

International Business, 8e (Wild/Wild)
Chapter 1 Globalization

1) Any commercial transaction that crosses the borders of two or more nations is known as _____.

- A) domestic marketing
- B) market segmentation
- C) international business
- D) global manufacturing

Answer: C

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

2) Goods and services purchased abroad and brought into a country are called _____.

- A) gross domestic products
- B) exports
- C) gross national products
- D) imports

Answer: D

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

3) _____ are all goods and services sold abroad and sent out of a country.

- A) Net national products
- B) Exports
- C) Gross domestic products
- D) Imports

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

4) Olive oil prepared in a small Italian oil press factory and sold by large supermarkets in the United States is an example of a _____.

- A) net national product
- B) U.S. export
- C) U.S. import
- D) gross domestic product

Answer: C

AACSB: Application of knowledge

Skill: Application

Difficulty: Hard

LO: 1.1: Identify the types of companies active in international business.

5) Which of the following terms applies to the sale of a particular brand of jeans manufactured in the U.S. and sold in Canadian stores?

- A) exporting
- B) outsourcing
- C) insourcing
- D) importing

Answer: A

AACSB: Analytical thinking

Skill: Application

Difficulty: Hard

LO: 1.1: Identify the types of companies active in international business.

6) A business that has direct investments (in the form of marketing or manufacturing subsidiaries) abroad in several countries is called a _____.

- A) dummy corporation
- B) shell corporation
- C) multinational corporation
- D) domestic corporation

Answer: C

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

7) The rise of a new international entity called the _____ suggests that any company, regardless of age, experience, and resources, can engage in international business.

- A) transnational corporation
- B) multinational corporation
- C) born global firm
- D) global firm

Answer: C

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

- 8) Small companies selling traditional products benefit from _____.
A) the barriers to trade that restrict their products from crossing domestic boundaries
B) increased investment by foreign competitors in domestic markets
C) government policies that seek to regulate the flow of capital across national borders
D) technology that lowers the costs and difficulties of global communication

Answer: D

AACSB: Information technology

Skill: Concept

Difficulty: Moderate

LO: 1.1: Identify the types of companies active in international business.

- 9) _____ is an effective alternative to traditional distribution channels for firms that sell digitized products.

- A) Dual licensing
- B) Electronic distribution
- C) Visual merchandising
- D) Digital switchover

Answer: B

AACSB: Information technology

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

- 10) _____ is the trend toward greater economic, cultural, political, and technological interdependence among national institutions and economies.

- A) Privatization
- B) Heterogenization
- C) Globalization
- D) Decentralization

Answer: C

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

- 11) Globalization is characterized by _____.

- A) the demise of democracy within a nation
- B) national boundaries becoming less relevant
- C) the fortification of trade barriers
- D) rigid foreign relations policies

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

12) As a result of globalization, Argonia finds that its national borders are becoming less relevant. This indicates that Argonia is undergoing _____.

- A) denationalization
- B) standardization
- C) reorganization
- D) internationalization

Answer: A

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

13) The term _____ refers to entities cooperating across national boundaries.

- A) internationalization
- B) supranationalism
- C) denationalization
- D) multiculturalism

Answer: A

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

14) Most companies today operate in an environment of increased transparency and scrutiny regarding their business activities. This is due to _____.

- A) the rise of the social media
- B) the prosperity of developing nations
- C) the heterogeneity in markets
- D) labor market flexibility in developing nations

Answer: A

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

15) The value of all goods and services produced by a country's domestic and international activities over a one-year period is the country's _____.

- A) gross domestic product (GDP)
- B) gross world product (GWP)
- C) gross national product (GNP)
- D) gross state product (GSP)

Answer: C

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

Scenario: Topsy Turvey Toys and Ureshi Toys

Topsy Turvey Toys is a U.S.-based toy retailer that buys all its merchandise from Ureshi Toys, a Japan-based toy manufacturer with production facilities in twelve nations. Ureshi Toys markets its toys globally without modification.

16) Topsy Turvey Toys buying its merchandise from Ureshi Toys is an example of _____.

- A) importing
- B) exporting
- C) outsourcing
- D) insourcing

Answer: A

AACSB: Analytical thinking

Skill: Application

Difficulty: Hard

LO: 1.1: Identify the types of companies active in international business.

17) Ureshi Toys selling its products to Topsy Turvey Toys is an example of _____.

- A) outsourcing
- B) insourcing
- C) exporting
- D) importing

Answer: C

AACSB: Analytical thinking

Skill: Application

Difficulty: Hard

LO: 1.1: Identify the types of companies active in international business.

18) The products that Ureshi Toys manufactures are examples of _____.

- A) global products
- B) niche products
- C) intangible products
- D) customized products

Answer: A

AACSB: Analytical thinking

Skill: Application

Difficulty: Hard

LO: 1.1: Identify the types of companies active in international business.

19) Ureshi Toys is an example of a(n) _____.

- A) domestic company
- B) multinational company
- C) direct importer
- D) shell corporation

Answer: B

AACSB: Analytical thinking

Skill: Application

Difficulty: Hard

LO: 1.1: Identify the types of companies active in international business.

Donna Bader, Globalization opponent

Donna Bader spent her final year at college studying the effect of various economic factors on the economy of developing nations. Based on the results of her study, she concluded that globalization does these countries more harm than good.

20) Upon what assumption does Donna's conclusion rest?

Donna assumes that _____.

- A) there are no factors other than globalization which influence the economic conditions of a country
- B) the welfare of individuals matters less than the economic prosperity of a nation
- C) globalization does not affect the employment rate of developed and developing countries
- D) the wages paid to all individuals within developed countries are equal

Answer: A

AACSB: Reflective thinking

Skill: Critical Thinking

Difficulty: Hard

LO: 1.1: Identify the types of companies active in international business.

21) International business is any commercial transaction that crosses the borders of two or more nations.

Answer: TRUE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

22) Imports are goods and services purchased abroad and brought into a country.

Answer: TRUE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

23) Multinational corporations (MNCs) have direct investments abroad in multiple countries.

Answer: TRUE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

24) A born global firm is a company that engages in international business from or near its inception.

Answer: TRUE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.1: Identify the types of companies active in international business.

25) Extranets give distributors and suppliers access to a company's database to place orders or restock inventories electronically.

Answer: TRUE

AACSB: Information technology

Skill: Concept

Difficulty: Moderate

LO: 1.1: Identify the types of companies active in international business.

26) Summarize each benefit a company might obtain from the globalization of markets.

Answer: The globalization of markets refers to convergence in buyer preferences in markets around the world.

The benefits of the globalization of markets for companies include:

1. Reduces marketing costs-Companies that sell global products can reduce costs by standardizing certain marketing activities. A company selling a global consumer good can make an identical product for the global market and then simply design different packaging to account for the language spoken in each market. Companies can achieve further cost savings by keeping an ad's visual component the same for all markets but dubbing TV ads and translating print ads into local languages.
2. Creates new market opportunities-A company that sells a global product can explore opportunities abroad if its home market is small or becomes saturated. Seeking sales growth abroad can be absolutely essential for an entrepreneur or small company that sells a global product but has a limited home market.
3. Levels uneven income streams-A company that sells a product with universal, but seasonal, appeal can use international sales to level its income stream. By supplementing domestic sales with international sales, the company can reduce or eliminate wide variations in sales between seasons and steady its cash flow.
4. Local buyers' needs-The benefit of serving customers with an adapted product may outweigh the benefit of a standardized one.
5. Global sustainability-It ensures that development meets the needs of the present without compromising the ability of the future generations to meet their own needs. Most companies today operate in an environment of increased transparency and scrutiny regarding their business activities. The rise of social media is partly responsible for this trend.

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.1: Identify the types of companies active in international business.

27) Describe key characteristics of a born global firm, and explain why a born global firm would be attuned to international firm management.

Answer: International business competition has given rise to a new international entity, the born global firm—a company that adopts a global perspective and engages in international business from or near its inception. Key characteristics of born global firms are an innovative culture and knowledge-based organizational capabilities. Although these firms first appeared in nations having small domestic markets, today they arise from all major trading nations. Remarkably, many of these companies rise to the status of international competitor in less than three years. Perhaps the extreme example of a born global firm is one that reaches out to customers around the world solely through the Internet.

A born global firm would be attuned to international firm management because managing a global company is vastly different from managing a purely domestic business. Companies must abide by the rules in every market in which they choose to operate. Therefore, the context of international business management is defined by the characteristics of national business environments. Because of widely dispersed production and marketing activities today, firms commonly interact with people in distant locations within the international business environment. Finally, managers and their firms are compelled to be knowledgeable about the nations in which they operate because of the integrating power of globalization. Businesses should try to anticipate events and forces that can affect their operations by closely monitoring globalization, national business environments, and the international business environment.

AACSB: Reflective thinking

Skill: Synthesis

Difficulty: Hard

LO: 1.1: Identify the types of companies active in international business.

28) Which of the following refers to convergence in buyer preferences in markets around the world?

A) heterogenization of markets

B) globalization of markets

C) segmentation of markets

D) nationalization of markets

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.2: Explain globalization and how it affects markets and production.

29) Which of the following refers to the use of computer networks to purchase, sell, or exchange products; service customers; and collaborate with partners?

- A) e-commerce
- B) telecommuting
- C) data virtualization
- D) virtual hosting

Answer: A

AACSB: Information technology

Skill: Concept

Difficulty: Easy

LO: 1.2: Explain globalization and how it affects markets and production.

30) Gentian Violet is a dye manufacturing company that uses computer networks to sell its products, service customers, and collaborate with partners. Which of the following technologies is the company engaging in this scenario?

- A) rapid prototyping
- B) e-business
- C) simulation
- D) console automation

Answer: B

AACSB: Information technology

Skill: Application

Difficulty: Hard

LO: 1.2: Explain globalization and how it affects markets and production.

31) Development that meets the needs of the present without compromising the ability of future generations to meet their own needs indicates _____.

- A) egalitarianism
- B) denationalization
- C) generalizability
- D) sustainability

Answer: D

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.2: Explain globalization and how it affects markets and production.

32) An established consumer market that primarily comprises the middle class and possesses efficient infrastructure is characteristic of _____ markets.

- A) emerging
- B) frontier
- C) traditional
- D) developed

Answer: D

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.2: Explain globalization and how it affects markets and production.

33) _____ markets are characterized by the rural population migrating to cities for better pay and thus, overloading cities' infrastructures.

- A) Traditional
- B) Emerging
- C) Virtual
- D) Developed

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.2: Explain globalization and how it affects markets and production.

34) Konesia is a country in which rising incomes are increasing the global demand for basic products and services. Which of the following is the type of market featured in this country?

- A) traditional market
- B) emerging market
- C) feudal market
- D) virtual market

Answer: B

AACSB: Application of knowledge

Skill: Application

Difficulty: Easy

LO: 1.2: Explain globalization and how it affects markets and production.

35) The population of a(n) _____ market is mostly rural and is characterized by poor infrastructure with little credit or collateral.

- A) emerging
- B) traditional
- C) developed
- D) virtual

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.2: Explain globalization and how it affects markets and production.

36) Kireki is a small country with a corrupt government. Its population is rural for most part and citizens have few or no legal rights. Which of the following is the type of market featured in Kireki?

- A) developed market
- B) traditional market
- C) emerging market
- D) virtual market

Answer: B

AACSB: Application of knowledge

Skill: Application

Difficulty: Hard

LO: 1.2: Explain globalization and how it affects markets and production.

37) _____ is defined as the dispersal of production activities to locations that help a company achieve its cost-minimization or quality-maximization objectives for a good or service.

- A) Global offering
- B) Globalization of production
- C) Global governance
- D) Globalization of markets

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.2: Explain globalization and how it affects markets and production.

38) Which of the following is an example of globalization of production?

- A) Canadian consumers who import food products from Australia
- B) A German company which sells car components to British car makers
- C) A U.S. company that builds a computer hardware manufacturing facility in India
- D) A Swiss watch manufacturer that builds a manufacturing facility in Switzerland

Answer: C

AACSB: Application of knowledge

Skill: Application

Difficulty: Hard

LO: 1.2: Explain globalization and how it affects markets and production.

39) Whereas relocating production to low-cost locales traditionally meant production of goods almost exclusively, it increasingly applies to the production of _____.

- A) domestic products
- B) perishables
- C) services
- D) global brands

Answer: C

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.2: Explain globalization and how it affects markets and production.

40) Crystal inc. is a multifaceted company that deals with the mining, cutting, and selling of diamonds. It gives distributors and suppliers access to its database to place orders or restock inventories electronically and automatically. Which of the following is the network implemented in the company?

- A) intranet
- B) chaosnet
- C) extranet
- D) ethernet

Answer: C

AACSB: Information technology

Skill: Application

Difficulty: Hard

LO: 1.2: Explain globalization and how it affects markets and production.

Scenario: Jeans Unlimited

Jeans Unlimited produces clothing for young adults. It designs its clothes at its New York headquarters and produces them at facilities located in two Southeast Asian countries. The company recently received negative press after one of its facilities was found using questionable labor practices, such as, employing children and operating in a manner that damages the environment.

41) Jeans Unlimited manufactures its clothing at facilities located in two Southeast Asian countries. The dispersal of manufacturing activities by the company indicates _____.

- A) customization of products
- B) niche marketing
- C) globalization of markets
- D) globalization of production

Answer: D

AACSB: Application of knowledge

Skill: Application

Difficulty: Hard

LO: 1.2: Explain globalization and how it affects markets and production.

42) Which of the following arguments against globalization, if true, could be made using Jeans Unlimited as an example?

- A) Globalization results in the government making nearly all economy-related decisions.
- B) Globalization permits the use of unethical practices as long as it brings the company profits.
- C) Globalization causes companies to produce goods in nations with the most lenient labor regulations.
- D) Globalization places least emphasis on corporate social responsibility.

Answer: C

AACSB: Application of knowledge; Reflective thinking

Skill: Critical Thinking

Difficulty: Hard

LO: 1.2: Explain globalization and how it affects markets and production.

43) The term "globalization of production" refers to convergence in buyer preferences in markets around the world.

Answer: FALSE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.2: Explain globalization and how it affects markets and production.

44) Products marketed in all countries essentially without any changes are known as continental products.

Answer: FALSE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.2: Explain globalization and how it affects markets and production.

45) How might a company benefit from the globalization of production?

Answer: The globalization of production refers to the dispersal of production activities to locations that help a company achieve its cost-minimization or quality-maximization objectives for a good or service. This includes the sourcing of key production inputs (such as raw materials or products for assembly) as well as the international outsourcing of services.

The globalization of production can benefit companies through the following ways:

1. Access lower-cost workers-Global production activities allow companies to reduce overall production costs through access to low-cost labor. For decades, companies located their factories in low-wage nations to churn out all kinds of goods, including toys, small appliances, inexpensive electronics, and textiles. Yet whereas moving production to low-cost locales traditionally meant production of goods almost exclusively, it increasingly applies to the production of services such as accounting and research. Many European and U.S. businesses have moved their customer service and other nonessential operations to places as far away as India to slash costs by as much as 60 percent.

2. Access technical expertise-Companies also produce goods and services abroad to benefit from technical know-how.

3. Access production inputs-Globalization of production allows companies to access resources that are unavailable or more costly at home. The quest for natural resources draws many companies into international markets.

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.2: Explain globalization and how it affects markets and production.

46) Explain how technological innovation has benefitted entrepreneurs.

Answer: Technological innovation is accelerating the pace of globalization. Significant advancements in information technology and transportation methods are making it easier, faster, and less costly to move data, goods, and equipment around the world. Important technological advances include e-mail, videoconferencing, the Internet and the World Wide Web, company intranets and extranets, and advancements in transportation technologies (including GPS and RFID).

Entrepreneurs and small businesses have benefitted from these technological innovations because in this age of globalization, small companies are increasingly active in international trade and investment. Companies are exporting earlier and growing faster, often with help from technology. Traditional distribution channels often gave only large companies access to distant markets, whereas electronic distribution is a cheap and effective alternative for small businesses that sell digitized products. Small companies that sell traditional products also benefit from technology that lowers the cost and difficulties of global communication.

AACSB: Reflective thinking

Skill: Synthesis

Difficulty: Hard

LO: 1.2: Explain globalization and how it affects markets and production.

47) Explain globalization of production and its benefits. Why should a company study international firm management if its leadership commits to globalization of production?

Answer: Globalization of production refers to the dispersal of production activities to locations that help a company achieve its cost-minimization or quality-maximization objectives for a good or service. This includes the sourcing of key production inputs (such as raw materials or products for assembly) as well as the international outsourcing of services.

Benefits to companies for the globalization of production include:

1. Access to lower-cost workers-Global production activities allow companies to reduce overall production costs through access to low-cost labor. For decades, companies located their factories in low-wage nations to churn out all kinds of goods, including toys, small appliances, inexpensive electronics, and textiles. Yet whereas moving production to low-cost locales traditionally meant production of goods almost exclusively, it increasingly applies to the production of services such as accounting and research. Although most services must be produced where they are consumed, some services can be performed at remote locations where labor costs are lower. Many European and U.S. businesses have moved their customer service and other nonessential operations to places as far away as India to slash costs by as much as 60 percent.

2. Access to technical expertise-Companies also produce goods and services abroad to benefit from technical know-how.

3. Access to production inputs-Globalization of production allows companies to access resources that are unavailable or more costly at home. The quest for natural resources draws many companies into international markets. If a company commits to the globalization of production, its leadership should study international firm management because this management arena is vastly different from managing a purely domestic business. Companies must abide by the rules in every market in which they choose to operate. Therefore, the context of international business management is defined by the characteristics of national business environments. Because of widely dispersed production and marketing activities today, firms commonly interact with people in distant locations within the international business environment. Finally, managers and their firms are compelled to be knowledgeable about the nations in which they operate because of the integrating power of globalization. Businesses should try to anticipate events and forces that can affect their operations by closely monitoring globalization, national business environments, and the international business environment.

AACSB: Reflective thinking

Skill: Synthesis

Difficulty: Hard

LO: 1.2: Explain globalization and how it affects markets and production.

48) Two major forces that underlie the expansion of globalization are falling barriers to trade and investment, and _____.

- A) elevation of nationalism
- B) rise of closed economies
- C) political stagnation
- D) technological innovation

Answer: D

AACSB: Information technology

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

49) As former competitors in many industries link up to challenge others on a worldwide basis, _____ occurs.

- A) segregation
- B) denationalization
- C) consolidation
- D) technological stagnation

Answer: C

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

50) The purpose of the General Agreement on Tariffs and Trade (GATT) was to _____.

- A) create an international currency
- B) regulate exchange rates
- C) create regional trade organizations
- D) promote free trade

Answer: D

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

51) _____ place limits on the quantity of a product being imported.

- A) Embargoes
- B) Trade blocs
- C) Nontariff barriers
- D) Anti-dumping duties

Answer: C

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

52) A major flaw of the original General Agreement on Tariffs and Trade (GATT) was that it lacked the power to _____.

- A) displace the WTO
- B) reduce nontariff barriers to international trade
- C) govern exchange rates
- D) enforce world trade rules

Answer: D

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.3: Detail the forces that are driving globalization.

53) The _____ replaced the institution of GATT while retaining all of the former GATT agreements.

- A) World Trade Organization
- B) Federation of International Trade Association
- C) Commonwealth of Nations
- D) International Monetary Fund

Answer: A

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

54) The three main goals of the World Trade Organization (WTO) are to help the free flow of trade, help negotiate the further opening of markets, and _____.

- A) measure the extent of globalization across the world
- B) settle trade disputes between its members
- C) accelerate technological innovation
- D) fund small traders in developing nations

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.3: Detail the forces that are driving globalization.

55) Some nations encourage _____ because of recent resistance to worldwide trade agreements.

- A) regional pacts
- B) homogeneous markets
- C) product standardization
- D) domestic manufacturing

Answer: A

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

- 56) The KOF Index measures the _____.
A) distribution of the global workforce
B) extent of globalization
C) gross regional product of an area
D) extent of technological innovation in a nation

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

- 57) The _____ is an agency created to provide financing for national economic development efforts.

- A) Global Financial Markets Association
B) World Trade Organization
C) Financial Stability Board
D) World Bank

Answer: D

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

- 58) Which of the following was created to regulate fixed exchange rates and enforce the rules of the International monetary system?

- A) International Monetary Fund
B) World Trade Organization
C) European Union
D) World Bank

Answer: A

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

- 59) The General Agreement on Tariffs and Trade (GATT) was designed to promote free trade by reducing both tariffs and nontariff barriers to international trade.

Answer: TRUE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

60) The power of the General Agreement on Tariffs and Trade (GATT) to settle trade disputes is what sets it apart from the World Trade Organization (WTO).

Answer: FALSE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.3: Detail the forces that are driving globalization.

61) The World Trade Organization's dispute settlement system has the ability to penalize offending nations.

Answer: TRUE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.3: Detail the forces that are driving globalization.

62) NAFTA is the international organization that enforces the rules of international trade worldwide.

Answer: FALSE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

63) Resistance to worldwide trade agreements has resulted in some nations placing greater emphasis on regional pacts.

Answer: TRUE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.3: Detail the forces that are driving globalization.

64) Gross national product (GNP) is the value of all goods and services imported into a country over a one-year period.

Answer: FALSE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

65) A characteristic of the world's least-global nations is low levels of corruption.

Answer: FALSE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.3: Detail the forces that are driving globalization.

66) The role of the World Bank is to provide financing for national economic development efforts.

Answer: TRUE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

67) The rules of the international monetary system are enforced by the World Bank.

Answer: FALSE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

68) Export-processing zones are special areas in which companies engage in tariff-free importing and exporting.

Answer: TRUE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.3: Detail the forces that are driving globalization.

69) Identify the World Trade Organization's (WTO) three main goals and explain how the WTO differs from the General Agreement on Tariffs and Trade (GATT).

Answer: The World Trade Organization (WTO) is the international organization that enforces the rules of international trade. The three main goals of the WTO are to help the free flow of trade, help negotiate the further opening of markets, and settle trade disputes among its members. It is the power of the WTO to settle trade disputes that really sets it apart from its predecessor, the GATT. The various WTO agreements are essentially contracts between member nations that commit them to maintaining fair and open trade policies. Offenders must realign their trade policies according to WTO guidelines or face fines and, perhaps, trade sanctions (penalties). Because of its ability to penalize offending nations, the WTO's dispute settlement system truly is the spine of the global trading system. The WTO replaced the institution of GATT but absorbed all of the former GATT agreements. Thus, the GATT institution no longer officially exists.

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.3: Detail the forces that are driving globalization.

70) Compare and contrast the purposes of the World Bank and the International Monetary Fund.
Answer: The World Bank is an agency created to provide financing for national economic development efforts. The initial purpose of the World Bank was to finance European reconstruction following the Second World War. It later shifted its focus to the general financial needs of developing countries, and today it finances many economic development projects in Africa, South America, and Southeast Asia.

The International Monetary Fund (IMF) is an agency created to regulate fixed exchange rates and enforce the rules of the international monetary system. Today, the IMF has 185 member countries. Some of the purposes of the IMF include promoting international monetary cooperation; facilitating expansion and balanced growth of international trade; avoiding competitive exchange devaluation; and making financial resources temporarily available to members.

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.3: Detail the forces that are driving globalization.

71) According to the opponents of globalization, which of the following occurs as a result of worker dislocation brought about by globalization?

A) increased labor costs for companies

B) lower workers' wages in developed nations

C) surfeit of jobs in developed nations

D) increased investment in individual education

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

72) Opponents argue that globalization _____.

A) eliminates manufacturing jobs in developed nations

B) generates labor market flexibility in developed nations

C) brings an end to practices like outsourcing

D) slows down the employment rate in developing nations

Answer: A

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

73) Globalization is criticized because it _____.

- A) does not generate labor market flexibility in developing nations
- B) prevents developed countries from outsourcing work to developing nations
- C) creates fewer manufacturing jobs in developing nations
- D) exploits workers in low-wage nations

Answer: D

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

74) Supporters affirm that globalization _____.

- A) brings an end to practices like outsourcing
- B) causes worker dislocation that gradually lowers wages
- C) increases wealth and efficiency in all countries
- D) curbs market flexibility in developed nations

Answer: C

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

75) Which of the following terms is used to refer to widespread job turnover throughout an economy?

- A) redeployment
- B) restructuring
- C) onboarding
- D) churning

Answer: D

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

76) Trade unions claim that by permitting international firms to continually move to nations with _____, globalization reduces labor's bargaining power and forces overall labor standards lower.

- A) better factory facilities
- B) higher resource accessibility
- C) lower labor standards
- D) lower labor density

Answer: C

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

77) Critics of globalization argue that it eliminates jobs in developing nations.

Answer: FALSE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

78) Flexible labor markets allow workers to be redeployed rapidly to sectors of the economy where they are highly valued.

Answer: TRUE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

79) Supporters and critics of globalization appear to agree that globalization prevents dislocation in labor markets.

Answer: FALSE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

80) Critics of globalization believe the overall gains that accrue to national economies are worth the lost livelihoods of some workers.

Answer: FALSE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

81) Research shows that pollution-intensive U.S. companies tend to invest in nations with lenient environmental standards.

Answer: FALSE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

82) International firms tend to support reasonable labor and environmental laws to expand future local markets for their businesses.

Answer: TRUE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

83) Small businesses will be completely immune to events in the international business environment.

Answer: FALSE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

84) Globalization's impact on jobs and wages is an important topic for debate. Discuss the major points for globalization in the jobs and wages debate, and describe how the actions of large multinational corporations affect the issues in the jobs and wages debate.

Answer: Supporters of globalization credit it with improving standards of living and making possible new ways of life. They argue that globalization increases wealth and efficiency in all nations, generates labor market flexibility in developed nations, and advances the economies of developing nations.

1. Increases Wealth and Efficiency in all Nations-Some economists believe globalization increases wealth and efficiency in both developed and developing nations. Globalization supporters argue that openness to international trade (the ratio of trade to national output) increases national production (by increasing efficiency) and raises per capita income (by passing savings on to consumers). For instance, by squeezing inefficiencies out of the retail supply chain, powerful global retailers help restrain inflation and boost productivity. Some economists predict that removing all remaining barriers to free trade would significantly boost worldwide income and greatly benefit developing nations.

2. Generates Labor Market Flexibility in Developed Nations-Globalization supporters believe globalization creates positive benefits by generating labor market flexibility in developed nations. It is claimed that benefits derive from worker dislocation, or "churning" as it is called when there is widespread job turnover throughout an economy. Flexible labor markets allow workers to be redeployed rapidly to sectors of the economy where they are highly valued and in demand. This also allows employees, particularly young workers, to change jobs easily with few negative effects. For instance, a young person can gain experience and skills with an initial employer and then move to a different job that provides a better match between employee and employer.

3. Advances Economies of Developing Nations-Those in favor of globalization argue that globalization and international outsourcing help to advance developing nations' economies. A multinational corporation (MNC) is a business that has direct investments (in the form of marketing or manufacturing subsidiaries) abroad in multiple countries. The actions of multinationals have an influence on jobs and wages because these companies generate significant jobs, investment, and tax revenue for the regions and nations they enter. Likewise, they can leave thousands of people out of work when they close or scale back operations. Mergers and acquisitions between multinationals are commonly worth billions of dollars and increasingly involve companies based in emerging markets. Some companies have more employees than many of the smallest countries and island nations have citizens.

AACSB: Reflective thinking

Skill: Synthesis

Difficulty: Hard

LO: 1.4: Outline the debate over globalization's impact on jobs and wages.

85) A special region in which companies can engage in tariff-free importing and exporting is called a(n) _____.

- A) preferential trade area
- B) export-processing zone
- C) customs union
- D) economic union

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.5: Summarize the debate over income inequality.

86) To minimize the economic inequality within developing nations, studies suggest that the nations can boost incomes of their poorest citizens by _____.

- A) rejecting globalization and sheltering themselves from exploitation
- B) embracing globalization and integrating themselves into the global economy
- C) fortifying trade barriers and discouraging exports
- D) encouraging economic independence and restricting imports

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.5: Summarize the debate over income inequality.

87) Which of the following statements is true of developing countries that have embraced globalization?

- A) The countries have experienced an increase in life expectancy.
- B) As a result of extensive commercialism, there has been a decline in personal income.
- C) Relying upon developed countries for technology has rendered their talent pool stagnant.
- D) Their rich cultural diversity hasn't been affected by exposure to new cultures.

Answer: A

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.5: Summarize the debate over income inequality.

88) Pro-globalization economists believe globalization increases wealth in both developed and developing nations.

Answer: TRUE

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.5: Summarize the debate over income inequality.

89) One argument in the debate surrounding globalization is about the inequality between nations. Discuss the major points of the inequality between nations argument and describe how falling barriers to trade and investment might help reduce the inequality between nations.

Answer: The inequality between nations debate questions the widening of the gap in average incomes between rich and poor nations. A widening gap is noticed if the average incomes in high-income countries are compared with the average incomes in middle- and low-income nations. But averages conceal differences between nations. The gap between rich and poor nations is not occurring everywhere: one group of poor nations is closing the gap with rich economies, while a second group of poor countries is falling further behind. For example, China is narrowing the income gap between itself and the United States as measured by GDP per capita, but the gap between Africa and the United States is widening. China's progress is no doubt a result of its integration with the world economy and annual economic growth rates of around 9 percent. Another emerging market, India, is also narrowing its income gap with the United States by embracing globalization. Developing countries that embrace globalization are increasing personal incomes, extending life expectancies, and improving education systems. In addition, post-communist countries that welcomed world trade and investment experienced high growth rates in GDP per capita. But nations that remain closed off from the world economy have performed far worse.

Falling barriers to trade and investment may help reduce the inequality between nations by leveling the global business playing field. Specifically, the WTO launched a new round of negotiations in Doha, Qatar, in late 2001. The renewed negotiations were designed to lower trade barriers further and to help poor nations in particular. Agricultural subsidies that rich countries pay to their own farmers are worth \$1 billion per day—more than six times the value of their combined aid budgets to poor nations. Because 70 percent of poor nations' exports are agricultural products and textiles, wealthy nations had intended to further open these and other labor-intensive industries. Poor nations were encouraged to reduce tariffs among themselves and were to receive help in integrating themselves into the global trading system. Although the Doha round was to conclude by the end of 2004, negotiations are proceeding more slowly than was anticipated.

AACSB: Reflective thinking

Skill: Synthesis

Difficulty: Hard

LO: 1.5: Summarize the debate over income inequality.

90) Critics of globalization say that global consumer-goods companies destroy _____.

A) the homogenization of markets

B) societal conformity

C) free trade areas

D) cultural diversity

Answer: D

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.6: Outline the debate over culture, sovereignty, and the environment.

91) Which of the following actions can be adopted by developed nations to lessen the negative effects of globalization?

- A) restrict the import of goods from developing countries
- B) slash agricultural subsidies that hurt the exports of developing nations
- C) discontinue foreign-aid programs to developing countries
- D) pressurize developing nations to fend for themselves in matters of health and education

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.6: Outline the debate over culture, sovereignty, and the environment.

Scenario: Jeans Unlimited

Jeans Unlimited produces clothing for young adults. It designs its clothes at its New York headquarters and produces them at facilities located in two Southeast Asian countries. The company recently received negative press after one of its facilities was found using questionable labor practices, such as, employing children and operating in a manner that damages the environment.

92) Jeans Unlimited plans to set up new facilities that are designed specifically to reduce impact on the environment. The management has emphasized on recycling and reusing most of their resources. What concept is the company emphasizing on in this scenario?

- A) sustainability
- B) standardization
- C) ethnocentricity
- D) industrialization

Answer: A

AACSB: Application of knowledge

Skill: Application

Difficulty: Hard

LO: 1.6: Outline the debate over culture, sovereignty, and the environment.

Donna Bader, Globalization opponent

Donna Bader spent her final year at college studying the effect of various economic factors on the economy of developing nations. Based on the results of her study, she concluded that globalization does these countries more harm than good.

93) Which of the following statements, if true, strengthens Donna's argument?

- A) People in low-wage nations have a high mortality rate and no access to healthcare facilities.
- B) Because of the increase in employment opportunities, workers from developing countries flock to developed countries.
- C) Low-wage nations tend to have poorly developed transport and communication systems.
- D) Many companies take advantage of lenient labor laws by setting up facilities in low-income countries.

Answer: D

AACSB: Reflective thinking

Skill: Critical Thinking

Difficulty: Hard

LO: 1.6: Outline the debate over culture, sovereignty, and the environment.

94) Which of the following statements, if true, weakens her argument?

- A) The employment rate of developed nations has been declining because of international outsourcing.
- B) With the exposure to new technology and cultural trends, the standard of living in developing countries has improved.
- C) People in high-wage countries often can't afford hospital care without financial assistance.
- D) Labor market flexibility across the world has seen little improvement over the last decade.

Answer: B

AACSB: Reflective thinking

Skill: Critical Thinking

Difficulty: Hard

LO: 1.6: Outline the debate over culture, sovereignty, and the environment.

95) Her argument is vulnerable to criticism because it fails to _____.

- A) quantify the disparity between high-income and low-income nations
- B) show that political and cultural factors have been taken into account
- C) demonstrate the importance of market flexibility
- D) highlight the environmental effect of globalization

Answer: B

AACSB: Reflective thinking

Skill: Critical Thinking

Difficulty: Hard

LO: 1.6: Outline the debate over culture, sovereignty, and the environment.

96) Globalization tends to foster two important values, tolerance and _____.

- A) nationalization
- B) diversity
- C) authoritarianism
- D) heterogeneity

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.7: Describe the global business environment and its main elements.

97) Each _____ is composed of unique cultural, political, legal, and economic characteristics that define business activity within that nation's borders.

- A) capital market
- B) national business environment
- C) international bond market
- D) operational center

Answer: B

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.7: Describe the global business environment and its main elements.

98) _____ involves the idea that a nation-state is autonomous, cannot intervene in the affairs of other nations, and can enter into binding international agreements.

- A) National sovereignty
- B) Authoritarianism
- C) Cultural liberalism
- D) Communalism

Answer: A

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.7: Describe the global business environment and its main elements.

99) The global business environment consists of four distinct elements: the forces of globalization, national business environments, the international business environment, and _____.

- A) domestic investment opportunities
- B) technological innovation
- C) international firm management
- D) multinational corporations

Answer: C

AACSB: Application of knowledge

Skill: Concept

Difficulty: Easy

LO: 1.7: Describe the global business environment and its main elements.

100) Describe the global business environment and each of its four elements.

Answer: International business is special because it occurs within a dynamic, integrated system that weaves together four distinct elements:

1. Globalization is a potent force transforming our societies and commercial activities in countless ways. In this way, the drivers of globalization (technological innovation and falling trade and investment barriers) influence every aspect of the global business environment. The dynamic nature of globalization also creates increasing competition for all firms everywhere, as managers begin to see the entire world as an opportunity. At home and abroad, firms must remain vigilant to the fundamental societal and commercial changes that globalization is causing.
2. The international business environment influences how firms conduct their operations in both subtle and not-so-subtle ways. No business is entirely immune to events in the international business environment, as evidenced by the long-term trend toward more porous national borders. The drivers of globalization are causing the flows of trade, investment, and capital to grow and become more entwined—often causing firms to search simultaneously for production bases and new markets. Companies today must keep their finger on the pulse of the international business environment to see how it may affect their business activities.
3. Each national business environment is composed of unique cultural, political, legal, and economic characteristics that define business activity within that nation's borders. This set of national characteristics can differ greatly from country to country. But, as nations open up and embrace globalization, their business environments are being transformed. Globalization can cause powerful synergies and enormous tensions to arise within and across various elements of a society. Company managers must be attentive to such nuances, adapting their products and practices as needed.
4. International firm management is vastly different from managing a purely domestic business. Companies must abide by the rules in every market in which they choose to operate. Therefore, the context of international business management is defined by the characteristics of national business environments. Because of widely dispersed production and marketing activities today, firms commonly interact with people in distant locations within the international business environment. Finally, managers and their firms are compelled to be knowledgeable about the nations in which they operate because of the integrating power of globalization. Businesses should try to anticipate events and forces that can affect their operations by closely monitoring globalization, national business environments, and the international business environment.

AACSB: Application of knowledge

Skill: Concept

Difficulty: Moderate

LO: 1.7: Describe the global business environment and its main elements.