

TRUE/FALSE

1. Customs brokers are government inspection officials who regulate the shipment of goods in and out of the country.

ANS: F PTS: 1

2. Global sourcing is the term commonly used to describe the process by which a firm attempts to locate and purchase goods or services on a worldwide basis.

ANS: T PTS: 1

3. Nontariff barriers have a significant influence on how firms make their trade and investment decisions.

ANS: T PTS: 1

4. The U.S.'s largest trading partner is Canada.

ANS: T PTS: 1

5. Small and medium-size companies have little to contribute to the international marketplace.

ANS: F PTS: 1

6. The U.S. has maintained a trade surplus in services.

ANS: T PTS: 1

7. Because they tend to be more insidious, nontariff barriers are generally a greater barrier to trade than are tariff barriers.

ANS: T PTS: 1

8. Intellectual property rights are valuable assets that can be licensed for use to others through a document collection international sales contract.

ANS: F PTS: 1

9. Trade consists of the import and export of goods or services.

ANS: T PTS: 1

10. Exporting is the shipment of goods or rendering of services to a foreign buyer located in a foreign country.

ANS: T PTS: 1

11. The three forms of international business are exporting, importing, and licensing.

ANS: F PTS: 1

12. Comparative advantage exists if the costs of production and price received for the goods allow the goods to be sold for a higher price in a foreign country than at home.
- ANS: T PTS: 1
13. The premise that suggests nations should concentrate their efforts on producing those goods that they can make most efficiently with minimal effort and waste is called comparative advantage.
- ANS: F PTS: 1
14. Indirect exporters commonly employ the services of export trading companies and export management companies.
- ANS: T PTS: 1
15. Indirect exporting but not direct exporting involves sales through sales agents or to foreign distributors.
- ANS: F PTS: 1
16. International licensing agreements are contracts by which the holder of intellectual property grants certain rights in that property to a foreign firm for a specified period of time.
- ANS: T PTS: 1
17. A transfer of technology is governed by an international licensing agreement.
- ANS: T PTS: 1
18. Foreign investment refers to the ownership and active control of ongoing business concerns.
- ANS: T PTS: 1
19. A host country refers to the country under whose laws the investing corporation was created or is headquartered.
- ANS: F PTS: 1
20. A home country refers to the country under whose laws the investing corporation was created or is incorporated.
- ANS: T PTS: 1
21. Currency exchange risk cannot be managed because the fluctuations of currencies cannot be predicted.
- ANS: F PTS: 1
22. Government seizure of foreign assets is an example of international law risk.
- ANS: F PTS: 1
23. Information to research foreign countries, markets, and trade agents is limited.

ANS: F PTS: 1

24. Freight forwarders act as the buyer's or importer's agent.

ANS: F PTS: 1

25. Freight forwarders act as the seller's or exporter's agent.

ANS: T PTS: 1

MULTIPLE CHOICE

1. In *Dayan v. McDonald's Corporation*, the court ruled that:
- McDonald's quality standards were inadequate under French law.
 - The McDonald's franchise contract was illegal under French law.
 - McDonald's had fulfilled its responsibility to the franchisee in France under U.S. law.
 - The French do not like hamburgers.

ANS: C PTS: 1

2. The type of risk that includes controls on exports, imports, controls on the movement of currency, restrictions on licensing and investment, and controls over physical property located in a country is:
- Legal risk.
 - Political risk.
 - Economic risk.
 - Currency risk.

ANS: B PTS: 1

3. Tariffs on imported products are imposed for which of the following reasons:
- Collection of revenue.
 - Protection of domestic industries.
 - To assert political objectives.
 - All of the above.

ANS: D PTS: 1

4. Two examples of nontariff barriers that refer to quantitative restrictions on importing and a total or near total ban on trade respectively are:
- Partial embargoes, embargoes.
 - Trade seizures, limits.
 - Embargoes, quotas.
 - Quotas, embargoes.

ANS: D PTS: 1

5. The shipment of goods or rendering of services to a foreign buyer located in a foreign country is:
- Importing.
 - Exporting.
 - Foreign exchange.
 - A and B.

ANS: B PTS: 1

6. The process of buying goods from a foreign supplier and entering them into the customs territory of a different country is:
- a. Exporting.
 - b. International exchange.
 - c. Trade by design.
 - d. None of the above.

ANS: D PTS: 1

7. The premise that suggests nations should concentrate their efforts on producing those goods that they can make most efficiently and with minimal effort and waste is:
- a. Specialization.
 - b. Absolute advantage.
 - c. Competitive trade.
 - d. None of the above.

ANS: B PTS: 1

8. The two types of exporting are:
- a. Impartial; partial.
 - b. Direct; indirect.
 - c. Foreign; domestic.
 - d. Individual; joint.

ANS: B PTS: 1

9. Export management companies assist indirect exporters by serving as:
- a. Consultants.
 - b. Attorneys.
 - c. Foreign currency traders.
 - d. Accountants.

ANS: A PTS: 1

10. Firms that assist indirect exporters and are licensed to operate under the antitrust laws of the U.S. are:
- a. Export management companies.
 - b. Indirect exporter merchants.
 - c. Export trading companies.
 - d. None of the above.

ANS: C PTS: 1

11. International licensing agreements pertain to forms of intellectual property such as:
- a. Books, songs, inventions.
 - b. Trademarks, copyrights, patents.
 - c. Real estate, personal property.
 - d. Contracts.

ANS: B PTS: 1

12. International franchising allows the franchisee the right to use a(n):
- a. Export management company.
 - b. Export trading company.
 - c. Copyright.
 - d. None of the above.

ANS: C PTS: 1

13. International business may be classified into which of the following three categories:
- Trade, import/export, foreign exchange.
 - International licensing agreements, investments, law.
 - Trade, international licensing agreements, investment.
 - International licensing agreements, trade, franchising.

ANS: C PTS: 1

14. A cooperative business arrangement between two or more companies may be a:
- Partnership.
 - Joint venture.
 - Corporation.
 - All of the above.

ANS: D PTS: 1

15. The concept of local participation refers to:
- A portion of the employees of the business in the host country will be nationals of the home country.
 - Employees of the business contribute a certain number of hours to community service.
 - A portion of the business must be owned by nationals of the host country.
 - The host country retains mineral rights.

ANS: C PTS: 1

16. Foreign investment in the U.S. is often called:
- Reverse investment.
 - Host investment.
 - Home investment.
 - Direct investment.

ANS: A PTS: 1

17. If a party does not fulfill their obligations as set forth in a sales contract, it is known as:
- Non-payment.
 - Termination.
 - Non-performance.
 - All of the above.

ANS: C PTS: 1

18. An independent firm that purchases goods for resale directly from the exporter, assumes credit risks in the local market, and provides product service and support is known as:
- A foreign sales representative.
 - A sales agent.
 - A foreign distributor.
 - A freight forwarder.
 - A customs broker.

ANS: A PTS: 1

19. Which of the following statements most accurately describes the traditional economic climate in developing countries:
- They are largely communist countries.

- b. They have well-developed free market mechanisms.
- c. They have mixed economies with strong central planning features.
- d. The economies of developing countries make them practically unsuitable for Western companies to do business there.

ANS: C PTS: 1

20. Which of the following is not a characteristic of multinational corporations:
- a. The United States is usually their home nation.
 - b. They derive capital resources worldwide.
 - c. They operate facilities of production in more than one country.
 - d. They move production, technology, and capital to those countries with the most hospitable environment.

ANS: A PTS: 1

21. In the case *In re Union Carbide Corporation Gas Plant Disaster at Bhopal*, the U.S. court ruled:
- a. That Union Carbide was criminally responsible for the deaths at the Indian plant.
 - b. That Union Carbide was liable to the plaintiffs under Indian law.
 - c. That Union Carbide was not responsible for the negligent acts of its subsidiary in India.
 - d. That the case brought in U.S. courts should be transferred to the courts of India.

ANS: D PTS: 1

22. In *Gaskin v. Stumm Handel GmbH*, the District Court ruled:
- a. That employment contracts must be in writing.
 - b. That the plaintiff was excused from performing a contract written in German because he understood only English.
 - c. That the contract was unconscionable because it was written in a language foreign to the plaintiff.
 - d. That the plaintiff's failure to speak or read German was not grounds for invalidating an employment contract written in that language.

ANS: D PTS: 1

23. Most of the foreign direct investment in the United States has come from:
- a. Canada.
 - b. Japan.
 - c. United Kingdom.
 - d. Germany.
 - e. None of the above.

ANS: C PTS: 1

24. Which of the following does not generally characterize foreign distributors?
- a. They are independent firms.
 - b. They are usually located in the country from which the goods are exported.
 - c. They assume the risks of warehousing the goods.
 - d. The often trail end users of the product.

ANS: B PTS: 1

25. Which of the following does not accurately characterize export management companies?
- a. They act as advisors or consultants.
 - b. They engage in foreign market research.
 - c. They exhibit goods at foreign trade shows.

d. They use their extensive sales contracts to market the products of other companies.

ANS: D

PTS: 1

SHORT ANSWER

1. Compare and contrast the three basic forms of international business or market entry strategies.

ANS:

Answer not provided.

PTS: 1

OBJ: Comparative Analytical Questions

2. Weigh the risks and benefits of entering the international market with those of entering or doing business in the domestic market.

ANS:

Answer not provided.

PTS: 1

OBJ: Comparative Analytical Questions

3. Why do the risks to the firm increase as the penetration of the foreign market increases?

ANS:

Answer not provided.

PTS: 1

OBJ: Comparative Analytical Questions

4. In what ways is doing business in the developing nations of Eastern Europe both similar and different from doing business in the United States? Western Europe?

ANS:

Answer not provided.

PTS: 1

OBJ: Comparative Analytical Questions

5. Compare and contrast the benefits and risks of direct and indirect exporting.

ANS:

Answer not provided.

PTS: 1

OBJ: Comparative Analytical Questions

6. Weigh the relative benefits and risks of a medium-sized American firm licensing technology to a developed nation? A developing nation?

ANS:

Answer not provided.

PTS: 1

OBJ: Comparative Analytical Questions

7. How do you feel doing business in the Middle East would differ from doing business elsewhere? What special factors (e.g. religious differences, cultural variables, Arab-Israeli relations) bear on your answer?

ANS:

Answer not provided.

PTS: 1 OBJ: Comparative Analytical Questions

8. Compare and contrast the ethical and strategic aspects of providing contract interpretation services to foreign business partners.

ANS:

Answer not provided.

PTS: 1 OBJ: Comparative Analytical Questions

9. Compare and contrast possible methods of managing currency risk.

ANS:

Answer not provided.

PTS: 1 OBJ: Comparative Analytical Questions

OTHER

1. Choose a product and a country to which you wish to export that product. Prepare an export plan, identifying in particular the factors that would need to be addressed in order to ensure a successful venture.

ANS:

Answer not provided.

PTS: 1 OBJ: Essay/Writing Assignments

2. Identify a domestic franchise. Craft a franchising agreement that addresses standards/quality or service (in the manner of McDonald's).

ANS:

Answer not provided.

PTS: 1 OBJ: Essay/Writing Assignments

3. Devise "managerial guidelines" or "Troubleshooter's Guide" to which a U.S. franchise representative should refer in supervising or consulting with a new, foreign franchisee.

ANS:

Answer not provided.

PTS: 1 OBJ: Essay/Writing Assignments

4. Design a business plan for doing business in the Middle East, addressing religious and cultural differences.

ANS:

Answer not provided.

PTS: 1

OBJ: Essay/Writing Assignments