preserve peace through international cooperation and collective security
B. maintain order in the international monetary system
C. formulate a coordinated policy response to financial crises in developing nations
D. manage, regulate, and police the global marketplace

The G20 was established in 1999 to formulate a coordinated policy response to financial crises in developing nations. The G20 comprises the finance ministers and central bank governors of the 19 largest economies in the world, plus representatives from the European Union and the European Central Bank.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: The Emergence of Global Institutions

58. _____ occurs when a firm exports goods or services to consumers in another country.

A. International trade
B. Foreign direct investment
C. Inward investment
D. Outsourcing

International trade occurs when a firm exports goods or services to consumers in another country.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

59. In late 2001, the WTO launched a new round of talks in Doha aimed at:

A. helping member states to cope with financial crisis.
B. further liberalization of the global trade and investment framework.
C. protecting national economies from global competition.
D. promoting higher standards of living in all member states.

In late 2001, the WTO launched a new round of talks aimed at further liberalizing the global trade and investment framework. The Doha agenda includes cutting tariffs on industrial goods, services, and agricultural products; phasing out subsidies to agricultural producers; reducing barriers to cross-border investment; and limiting the use of antidumping laws.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

60. Which of the following is NOT included in world merchandise trade?

A. Manufactured goods
B. Agricultural goods
C. Services
D. Mining products

From 1970 to 2010, the volume of world merchandise trade expanded more than 30-fold, outstripping the expansion of world production, which grew close to 10 times in real terms. World merchandise trade includes trade in manufactured goods, agricultural goods, and mining products, but not services.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

61. _____ have/has the most to gain from reductions in agricultural tariffs and subsidies that are a part of the Doha agenda.

A. The world's developed nations
B. The world's poorer nations
C. European nations
D. The United States

The world's poorer nations have the most to gain from any reduction in agricultural tariffs and subsidies; such reforms would give them access to the markets of the developed world.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

62. Which of the following is NOT a consequence of the reduction in trade barriers and restrictions on FDI since 1950?

A. Firms are dispersing parts of their production process to global locations to drive down production costs and increase product quality.
B. The economies of the world's nation states are becoming more intertwined.
C. Nations are becoming more independent of each other for important goods and services.
D. The world has become significantly wealthier since 1950.

More firms are dispersing parts of their production process to different locations around the globe. 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. The world has become significantly wealthier since 1950.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

63. The financial crisis in the U.S. in 2009 was triggered by ____.

A. the global hike in the price of crude oil
B. the slowdown in U.S. imports
C. the problems in the U.S. subprime mortgage lending market
D. the artificial fixing of currency rate by China

In 2009 the global economy contracted by 2.3 percent as the global financial crisis that began with problems in the U.S. subprime mortgage lending market reverberated around the world. The volume of merchandised trade dropped by 12.2 percent in 2009, the largest such decline since World War II.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

64. _____ predicts that the power of microprocessor technology doubles and its cost of production falls in half every 18 months.

A. Keynes's Law
B. Say's Law
C. Moore's Law
D. Sullivan Principles

Moore's Law, which predicts that the power of microprocessor technology doubles and its cost of production falls in half every 18 months.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

65. Containerization allows:

A. reduction of the time needed to get from one location to another.
B. simplification of transshipment from one mode of transport to another.
C. buyers and sellers to find each other easily.
D. enterprises to coordinate and control a globally dispersed production system.

The introduction of containerization simplifies transshipment from one mode of transport to another. Before the advent of containerization, moving goods from one mode of transport to another was very labor intensive, lengthy, and costly.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

66. The relative decline of the United States in the share of world output and world exports reflects ____.

A. an increase in the barriers to foreign trade in the U.S.
B. the deepening of the global financial crisis
C. the reduced industrialization in developing nations
D. the growth in the economic development of the world economy

The relative decline of the United States reflects the growing economic development and industrialization of the world economy, as opposed to any absolute decline in the health of the U.S. economy.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

67. In the 1970s, many Japanese firms invested in North America and Europe:

A. to avoid a highly competitive domestic market.
B. to exploit high domestic tariff barriers.
C. as a hedge against unfavorable currency movements.
D. to take advantage of low labor costs.

Beginning in the 1970s, European and Japanese firms began to shift labor-intensive manufacturing operations from their home markets to developing nations where labor costs were lower. In addition, many Japanese firms invested in North America and Europe—often as a hedge against unfavorable currency movements and the possible imposition of trade barriers.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

68. What is the total cumulative value of foreign investments best referred to as?

A. Accumulation of foreign shares
B. Portfolio investments
C. Stock of foreign direct investments
D. Stock market investments

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

69. Throughout the 1990s, the amount of foreign direct investment directed at both developed and developing nations increased dramatically. This trend reflects:

A. a slowdown in global economic activity.
B. the increasing share of the U.S. in the total FDI stock.
C. the decline in cross-border flows of foreign direct investment.
D. the increasing internationalization of business corporations.

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

70. Which of the following countries has been the largest recipient of foreign direct investment and received about $60 billion to $100 billion a year in inflows in 2004-2009?

A. Brazil
B. Russia
C. India
D. China

Among developing nations, the largest recipient of foreign direct investment has been China, which in 2004-2009 received $60 billion to $100 billion a year in inflows.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

71. A multinational enterprise (MNE) is a firm that ____.

A. exports its products to multiple countries
<u>B.</u> has production units in more than two countries
C. does most of its business on the Internet
D. lists its securities on a public exchange

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

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

72. Which of these statements pertaining to cross-border FDI flows is true?

<u>A.</u> There was a growth of FDI between 2004 and 2007.
B. A slump in FDI from 1998 to 2000 was followed by a surge from 2001 to 2003.
C. Among developing nations, the largest recipient of FDI has been Russia.
D. The dramatic increase in FDI reflects the decreasing internationalization of business corporations.

A surge in foreign direct investment from 1998 to 2000 was followed by a slump from 2001 to 2003. However, the growth of foreign direct investment resumed in 2004 and continued through 2007, when it hit record levels, only to slow again in 2008 and 2009 as the global financial crisis took hold.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

73. Since the 1960s, which of the following has been a notable trend in the demographics of the multinational enterprise?

A. The decline of multinational companies in the manufacturing sector
B. The growth of government-owned multinational enterprises
C. The decline of non-U.S. multinationals
D. The growth of mini-multinationals

Since the 1960s, two notable trends in the demographics of the multinational enterprise have been (1) the rise of non-U.S. multinationals and (2) the growth of mini-multinationals.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

74. In the last two decades, Latin American countries like Brazil, Mexico, and Chile have ____.

A. embraced communist principles
B. promoted government ownership of enterprises
C. experienced increasing debt and inflation
D. welcomed foreign investment

In the past two decades, 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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

75. Which of the following is a risk associated with globalization?

A. Restrictions on competition
B. Global financial contagion
C. Excessive market regulation
D. Differentiation of markets

Greater globalization brings with it risks of its own. The opportunities for doing business in a global economy may be significantly enhanced; however the risks associated with global financial contagion are also greater.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

76. Supporters of globalization maintain that the apparent decline in real wage rates of unskilled workers:

A. is due to technological changes that create greater demand for skilled workers.
B. is due to the migration of low-wage manufacturing jobs offshore.
C. can be checked by increasing government ownership of enterprises.
D. can be checked by limiting free trade and foreign investment.

Supporters of globalization 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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

77. A study published in 2011 by the OECD noted that:

A. the real household income of the unskilled workers in the U.S. increased more in comparison to that of the skilled workers.
B. in almost all countries real income levels declined over the 20-year period studied.
C. falling unemployment rates brought gains to low-wage workers and fairly broad-based wage growth.
D. the gap between the poorest and richest segments of society in some OECD countries had widened.

In a study published in 2011, the OECD found that between 1985 and 2008 real household income (adjusted for inflation) increased by 1.7 percent annually among its member states. The real income level of the poorest 10 percent of the population increased at 1.4 percent on average, while that of the richest 10 percent increased by 2 percent annually (i.e., while everyone got richer, the gap between the most affluent and the poorest sectors of society widened).

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

78. A number of econometric studies have found consistent evidence of a hump-shaped relationship between income levels and pollution levels. According to this, as an economy grows and income levels rise:

A. initially the pollution levels remain low
B. after a while the pollution levels decrease
C. the pollution levels also rise in proportion to the economic growth
D. there is increasing industrialization which leads to greater pollution

A number of econometric studies have found consistent evidence of a hump-shaped relationship between income levels and pollution levels. 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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

79. NAFTA was passed only after:

A. China agreed to establish a higher minimum wage.
B. the U.S. agreed to limit the number of jobs that could be outsourced.
C. Mexico committed to tougher enforcement of environmental protection regulations.
D. Canada committed to establish new limits on FDI.

NAFTA was passed only after side agreements had been negotiated that committed Mexico to tougher enforcement of environmental protection regulations. Thus, supporters of free trade argue that factories based in Mexico are now cleaner than they would have been without the passage of NAFTA.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

80. Globalization is criticized because it increases the power of ____.

A. governments to own enterprises
B. unskilled labor to form labor unions
C. supranational organizations over nation-states
D. nation-states to regulate markets and reduce competition

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

81. The World Trade Organization has estimated that the developed nations of the world can raise global economic welfare by $128 billion by:

A. removing subsidies given to their agricultural producers.
B. increasing tariff barriers to trade in agriculture.
C. increasing outsourcing of manufacturing processes.
D. reducing defense expenditure.

The World Trade Organization has estimated that if the developed nations of the world eradicated subsidies to their agricultural producers and removed tariff barriers to trade in agriculture this would raise global economic welfare by $128 billion, with $30 billion of that going to developing nations, many of which are highly indebted.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

82. An international business, unlike a multinational enterprise, ____.

A. needs to have manufacturing units in at least two foreign nations
B. needs to manufacture products or provide services that target a global market
C. need not customize its products to the requirements of national markets
D. need not invest directly in operations in other countries

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.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.
Topic: Managing in the Global Marketplace

83. Which of the following statements is true about an international business?

A. An international business needs to invest directly in operations in other countries.
B. An international business needs to have homogenous practices across countries.
C. An international business can be managed in the same way that a domestic business is managed.
D. An international business must find ways to work within the limits imposed by government intervention.

Conducting business transactions across national borders requires understanding the rules governing the international trading and investment system. Managers in an international business must also deal with government restrictions on international trade and investment.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.
Topic: Managing in the Global Marketplace

84. What is the main reason that managing an international business differs from managing a domestic business?

A. Because international managers are more experienced.
B. Because countries differ in their cultures and systems.
C. Because countries want to do business with their neighbors.
D. Because countries want to keep their transactions simple.

As their organizations increasingly engage in cross-border trade and investment, managers need to recognize that the task of managing an international business differs from that of managing a purely domestic business in many ways. At the most fundamental level, the differences arise from the simple fact that countries are different.

AACSB: Analytic
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.
Topic: Managing in the Global Marketplace

Essay Questions

85. With the help of an example discuss the characteristics of globalization.

Globalization refers to a fundamental shift in the world economy in which national economies are no longer relatively self-contained entities. Instead, nations are moving toward an interdependent global economic system. Within this new global economy, an American might drive to work in a car designed in Germany that was assembled in Mexico by DaimlerChrysler from components made in the U.S. and Japan that were fabricated from Korean steel and Malaysian rubber. A company does not have to be the size of these multinational giants to facilitate, and benefit from, the globalization of markets.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

86. Explain what is meant by the globalization of markets. Provide an example. What are the most global markets?

The globalization of markets refers to the idea that historically distinct and separate national markets are merging into a single, huge global marketplace. For example, Coca-Cola, Starbucks, and McDonald's offer the same basic product worldwide, and are in fact, not only a part of the trend, but facilitators of the trend as well. The most global markets are not actually for consumer goods, but instead are for industrial goods and materials that serve the same needs across the world.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

87. Discuss the concept of the globalization of production.

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). By doing this, companies hope to lower their overall cost structure or improve the quality or functionality of their product offering, thereby allowing them to compete more effectively.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: What is Globalization?

88. What is the World Trade Organization? What is its role in the world economy?

The World Trade Organization (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 members. The WTO currently has 148 members that collectively account for 97 percent of world trade. The WTO has been instrumental in lowering barriers to cross-border trade and investment. In addition to these responsibilities, the WTO also facilitates the establishment of additional agreements between member states.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: The Emergence of Global Institutions

89. What is the International Monetary Fund? What is the World Bank? What is their relationship, if any, with each other?

The International Monetary Fund (IMF) was created to maintain order in the international monetary system. The World Bank was established to promote economic development. Both organizations were launched as part of the 1944 Bretton Woods Agreement, and have emerged as significant players in the global economy. The IMF is often seen as the lender of last resort to nation-states whose economies are in turmoil and currencies are losing value against those of other nations.

AACSB: Analytic
Blooms: Remember

Difficulty: 1 Easy
Learning Objective: 01-01 Understand what is meant by the term globalization.
Topic: The Emergence of Global Institutions

90. What is the Uruguay Round? List the measures implemented in the Uruguay Round?

Under the umbrella of GATT, eight rounds of negotiations among member states worked to lower barriers to the free flow of goods and services. The most recent negotiations to be completed, known as the Uruguay Round, were finalized in December 1993. 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.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

91. Explain the trends in world trade and foreign direct investment over the last half century.

Since 1950, the volume of world merchandise trade has grown faster than the world economy. In particular, there has been acceleration in world trade since 1980. This trade and investment pattern implies that firms are dispersing parts of their production to different locations around the world to drive down production costs and increase product quality, that the economies of the world's nation states are becoming more intertwined, that foreign direct investment is playing an increasing role in the global economy as firms increase their cross-border investments, and that the world has become significantly wealthier over the last 50 years.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

92. Explain how a company competes using outsourcing. Provide an example.

The lowering of trade and investment barriers also allows firms to base production at the optimal location for that activity. Thus, a firm might design a product in one country, produce component parts in two other countries, assemble the product in yet another country, and then export the finished product around the world. For example, consider Boeing's 777, a commercial jet airliner. Eight Japanese suppliers make parts for the fuselage, doors, and wings; a supplier in Singapore makes the doors for the nose landing gear; three suppliers in Italy manufacture wing flaps; and so on. In total, some 30 percent of the 777, by value, is built by foreign companies.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

93. Discuss the impact of technological change on global markets.

Major advances in communication, information processing, and transportation technology have facilitated the globalization of markets and production. The microprocessor and the Internet have been central to the technology explosion. The development of the microprocessor vastly increased the amount of information that can be processed by individuals and firms, and the growth of the Internet has allowed companies to expand their global presence at a fraction of the cost of more traditional methods of business. Jet air travel, by shrinking travel time, has also helped to link the worldwide operations of international businesses. These changes have enabled firms to achieve tight coordination of their worldwide operations and to view the world as a single market.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

94. Explain the notion of the Internet emerging as an equalizer.

In 1990, fewer than 1 million users were connected to the Internet. By 1995, the figure had risen to 50 million. By 2012 the Internet had 2.4 billion users. Viewed globally, the Internet is emerging 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. It enables enterprises to coordinate and control a globally dispersed production system in a way that was not possible 20 years ago.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

95. Innovations in transportation have had a major impact on global trade. Consider one of these innovations: containerization. Why is this innovation so significant?

Containerization has revolutionized the transportation business, significantly lowering the costs of shipping goods over long distances. Since 1980, the world's containership fleet has more than quadrupled, reflecting in part the growing volume of international trade and in part the switch to this mode of transportation. 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 to drive the globalization of markets and production.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-02 Recognize the main drivers of globalization.
Topic: Drivers of Globalization

96. Discuss the demographics of world trade since the 1960s. How has the role of the U.S. changed? How is world trade expected to change in the future?

In the early1960s, the U.S. was the world's dominant industrial power accounting for over 40 percent of world output. By 2009, the United States accounted for 24.1 percent of world output, still the world's largest industrial power but down significantly in relative size since the 1960s. Other industrialized countries also saw their relative standing slip. This change in the U.S. position was a relative decline, reflecting the faster economic growth of several other economies, particularly in Asia. Most forecasts now predict a rapid rise in the share of world output accounted for by developing nations such as China, India, Russia, Indonesia, Thailand, South Korea, Mexico, and Brazil, and a commensurate decline in the share enjoyed by rich industrialized countries such as Great Britain, Germany, Japan, and the United States.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

97. How has the foreign direct investment picture changed since the 1960s?

The U.S. accounted for about 66.3 percent of worldwide foreign direct investment flows in the 1960s, followed by British firms with about 10.5 percent of FDI flows, and Japanese firms with 2 percent. As barriers to trade fell, non-U.S. firms increased their investments around the world in search of optimal production locations and a direct presence in major markets. During the 1990s, FDI to both developed and developing nations increased dramatically. China also emerged as an important destination for FDI.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

98. What is a multinational enterprise (MNE)? How does a mini-multinational differ from an MNE?

A multinational enterprise is any business that has productive activities in two or more countries. Since the 1960s, two notable trends in the demographics of the multinational enterprise have been (1) the rise of non-U.S. multinationals and (2) the growth of mini-multinationals. The number of mini-multinationals is also on the rise. Mini-multinationals are medium-sized and small MNEs.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

99. Why does China represent both opportunities and threats for established international businesses?

China represents a huge and largely untapped market. Reflecting this, between 1983 and 2010, annual foreign direct investment in China increased from less than $2 billion to $100 billion annually. On the other hand, China's new firms are proving to be very capable competitors, and they could take global market share away from Western and Japanese enterprises. Thus, the changes in China are creating both opportunities and threats for established international businesses.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

100. Consider the global economy of the 21st century. What important changes are taking place? What do these changes mean for international companies?

The last 25 years have been a time of great change in the global economy. Barriers to the free flow of goods, services, and capital have been falling, national economies are becoming more integrated, and more countries are joining the ranks of the developed world. All of these changes point toward an economic system that is more favorable for international business.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy

Learning Objective: 01-03 Describe the changing nature of the global economy.
Topic: The Changing Demographics of the Global Economy

101. Consider whether the shift toward a more integrated and interdependent global economy is a good thing. Discuss the shift from the eyes of the consumer, the worker, the company, and the environmentalist.

There are many advantages of globalization. From a broad perspective, globalization creates economic activity (which stimulates economic growth), creates jobs, raises income levels, and provides consumers with more choices in regard to the products and services that are available to them. From the perspective of an individual firm, globalization has the potential to increase revenues (through expanded market potential), drive down costs (through additional economies of scale), and boost profits. However, critics argue that globalization destroys manufacturing jobs in wealthy countries and contributes to pollution. Critics argue that falling trade barriers allow firms in industrialized countries to move their manufacturing activities offshore to countries where wage rates are much lower. Critics also argue that globalization encourages firms from advanced nations to move manufacturing facilities offshore to less developed countries to avoid the more stringent pollution controls in place in their home countries.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

102. Discuss what occurred in Seattle in 1999 at the meeting of the WTO and why the events were important to the future of global trade.

In December 1999, more than 40,000 protesters blocked the streets of Seattle in an effort to shut down a WTO meeting being held in the city. The issue was job losses in industries under attack from foreign competitors, falling wage rates of unskilled workers, environmental degradations, and cultural imperialism of global media and MNEs. Protesters believed that all of these issues were the result of globalization, and felt that the WTO, as a promoter of globalization, was a legitimate target for blame. The protest was a violent one, and emboldened by the experience, antiglobalization protesters now turn up at almost every major meeting of a global institution.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

103. Falling barriers to international trade destroy manufacturing jobs in wealthy advanced economies. Discuss this statement. Do you agree? Why or why not?

Critics argue that falling trade barriers allow firms to move manufacturing activities to countries where wage rates are much lower. Because of such moves they argue that, the wage rates of poorer Americans have fallen significantly over the past quarter of a century. Supporters of globalization reply that critics of these trends miss the essential point about free trade—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.

AACSB: Analytic
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.
Topic: The Globalization Debate

104. Why is managing an international business different from managing a purely domestic business?

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.

AACSB: Analytic
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.
Topic: Managing in the Global Marketplace

105. What are some of the issues a manager of an international business must confront that a manager of a domestic business never confronts?

In addition to the problems that arise from the differences between countries, 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, which is not a trivial problem. Managers in an international business must also decide which foreign markets to enter and which ones to avoid.

AACSB: Analytic
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.
Topic: Managing in the Global Marketplace