Chapter 01: Globalization

Multiple Choice

1. Borivia is a country in Eastern Europe that was ruled by Auleria, a country in Western Europe, for over a century. It gained independence from Auleria in 1923. Now, Borivia has its own government. Given this information, it can be said that Borivia is a(n) _____.
   A. monopoly
   B. monarchy
   C. sovereign nation
   D. emerging market

   Answer: C
   Learning Objective: 1.1
   Difficulty: Medium
   AACSB: Analytic
   Bloom's Taxonomy: Application

2. Dasom Inc., a South Korean smartphone manufacturer, sells its smartphones in 64 countries around the world and has offices in 36 counties. Dasom's business expansion best exemplifies _____.
   A. globalization
   B. nationalization
   C. subsidization
   D. commodification

   Answer: A
   Learning Objective: 1.1
   Difficulty: Medium
   AACSB: Analytic
   Bloom's Taxonomy: Application

3. In 1995, the government of Duyat, a country in Asia, began major economic reforms that allowed free trade relations with other countries. Duyat started exporting iron ore and limestone to other countries around the world. Its domestic market strengthened, and it experienced an economic boost. This scenario best exemplifies _____.
   A. nationalization
   B. subsidization

C. commodification
D. globalization

Answer: D
Learning Objective: 1.1
Difficulty: Medium
AACSB: Analytic
Bloom’s Taxonomy: Application

4. The Commerce Coalition (CC) is an intergovernmental organization operating in South Asia that consists of seven member nations. The CC was established to enable free trade across these seven countries of South Asia. A citizen of any of the member nations can easily purchase goods produced in another member nation without paying additional taxes. Given this information, it can be said that the large market created by the CC is an example of a(n) _____.
A. monopolistic market
B. globalized market
C. oligopolistic market
D. gray market

Answer: B
Learning Objective: 1.1
Difficulty: Medium
AACSB: Analytic
Bloom’s Taxonomy: Application

5. Spain and Italy are both members of the European Union. Nayeli, a Spaniard, is able to purchase Italian-made bags from a handbag store in Spain without paying additional taxes. The market created by the European Union is a(n) _____.
A. monopolistic market
B. oligopolistic market
C. gray market
D. globalized market

Answer: D
Learning Objective: 1.1
Difficulty: Medium
AACSB: Analytic
Bloom’s Taxonomy: Application

6. Which of the following is true of globalization?
   A. It makes it difficult to buy and sell internationally.
   B. It increases socioeconomic equality in emerging markets.
   C. It makes it difficult for employers to move jobs to cheaper locations.
   D. It builds on the principle of sovereignty to strengthen the relationships that connect us.

   Answer: D
   Learning Objective: 1.1
   Difficulty: Easy
   AACSB: Reflective Thinking
   Bloom's Taxonomy: Comprehension

7. Which of the following best illustrates global convergence?
   A. Sylvester Inc., an American car-manufacturing company, uses the Japanese business philosophy of *kaizen*.
   B. Hexagon Corp., a steel company in the United States, has many plants in different parts of the country.
   C. Hawke Inc., an American computer manufacturer, imports raw materials from Nigeria, and in return it invests in Nigeria's infrastructure development.
   D. Micra Inc., an Indian mining company, engages in corporate social responsibility by providing training services to local schools.

   Answer: C
   Learning Objective: 1.1
   Difficulty: Medium
   AACSB: Analytic
   Bloom's Taxonomy: Application

8. When the demand for smartphones increased in Preteresia, a country in Eastern Europe, the smartphone manufacturers started importing silicon, a raw material used in the manufacture of smartphones, from Abresia, a country in Africa. In return, Preteresia helped build Abresia's infrastructure to facilitate the efficient extraction of silicon. This scenario best illustrates _____.
   A. monopolization
   B. centralization
   C. market segmentation
   D. global convergence

   Answer: D
   Learning Objective: 1.1
   Difficulty: Medium

AACSB: Analytic
Bloom's Taxonomy: Application

9. Desktop computers are used by people all around the world. One of the challenges faced by computer manufacturing companies is to overcome the cultural and economic differences across communities that make it difficult for them to sell their products. Given this information, it can be said that desktop computers are _____.
A. industrial products
B. consumer products
C. natural products
D. perishable products

Answer: B
Learning Objective: 1.1
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

10. Nebula Inc. is an American smartphone manufacturer that sells smartphones in 36 countries across the globe. Nebula makes both low-end and high-end smartphones to cater to the needs of different markets across the world. There is a high demand for Nebula's low-end smartphones chiefly in developing nations. Its high-end smartphones have buyers mostly in developed nations. One of the challenges that Nebula faces is planning its sales strategy to suit different markets. Given this information, it can be said that Nebula's smartphones are an example of _____.
A. natural products
B. perishable products
C. consumer products
D. industrial products

Answer: C
Learning Objective: 1.1
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

11. Steel manufacturers use limestone as one of the raw materials in the production of steel. It can be said that limestone is a(n) _____.
A. industrial product
B. convenience product

C. unsought product
D. specialty product

Answer: A
Learning Objective: 1.1
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

12. Niall is an assembly-line worker in a car-manufacturing firm in Detroit. Assembly-line workers like Niall constitute the _____ of the car-manufacturing firm.
A. visible artifacts
B. intangible resources
C. factors of production
D. economies of scale

Answer: C
Learning Objective: 1.1
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

13. Limestone, shells, and chalk are some of the raw materials used in the manufacture of cement. Raw materials like these constitute the _____ of the cement industry.
A. factors of production
B. visible artifacts
C. intangible resources
D. economies of scale

Answer: A
Learning Objective: 1.1
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

14. Which of the following is true of globalization of production?
A. It includes obtaining land, labor, and capital locally.
B. It includes the component parts, skill sets, or information required to produce a product or service.
C. It is limited to manufacturing.

D. It helps companies take advantage of national differences in cost and quality.

Answer: D
Learning Objective: 1.1
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

15. Russet Inc., an American stainless steel manufacturer, sources iron ore from Australia for the manufacture of steel. It saves on raw material costs as iron ore is cheaper in Australia. This scenario best illustrates _____.
A. the globalization of production
B. the economies of scope
C. vertical integration
D. market segmentation

Answer: A
Learning Objective: 1.1
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

16. Which of the following is true of arbitrage?
A. It is limited to manufacturing.
B. It involves searching for deals on production factors across geographic boundaries.
C. It treats differences across nations as constraints.
D. It involves obtaining land, labor, and capital from domestic markets.

Answer: B
Learning Objective: 1.1
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

17. Imperial Inc., an Irish semiconductor manufacturer, sources germanium, a raw material used in the production of semiconductors, from China. It takes advantage of differences across countries by treating them as business opportunities. This scenario best exemplifies _____.
A. arbitrage
B. privatization

C. franchising
D. licensing

Answer: A
Learning Objective: 1.1
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

18. Which of the following examples best illustrates the globalization of production?
    A. Silva Hotels & Resorts, a Brazilian hotel chain, provides hospitality services to tourists from all around the world.
    B. Taupe, an Australian non-profit organization, is funded by Australian multinational companies.
    C. Hazel Inc., an Irish textile company, engages in corporate social responsibility.
    D. Tanner Inc., an American publishing company, outsources writing services to India.

    Answer: D
    Learning Objective: 1.1
    Difficulty: Medium
    AACSB: Analytic
    Bloom's Taxonomy: Application

19. Which of the following is an effect of the Internet on globalization?
    A. It triggered billion-dollar investments in fiber-optic telecommunications cables.
    B. It led to the demise of traditionally local businesses.
    C. It inhibited free trade.
    D. It increased the barriers to competition.

    Answer: A
    Learning Objective: 1.2
    Difficulty: Easy
    AACSB: Reflective Thinking
    Bloom's Taxonomy: Comprehension

20. According to author Thomas Friedman, which of the following is true of the flat world?
    A. Ten percent of activity is conducted globally, and the remaining ninety percent is conducted domestically.
    B. The few cities that dominate international financial markets—Frankfurt, Hong Kong, London, New York, Singapore—represent the peak of global integration.

C. Most of the world's cities are much more connected at the local level than they are to any other domestic city, and more connected domestically than to any foreign city.
D. Individuals in poor countries with limited infrastructure are able to compete with people in rich, well-developed countries.

Answer: D
Learning Objective: 1.2
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

21. Dustin is a lecturer at a community college in Memphis. He believes that the globalization of markets has brought the world closer. He asserts that globalization has enabled free access to markets with less barriers to competition and uniform implementation of trade laws. Dustin's beliefs are consistent with the theory of the _____ put forth by the author Thomas Friedman.
A. flat world
B. round world
C. spiky world
D. divided world

Answer: A
Learning Objective: 1.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

22. Maya Inc., an Indian apparel company, now sells its apparels in the United States, Canada, Australia and New Zealand. Derek, the CEO of Maya Inc., believes that free access to markets, few barriers to competition, and uniform trade regulations have enabled Maya Inc. to expand its business operations internationally. Derek's beliefs are consistent with Thomas Friedman's theory of the _____.
A. round world
B. spiky world
C. divided world
D. flat world

Answer: D
Learning Objective: 1.2
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

23. Bianca is a student of international business at the University of Phoenix. She is of the opinion that the world is not fully connected. She believes that the global financial markets are controlled only by a few cities and that most businesses still operate in domestic markets. Bianca's views are consistent with the _____ argument.
    A. flat world
    B. round world
    C. spiky world
    D. coherent world

    Answer: B
    Learning Objective: 1.2
    Difficulty: Medium
    AACSB: Analytic
    Bloom's Taxonomy: Application

24. Which of the following best defines the 10% presumption?
    A. Only about 10 percent of products produced in the United States are industrial products; the remaining 90 percent are consumer products.
    B. Only about 10 percent of the world's organizations are multilateral; the remaining 90 percent are bilateral.
    C. Only about 10 percent of countries are sovereign nations; the remaining 90 percent are not sovereign.
    D. Only about 10 percent of activity is conducted globally; the remaining 90 percent is domestic.

    Answer: D
    Learning Objective: 1.2
    Difficulty: Easy
    AACSB: Reflective Thinking
    Bloom's Taxonomy: Comprehension

25. According to Amartya Sen, a Nobel Prize–winning economist, globalization:
    A. has enriched the world scientifically and culturally.
    B. perpetuates inequality throughout the world.
    C. has economic repercussions.
    D. has led to the advent of the "round world."

    Answer: A
    Learning Objective: 1.2

Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

26. Sean, a lecturer at Oxford University, is a staunch advocate of globalization. He asserts that globalization has benefited many people scientifically, culturally, and economically. Which of the following statements supports his assertion?
    A. As a result of globalization, 90 percent of all business investments are domestic.
    B. As a result of globalization and the spread of new technologies, levels of socioeconomic inequality have decreased.
    C. Globalization makes lifesaving devices, medicines, and technologies more readily available to the greater world population.
    D. Globalization helps developed markets by making it easy for employers to move jobs to cheaper locations.

    Answer: C
    Learning Objective: 1.2
    Difficulty: Hard
    AACSB: Analytic
    Bloom's Taxonomy: Evaluation

27. According to Nobel Prize–winning economist, Joseph Stiglitz, globalization:
    A. has led to the advent of the "flat world."
    B. benefits many people around the world economically.
    C. perpetuates inequality throughout the world.
    D. has enriched the world scientifically and culturally.

    Answer: C
    Learning Objective: 1.2
    Difficulty: Easy
    AACSB: Reflective Thinking
    Bloom's Taxonomy: Comprehension

28. According to critics of globalization, _____.
    A. new technologies and the investment of foreign capital in developing countries may actually increase levels of inequality
    B. as countries trade and do business with one another, they make products and services more expensive
    C. globalization in developed markets makes it difficult for employers to move jobs to cheaper locations

D. globalization decreases the rate of development for lifesaving devices and medicines that improve living conditions

Answer: A
Learning Objective: 1.2
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

29. Cora, an American citizen, is a critic of globalization. She believes that globalization has done more harm than good. She contends that globalization has detrimental effects on developed markets. Which of the following statements supports her contention?
A. Globalization has increased wage-related expenses.
B. Globalization has decreased the rate of development for lifesaving devices.
C. Globalization makes products and services expensive.
D. Globalization makes it easy for employers to move jobs to cheaper locations.

Answer: D
Learning Objective: 1.2
Difficulty: Hard
AACSB: Analytic
Bloom's Taxonomy: Evaluation

30. Sanctity is a non-profit group that works toward increasing female literacy globally. It strives to promote women's education in developing nations. Its members are engaged in providing training and advisory services to schools and colleges in developing nations. Sanctity is funded and managed by several governments worldwide. Given this information, it can be said that Sanctity is a _____.
A. sole proprietorship
B. limited liability company
C. multilateral organization
D. multinational corporation

Answer: C
Learning Objective: 1.3
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

31. Which of the following best illustrates a multilateral organization?

A. Tanner Inc., an American publishing company, outsources writing services to India.
B. Silva Hotels & Resorts, a Brazilian hotel chain, provides hospitality services to tourists from all around the world.
C. Universal Trade Forum, an organization that fosters international trade, is funded and managed by representatives from several governments.
D. Cherish Inc., an American apparel brand, has branches in 42 countries around the world.

Answer: C
Learning Objective: 1.3
Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

32. Which of the following is true of the World Trade Organization?
A. It was established to rescue countries from financial crises.
B. It came about as a result of negotiations in the 1990s.
C. It focuses on preventing war by promoting economic development in poor countries.
D. It is considered a "lender of last resort" to nations whose economies are in trouble.

Answer: B
Learning Objective: 1.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

33. Identify a true statement about the World Trade Organization.
A. It came about as a result of negotiations in the 2000s.
B. It was established to rescue countries from financial crises.
C. It ensures that member nations impose the minimal number of restrictions on each other.
D. It focuses on preventing war by promoting economic development in poor countries.

Answer: C
Learning Objective: 1.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

34. Imagine that Deslank, a developing county in Western Africa, recently became a member of a multilateral organization that was set up in the 1990s. To become the organization's member, Deslank had to ratify the organization's regulations in its own parliament. As a member nation, Deslank can now have free trade agreements with other member nations. Given this information, it can be said that Deslank most likely became a member of the _____.
    A. International Trade Organization
    B. World Trade Organization
    C. World Trade Center
    D. World Fair Trade Organization

    Answer: B
    Learning Objective: 1.3
    Difficulty: Medium
    AACSB: Analytic
    Bloom's Taxonomy: Application

35. Imagine that Maretia is a country in Eastern Europe that recently joined the World Trade Organization (WTO). As a member of the WTO, Maretia is required to:
    A. impose a high number of trade restrictions on other WTO members.
    B. accept the obligations of the Charter of the United Nations.
    C. first ratify the WTO regulations in an international parliament.
    D. uphold the multilateral trading system.

    Answer: D
    Learning Objective: 1.3
    Difficulty: Medium
    AACSB: Analytic
    Bloom's Taxonomy: Application

36. Imagine that Belseria, a developing country in South America, recently became a member of a multilateral organization that works toward preventing war by promoting economic development in poor countries. The organization assists poor countries in building their infrastructure by providing them with heavily subsidized loans. Given this information, it can be said that Belseria most likely became a member of the _____.
    A. World Trade Organization
    B. International Monetary Fund
    C. World Bank
    D. Red Cross

    Answer: C
    Learning Objective: 1.3

Difficulty: Medium
AACSB: Analytic
Bloom's Taxonomy: Application

37. Literia, a country in Asia, is experiencing a financial crisis. Its currency has lost much of its value, and the country's currency reserves are depleting. In this scenario, which of the following multilateral organizations is most likely to provide loans to Literia to rescue it from its financial crisis?
    A. The International Monetary Fund
    B. The World Bank
    C. The United Nations
    D. The World Trade Organization

    Answer: A
    Learning Objective: 1.3
    Difficulty: Medium
    AACSB: Analytic
    Bloom's Taxonomy: Application

38. Which of the following is true of the International Monetary Fund?
    A. It provides heavily subsidized loans to poor governments in an effort to help them build infrastructure such as roads, the private sector, and public utilities.
    B. It ensures that international trade runs freely and fairly between countries and that member nations impose the minimal number of restrictions on each other.
    C. It audits national trade policies, oversees trade agreements, and helps developing countries create trade policy.
    D. It is often considered a "lender of last resort" to nations whose economies are in trouble and whose currencies are losing value.

    Answer: D
    Learning Objective: 1.3
    Difficulty: Easy
    AACSB: Reflective Thinking
    Bloom's Taxonomy: Comprehension

39. Which of the following is true of the United Nations?
    A. It was established as a way to get countries to resolve their differences through diplomacy, with the goal of maintaining and promoting global peace.
    B. It provides heavily subsidized loans to poor governments in an effort to help them build infrastructure such as roads, the private sector, and public utilities.

C. It ensures that international trade runs freely and fairly between countries and that member nations impose the minimal number of restrictions on each other.
D. It is funded by over 1,000 member companies, typically multinational corporations with more than $5 billion in revenue.

Answer: A
Learning Objective: 1.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

40. Which of the following is true of the General Assembly?
    A. Resolutions agreed upon by the General Assembly are binding.
    B. It meets during yearly sessions to discuss issues and vote on resolutions.
    C. The World Bank is the parent organization of the General Assembly.
    D. It is located in The Hague, the Netherlands.

    Answer: B
    Learning Objective: 1.3
    Difficulty: Easy
    AACSB: Reflective Thinking
    Bloom's Taxonomy: Comprehension

41. Behati, a Kenyan citizen, has been selected to represent Kenya at the United Nations (UN). Her speech is related to one of the issues that is central to successful globalization. This issue is also the central mandate of the UN. Which of the following is Behati's speech most likely to address?
    A. How to rescue countries from financial crises
    B. How to ensure that international trade runs freely and fairly between countries
    C. How to increase the standard of living and reinforce human rights throughout the world
    D. How to prevent war by promoting economic development in poor countries

    Answer: C
    Learning Objective: 1.3
    Difficulty: Medium
    AACSB: Analytic
    Bloom's Taxonomy: Application

42. Which of the following is true of the G20?

A. It operates with a permanent secretariat or staff.
B. It consists of finance ministers and central bank governors of the 19 largest economies in the world.
C. Its chair rotates quarterly among the members and is responsible for hosting the quarterly summit.
D. It consists of representatives from the International Monetary Fund and the World Bank.

Answer: B
Learning Objective: 1.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

43. Which of the following is the aim of the G20 head-of-government summits?
A. To maintain and promote global peace
B. To ensure that international trade runs freely and fairly between countries
C. To coordinate financial and monetary policies to respond to financial crises
D. To improve public-private cooperation

Answer: C
Learning Objective: 1.3
Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

44. Mira is an economics professor. She is a critic of the World Economic Forum (WEF). She believes that the "Davos man" is globally connected, but he is out of touch with his own people. Which of the following statements supports Mira's belief?
A. Elitist positions of the WEF are not representative of the majority of the world's population.
B. The WEF does not address issues related to gender equality.
C. The WEF does not have its foundation in business.
D. Most of the objectives of the WEF are conflicting with the objectives of other global groups.

Answer: A
Learning Objective: 1.3
Difficulty: Hard
AACSB: Analytic
Bloom's Taxonomy: Evaluation

45. Caleb is a senior journalist. He is a member of an independent non-profit organization that works toward improving the state of the world through public-private cooperation. The members of the organization meet annually in the Swiss mountain resort of Davos to discuss issues related to gender equality, geopolitics, the future of the Internet, global talent gaps, global financial systems, and other business-related topics. Given this information, it can be said that Caleb is a member of the _____.
    A. United Nations
    B. G20
    C. Global Business School Network
    D. World Economic Forum

    Answer: D
    Learning Objective: 1.3
    Difficulty: Medium
    AACSB: Analytic
    Bloom’s Taxonomy: Application

46. Shane works for a non-profit organization that caters to corporations and nongovernmental organizations worldwide. Shane is part of the team that provides training services to the Indian Red Cross Society. Given this information, it can be said that Shane most likely works for the _____.
    A. World Trade Organization
    B. Global Business School Network
    C. World Economic Forum
    D. United Nations

    Answer: B
    Learning Objective: 1.3
    Difficulty: Medium
    AACSB: Analytic
    Bloom’s Taxonomy: Application

47. One of the factors that help identify an emerging market is:
    A. a “catching-up” level of growth.
    B. the presence of many rich consumers.
    C. a high level of economic stability.
    D. a high degree of globalization.

    Answer: A
    Learning Objective: 1.4

Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

48. Which of the following is a difference between developed markets and emerging markets?
    A. Developed markets have economic policies of open trade and free markets, whereas emerging markets have economic policies that restrict open trade and free markets.
    B. Developed markets have an intermediate income level among citizens, whereas emerging markets have a low income level among citizens.
    C. Developed markets experience average economic growth of around 2 percent/year, whereas emerging markets experience economic growth of at least 4 percent/year.
    D. Developed markets have high levels of economic activity, whereas emerging markets have low levels of economic activity.

    Answer: C
    Learning Objective: 1.4
    Difficulty: Medium
    AACSB: Analytic
    Bloom's Taxonomy: Analysis

49. Ervetia is a country in Europe, which has recently adopted a new economic policy. The government of Ervetia has now opened doors to foreign investments and free trade relations with other countries. The number of private companies in Ervetia has also started increasing at a fast pace. Given this information, it can be said that Ervetia is most likely a(n) _____.
    A. emerging market
    B. frontier market
    C. developed market
    D. prediction market

    Answer: A
    Learning Objective: 1.4
    Difficulty: Medium
    AACSB: Analytic
    Bloom's Taxonomy: Application

50. Which of the following is an example of an emerging market?
    A. Mercau, a country in Europe, experiences average economic growth of around 2 percent/year.

B. Breulik, a country in Africa, has formulated political policies that support free trade and private ownership.
C. Bazula, a country in South America, has consumers with a high income level.
D. Sehkiztan, a country in Asia, has markets with low levels of economic activity.

Answer: B
Learning Objective: 1.4
Difficulty: Medium
AACSB: Analytic
Bloom’s Taxonomy: Application

51. Identify an example of an emerging market.
A. Mercau, a country in Europe, experiences average economic growth of around 2 percent/year.
B. Dirteria, a country in Africa, has economic policies that restrict foreign investment.
C. Bazula, a country in South America, has consumers with a high income level.
D. Admenia, a country in Asia, has largely untapped markets with high levels of economic activity.

Answer: D
Learning Objective: 1.4
Difficulty: Medium
AACSB: Analytic
Bloom’s Taxonomy: Application

52. Asmaris is a developing nation in Africa. Its government recently formulated a free trade policy and opened doors to foreign investment in the country. Abdu, an economist, believes that Asmaris is now an emerging market. Which of the following statements supports Abdu’s argument that Asmaris is an emerging market?
A. The citizens of Asmaris have an intermediate income level.
B. Asmaris has a high degree of globalization.
C. Asmaris has a high level of economic stability.
D. The average economic growth of Asmaris is around 2 percent/year.

Answer: A
Learning Objective: 1.4
Difficulty: Hard
AACSB: Analytic
Bloom’s Taxonomy: Evaluation

53. Which of the following is an example of a multinational corporation?
   A. Sable, a non-profit organization, is funded by countries from all over the world.
   B. Educruz, a non-profit organization, provides advisory services to business schools in the developing world.
   C. Teal Inc., an Irish steel company, imports iron ore from China.
   D. Crayola Inc., an American smartphone company, operates in 36 countries across the globe.

   Answer: D
   Learning Objective: 1.4
   Difficulty: Medium
   AACSB: Analytic
   Bloom's Taxonomy: Application

54. Which of the following is an example of a multinational corporation?
   A. Sable, a non-profit organization, is funded by countries from all over the world.
   B. Educruz, a non-profit organization, provides advisory services to business schools in the developing world.
   C. Falcon Inc., a German automaker, has extensive facilities and staff in 48 nations worldwide.
   D. Teal Inc., an Irish steel company, imports iron ore from China.

   Answer: C
   Learning Objective: 1.4
   Difficulty: Medium
   AACSB: Analytic
   Bloom's Taxonomy: Application

55. Hexagon Inc. is a small advertising start-up with a global presence. It relies on LinkedIn to find talent and uses social media to conduct its day-to-day business operations. Its staffing costs are low. Given this information, it can be said that Hexagon Inc. is most likely a _____.
   A. sole proprietorship
   B. limited liability partnership
   C. multilateral organization
   D. micro-multinational corporation

   Answer: D
   Learning Objective: 1.4
   Difficulty: Medium
   AACSB: Analytic
   Bloom's Taxonomy: Application

56. Aramis Inc. is a small Canadian software firm that develops online learning platforms for clients across the globe. It has operations in Australia and New Zealand. It increasingly uses technology tools to communicate and coordinate its activities. It has easy access to talent, and its staffing costs are low. Given this information, it can be said that Aramis Inc. is most likely a _____.
    A. sole proprietorship
    B. limited liability partnership
    C. micro-multinational corporation
    D. multilateral organization

    Answer: C
    Learning Objective: 1.4
    Difficulty: Medium
    AACSB: Analytic
    Bloom's Taxonomy: Application

57. Which of the following is an example of a micro-multinational corporation?
    A. Teal Inc., an Irish steel company, imports iron ore from China.
    B. Turquoise Inc., a beverage company, has a highly centralized organizational structure.
    C. Tatum Corp., an e-commerce start-up, uses social media to recruit employees from around the world.
    D. Educruz, a non-profit organization, provides advisory services to business schools in the developing world.

    Answer: C
    Learning Objective: 1.4
    Difficulty: Medium
    AACSB: Analytic
    Bloom's Taxonomy: Application

58. Which of the following is one of the reasons why the United States and other developed countries no longer dominate the global market the way they once did?
    A. The ease of becoming a multinational
    B. The political policies of developed markets
    C. The increasing price of products and services
    D. The increasing presence of new technologies

    Answer: A
    Learning Objective: 1.4

Difficulty: Easy
AACSB: Reflective Thinking
Bloom's Taxonomy: Comprehension

Essay

59. Events in countries worldwide now have long-reaching, long-lasting effects—even for people who never visit those countries. Justify this argument using the example of Brazil, Russia, India, and China.

    Answer: Answers will vary. Events in countries worldwide now have long-reaching, long-lasting effects—even for people who never visit those countries. For example, the changing economies of four nations in particular have profoundly affected the global economy and the way business is done today. In the past 30 years or so, events in Brazil, Russia, India, and China, often referred to as the "BRICs," have made some dramatic marks on the world.

    - In Brazil, after years of stifling inflation and closed markets, the central government introduced in 1994 the Plano Real (Real Plan), meant to break the inflationary cycle. Part of the solution was to link the Brazilian currency, the real, to the U.S. dollar, limiting the inflation rate in Brazil to that in the United States. As a result, money in Brazil stabilized, and people began to trust in their currency once again. This shift in economic policy successfully reduced inflation and almost instantaneously created 25 million new consumers among the poor, who now had some means to spend. Such policy reforms helped set the rules for global markets.
    - In Russia, dramatic growth emerged from increased global commerce as the government opened trade in the early 1990s. Both internal and external competition increased during this period. This dramatic shift began as the Berlin Wall separating East from West Germany was literally torn down as people in the streets removed the 30-year-old barrier. It meant the end of state-controlled, closed markets and the beginning of open trade between Eastern and Western Europe, paving the way for the European Union of today.
    - By the end of 1990, India was in a serious economic crisis and near bankruptcy. Up to that point, Indian currency, the rupee, was inconvertible (unable to be exchanged for foreign currency) because money exchangers wouldn't take the risk of being stuck with rupees that they couldn't use. At the same time, high tariffs and import licensing fees prevented most foreign goods from entering the Indian market. In 1991, however, India's democratic government began major reforms to increase market development and allow for trade of goods and services with other countries. These policies increased domestic efficiencies and opened foreign trade.

- During the 1990s, China also began free-market reforms. In 1989, citizens engaged in several weeks of demonstrations in Beijing's Tiananmen Square to demand more economic freedom. Chinese troops eventually fired on civilians and ended the demonstrations; however, the international backlash from the event pushed the Chinese Communist party to consider economic reforms. As a result, in 1990 stock markets opened in Shanghai and Shenzhen, and in 1992 the Chinese government endorsed a "socialist market economy" as the goal of reform. This reform would lead to what is now one of the most powerful market-based economies in the world.

Learning Objective: 1.1
Difficulty: Hard
AACSB: Analytic
Bloom's Taxonomy: Evaluation

60. Justify the argument that we don't live in a perfectly flat world.

Answer: Answers will vary. We don't live in a perfectly flat world. The "round world" argument insists that the world is not as connected as we might think. For instance, the few cities that dominate international financial markets—Frankfurt, Hong Kong, London, New York, Singapore—represent the peak of global integration. Most of the world's other cities are much more connected at the local level than they are to any other domestic city, and more connected domestically than to any foreign city. For that reason, most business is still done in home markets.
Of the amount of money firms make through direct investing, less than 10 percent is generated by investing overseas, meaning more than 90 percent of all business investments are domestic. The balance between foreign and domestic sources of investment hovers around 10 percent for most economic activities in the United States. Fewer than 10 percent of the calls made in the United States are to people outside the United States. Only 3 percent of people immigrate to the country. Other activities such as management research, direct investment, charitable giving, granting of patents, and portfolio investment all hover around 10 percent. Even trade, as a percentage of a country's productive output, reaches only about 20 percent once we adjust for certain kinds of double counting. These data enable us to estimate that, for most U.S. markets, the 10% presumption holds: Only about 10 percent of activity is conducted globally; the remaining 90 percent is domestic.
Learning Objective: 1.2
Difficulty: Hard
AACSB: Analytic
Bloom's Taxonomy: Evaluation

61. According to you, is globalization a positive or negative change? Give reasons to support your answer.

    Answer: Answers will vary. Some see globalization as a good thing. According to Amartya Sen, a Nobel Prize–winning economist, globalization “has enriched the world scientifically and culturally, and benefited many people economically as well.” The United Nations has even declared that the forces of globalization may have the power to eradicate poverty in the 21st century.
    Others disagree. Another Nobel Prize–winning economist, Joseph Stiglitz, argues that globalization perpetuates inequality throughout the world. Indeed, new technologies and the investment of foreign capital in developing countries may actually increase levels of inequality.
    The section “Both Sides of the Coin” on pages 8–9 discusses the different perspectives on globalization. Students can use this section to make their own interpretation and answer this question.
    Learning Objective: 1.2
    Difficulty: Hard
    AACSB: Analytic
    Bloom’s Taxonomy: Evaluation

62. It has been argued that the World Economic Forum’s (WEF’s) elitist, “Davos man” mentality does little to represent the interests of the general populace. Evaluate this argument.

    Answer: Answers will vary. A prominent criticism of the WEF is that the Davos meetings are just groups of the global elite, wealthy people (predominantly men) who “have little need for national loyalty, view national boundaries as obstacles that thankfully are vanishing, and see national governments as residues of the past whose only useful function is to facilitate the elite’s global operations.” Some critics have argued that such elitist positions are not representative of the majority of the world’s population, and that the elitist, “Davos man” mentality does little to represent the interests of the general populace. The Peruvian economist Hernando de Soto Polar (known for his work on business and property rights) refers to this “Davos man” as someone who is internationally connected but part of such an elite group that he is out of touch with his own people. Their isolation may even foster a tendency to be oblivious to the fates of their fellow citizens.
    Learning Objective: 1.3
    Difficulty: Hard
    AACSB: Analytic
    Bloom’s Taxonomy: Evaluation

63. Defend or refute the argument that multinational corporations (MNCs) from emerging markets have a competitive advantage over their foreign counterparts.

    Answer: Answers will vary. A major competitive advantage for MNCs from emerging markets is the rapid growth they experience in their home markets. Because consumption is rising so quickly, emerging-market MNCs have no choice but to ramp up capacity to meet demand. Using the latest technologies, these companies are able to match and surpass the efforts of larger, more established firms from other countries. Competing with foreign multinationals from the beginning means they can come close to matching the experience of their established competition in far less time, learning from the mistakes of companies that have gone before them.
    Still, MNCs from emerging markets don't have it easy. Some are successful, but many struggle outside their home markets. Often, though, so do their foreign competitors. This means that local competition in emerging-market economies is more complicated than managers typically expect, and neither developed-market nor emerging-market multinationals have all the answers.
    The section "Multinational Corporations" on page 14 discusses how MNCs from emerging markets fare in comparison to their foreign counterparts. Students can use this section to make their own interpretation and answer this question.
    Learning Objective: 1.4
    Difficulty: Hard
    AACSB: Analytic
    Bloom's Taxonomy: Evaluation