***International Business, 12e* (Hill)**

**Chapter 1 Globalization**

1) Since Wally's Whistles is a medium-size business, it wouldn't benefit from globalization.

Answer: FALSE

Explanation: A company does not have to be the size of multinational giants to facilitate, and benefit from, the globalization of markets. In the United States, for example, according to the International Trade Administration, more than 300,000 small and medium-size firms with fewer than 500 employees exported in 2017, accounting for 98 percent of the companies that exported that year.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

2) Globalization of production can help companies lower their overall cost structure or improve the quality or functionality of their product offering.

Answer: TRUE

Explanation: The globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production. By doing this, companies hope to lower their overall cost structure or improve the quality or functionality of their product offering, thereby allowing them to compete more effectively.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

3) Johann's business does not make consumer products; therefore, it would not be likely to participate in global markets.

Answer: FALSE

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

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

4) Outsourcing is a process that is limited to manufacturing enterprises.

Answer: FALSE

Explanation: Early outsourcing efforts were primarily confined to manufacturing activities. Increasingly, however, companies are taking advantage of modern communications technology, particularly the Internet, to outsource service activities to low-cost producers in other nations.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: FALSE

Explanation: The World Trade Organization is primarily responsible for policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties signed by WTO member states. The World Bank was set up to promote economic development.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

6) When Cyprus had a financial crisis, it went to the World Bank, known as the lender of last resort, to bail it out.

Answer: FALSE

Explanation: The IMF was established to maintain order in the international monetary system. It is often seen as the lender of last resort to nation-states whose economies are in turmoil and whose currencies are losing value against those of other nations.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

Answer: TRUE

Explanation: Although the UN is perhaps best known for its peacekeeping role, one of the organization's central mandates is the promotion of higher standards of living, full employment, and conditions of economic and social progress and development—all issues that are central to the creation of a vibrant global economy.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

Answer: FALSE

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

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

Answer: FALSE

Explanation: The typical aim of tariffs on imports of manufactured goods was to protect domestic industries from foreign competition. One consequence, however, was "beggar thy neighbor" retaliatory trade policies, with countries progressively raising trade barriers against each other. Ultimately, this depressed world demand and contributed to the Great Depression of the 1930s.

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: TRUE

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

Answer: FALSE

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

Answer: TRUE

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

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: TRUE

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

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: TRUE

Explanation: The cost of microprocessors continues to fall, while their power increases (a phenomenon known as Moore's Law, which predicts that the power of microprocessor technology doubles and its cost of production falls in half every 18 months).

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

15) Foreign direct investment by non-U.S. firms increased because they wanted to disperse production activities to optimal locations and to build a direct presence in major foreign markets.

Answer: TRUE

Explanation: As the barriers to the free flow of goods, services, and capital fell, and as other countries increased their shares of world output, non-U.S. firms increasingly began to invest across national borders. The motivation for much of this foreign direct investment by non-U.S. firms was the desire to disperse production activities to optimal locations and to build a direct presence in major foreign markets.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: FALSE

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

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

Answer: FALSE

Explanation: By 2017, some 27 percent, or 540 firms, of the Top 2000 global firms are now U.S. multinationals, a drop of 236 firms in only about a decade and a half. Japanese and U.K. firms also saw declines in inclusion among the Top 2000 firms in the world. The globalization of the world economy has resulted in a relative decline in the dominance of U.S. firms in the global marketplace

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

18) Because Russia has shown signs of shifting back toward greater state involvement in economic activity and authoritarian government, doing business in Russia is considered risky.

Answer: TRUE

Explanation: Disturbing signs of growing unrest and totalitarian tendencies continue to be seen in several Eastern European and Central Asian states, including Russia, which has shown signs of shifting back toward greater state involvement in economic activity and authoritarian government. Thus, the risks involved in doing business in such countries are high, but so may be the returns.

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

19) According to globalization critics, the decline in unskilled wage rates is due to the migration of low-wage manufacturing jobs offshore and a corresponding reduction in demand for unskilled workers.

Answer: TRUE

Explanation: Globalization critics argue that the decline in unskilled wage rates is due to the migration of low-wage manufacturing jobs offshore and a corresponding reduction in demand for unskilled workers.

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

Answer: TRUE

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

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

Answer: FALSE

Explanation: Supporters of free trade and greater globalization argue that tougher environmental regulations and stricter labor standards go hand in hand with economic progress. In general, as countries get richer, they enact tougher environmental and labor regulations.

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

Answer: TRUE

Explanation: A concern voiced by critics of globalization is that today's increasingly interdependent global economy shifts economic power away from national governments and toward supranational organizations such as the World Trade Organization, the European Union, and the United Nations.

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

23) According to supporters of debt relief, new democratic governments in poor nations should not be forced to honor debts incurred by corrupt and dictatorial predecessors.

Answer: TRUE

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

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

24) A firm needs to become a multinational enterprise to engage in international business.

Answer: FALSE

Explanation: An international business is any firm that engages in international trade or investment. A firm does not have to become a multinational enterprise, investing directly in operations in other countries, to engage in international business, although multinational enterprises are international businesses.

Difficulty: 2 Medium

Topic: Challenges and Opportunities Created by Globalization

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

25) Managing an international business is quite similar to managing a domestic business.

Answer: FALSE

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

Difficulty: 2 Medium

Topic: Understanding the Differences Between International and Domestic Business

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

26) \_\_\_\_\_\_\_\_ refers to the shift toward a more integrated and interdependent world economy

A) Outsourcing

B) International marketing

C) Privatization

D) Globalization

Answer: D

Explanation: This is the definition of globalization.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

27) In 2008 and 2009, the \_\_\_\_\_\_\_\_ became the forum through which major nations attempted to launch a coordinated policy response to the global financial crisis, which started in America.

A) GATT

B) Group of Ten (G20)

C) Group of Twenty (G20)

D) World Trade Organization

Answer: C

Explanation: Originally, the G20 was established to formulate a coordinated policy response to financial crises in developing nations. In 2008 and 2009, it became the forum through which major nations attempted to launch a coordinated policy response to the global financial crisis that started in America and then rapidly spread around the world.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

28) The Uruguay Round provided

A) reduced protection for patents, trademarks, and copyrights.

B) enhanced protection for patents, trademarks, and copyrights.

C) increased trade barriers.

D) reduced coverage of services and manufactured goods.

Answer: B

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

29) Since the collapse of communism over a quarter of a century ago, formerly communist nations have transformed their economies by globalizing their markets. This involves

A) regulating markets.

B) privatizing state-owned enterprises.

C) decreasing competition.

D) reducing foreign investment.

Answer: B

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

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

30) Which of the following is a consequence of globalization?

A) decreasing interdependence between national economies

B) increasing outsourcing of services

C) differentiating of material culture

D) increasing barriers to cross-border trade

Answer: B

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

Difficulty: 2 Medium

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

31) Which of the following factors hinders globalization of consumer goods market?

A) national differences in tastes and preferences

B) higher production costs in developed nations

C) homogenization of material culture

D) increased outsourcing of goods and services

Answer: A

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

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

32) Globalization of markets results in markets becoming

A) more interdependent.

B) less diverse.

C) more protected.

D) less competitive.

Answer: B

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

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

33) A U.S. investment firm set up a customer service call center in India to take advantage of lower labor costs. This is called

A) homogenizing markets.

B) vertical integration.

C) outsourcing.

D) horizontal integration.

Answer: C

Explanation: Early outsourcing efforts were primarily confined to manufacturing activities; increasingly, however, companies are taking advantage of modern communications technology, particularly the Internet, to outsource service activities to low-cost producers in other nations.

Difficulty: 3 Hard

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

34) Early outsourcing efforts were primarily confined to

A) health care.

B) service activities.

C) technological research.

D) manufacturing activities.

Answer: D

Explanation: Early outsourcing efforts were primarily confined to manufacturing activities; increasingly, however, companies are taking advantage of modern communications technology, particularly the Internet, to outsource service activities to low-cost producers in other nations.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

35) What impedes firms from achieving the optimal dispersion of their productive activities to locations around the globe?

A) transportation costs

B) government deregulations

C) reduction of barriers to trade between countries

D) reduction of barriers to foreign direct investment

Answer: A

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

Difficulty: 2 Medium

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

36) The General Agreement on Tariffs and Trade (GATT) was responsible for

A) protecting government-owned enterprises.

B) policing the global marketplace.

C) limiting nuclear testing.

D) promoting environment friendly technology.

Answer: B

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

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

37) The \_\_\_\_\_\_\_\_ is primarily responsible for policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties signed by member states.

A) International Development Association

B) World Bank

C) International Court of justice

D) World Trade Organization

Answer: D

Explanation: The World Trade Organization is primarily responsible for policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties signed by WTO member states. As of 2011, 154 nations that collectively accounted for 97 percent of world trade were WTO members, thereby giving the organization enormous scope and influence.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

38) The World Trade Organization promotes

A) the lowering of barriers to cross-border trade and investment.

B) the development of poor nations through low-interest loans.

C) state ownership of major enterprises.

D) the regulation of national economies.

Answer: A

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

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

39) What is true about the International Monetary Fund?

A) It is primarily responsible for policing the world trading system.

B) It is seen as the lender of last resort to nation-states whose economies are in turmoil.

C) It is responsible for establishing multinational treaties to govern the global business system.

D) It was established to formulate a coordinated policy response to financial crises in developing nations.

Answer: B

Explanation: The IMF is often seen as the lender of last resort to nation-states whose economies are in turmoil and whose currencies are losing value against those of other nations. During the past two decades, for example, the IMF has lent money to the governments of troubled states, including Argentina, Indonesia, Mexico, Russia, South Korea, Thailand, and Turkey.

Difficulty: 2 Medium

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Analyze

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

40) The \_\_\_\_\_\_\_\_ was established on October 24, 1945, by 51 countries committed to preserving peace through international cooperation and collective security.

A) World Trade Organization

B) United Nations

C) G20

D) World Bank

Answer: B

Explanation: The United Nations was established on October 24, 1945, by 51 countries committed to preserving peace through international cooperation and collective security. Today nearly every nation in the world belongs to the United Nations; membership now totals 191 countries.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

41) The G20 was originally established to

A) preserve peace through international cooperation and collective security.

B) maintain order in the international monetary system.

C) formulate a coordinated policy response to financial crises in developing nations.

D) manage, regulate, and police the global marketplace.

Answer: C

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

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

42) Which of the following is a factor of production?

A) tariffs

B) transportation costs

C) capital

D) government

Answer: C

Explanation: The factors of production are labor, energy, land, and capital.

Difficulty: 1 Easy

Topic: Drivers of Globalization

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

43) Which of the following focuses on making low-interest loans to cash-strapped governments in poor nations that wish to undertake significant infrastructure investments?

A) the WTO

B) the GATT

C) the World Bank

D) the IMF

Answer: C

Explanation: The World Bank was set up to promote economic development. It has focused on making low-interest loans to cash-strapped governments in poor nations that wish to undertake significant infrastructure investments (such as building dams or roads).

Difficulty: 1 Easy

Topic: Drivers of Globalization

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

44) Which of the following was established to maintain order in the international monetary system?

A) the WTO

B) the GATT

C) the World Bank

D) the IMF

Answer: D

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

Difficulty: 1 Easy

Topic: Drivers of Globalization

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

45) Which of the following is true of the IMF?

A) It is often seen as the lender of first choice to nation-states whose economies are in turmoil.

B) Its loans come with no strings attached.

C) It is the less controversial of the two sister institutions, the IMF and the World Bank.

D) It has emerged as a significant player in the global economy.

Answer: D

Explanation: The IMF was established to maintain order in the international monetary system and has emerged as a significant player in the global economy. The World Bank is the less controversial of the two sister institutions. The IMF is often seen as the lender of last resort to nation-states whose economies are in turmoil and whose currencies are losing value against those of other nations. In return for loans, the IMF requires nation-states to adopt specific economic policies.

Difficulty: 2 Medium

Topic: Drivers of Globalization

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

46) The volume of world trade in merchandise is growing faster than world GDP. This implies that

A) more firms are dispersing their production processes to global locations.

B) the economies of the world's nation-states are becoming more independent from each other.

C) the global economy is headed for a large downward correction.

D) the world is becoming poorer.

Answer: A

Explanation: The fact that the volume of world trade has been growing faster than world GDP implies several things. First, more firms are dispersing parts of their production process to different locations around the globe. Second, the economies of the world's nation-states are becoming ever more intertwined. As trade expands, nations are becoming increasingly dependent on each other for important goods and services. Third, the world has become significantly wealthier in the last two decades. The implication is that rising trade is the engine that has helped pull the global economy along.

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

47) \_\_\_\_\_\_\_\_ occurs when a firm exports goods or services to consumers in another country.

A) International trade

B) Foreign direct investment

C) Inward investment

D) Outsourcing

Answer: A

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

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

48) In 2009, the financial crisis in the United States was triggered by

A) the global hike in the price of crude oil.

B) the slowdown in U.S. imports, due to political pressure.

C) liberal lending policies by U.S. banks to homeowners.

D) the artificial fixing of the currency rate by China.

Answer: C

Explanation: In 2009, the financial crisis in the United States was triggered by the financial sector of America, where banks had been too liberal in their lending policies to homeowners, swept around the world and plunged the global economy into its deepest recession since the early 1980s, illustrating once more that in an interconnected world a severe crisis in one region can affect the entire globe.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

49) \_\_\_\_\_\_\_\_ predicts that the power of microprocessor technology doubles and its cost of production falls in half every 18 months.

A) Keynes's Law

B) Say's Law

C) Moore's Law

D) Sullivan Principle

Answer: C

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

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

50) Containerization allows

A) reduction of the time needed to get from one location to another.

B) simplification of transshipment from one mode of transport to another.

C) buyers and sellers to find each other easily in a global economy.

D) enterprises to coordinate and control a globally dispersed production system.

Answer: B

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

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

51) The average tariff rates for manufactured goods have fallen significantly since 1950, and now stand at about

A) 18 percent.

B) 5.9 percent.

C) 4.8 percent.

D) 1.6 percent.

Answer: D

Explanation: The impact of GATT agreements on average tariff rates for manufactured goods is that average tariff rates have fallen significantly since 1950 and now stand at about 1.6 percent.

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

52) The volume of world trade in merchandised goods has been

A) growing at the same rate as world GDP.

B) growing faster than world GDP.

C) growing slower than world GDP.

D) declining faster than world GDP.

Answer: B

Explanation: According to WTO, the volume of world trade in merchandised goods has grown consistently faster than the growth rate in the world economy since 1950.

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

53) The growth of international trade in service activities has been driven by advances in

A) communications.

B) transportation.

C) agriculture.

D) energy.

Answer: A

Explanation: Increasingly, international trade in services has been driven by advances in communications, which allow corporations to outsource service activities to different locations around the globe.

Difficulty: 1 Easy

Topic: Drivers of Globalization

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

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

54) ABC Global has decided to invest resources in business activities outside its home country. This is called

A) foreign direct investment (FDI).

B) direct international investment (DII).

C) international trade (IT).

D) foreign direct production (FDP).

Answer: A

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

Difficulty: 2 Medium

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

55) The relative decline of the United States in the share of world output and world exports reflects

A) an increase in the barriers to foreign trade in the United States.

B) the deepening of the global financial crisis.

C) the reduced industrialization in developing nations.

D) the growth in the economic development of the world economy.

Answer: D

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

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

56) Why did many Japanese firms invest in North America and Europe in the 1970s?

A) to avoid a highly competitive domestic market

B) to exploit high domestic tariff barriers

C) to provide a hedge against unfavorable currency movements

D) to take advantage of low labor costs

Answer: C

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

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

57) The total cumulative value of foreign investments is *best* referred to as

A) accumulation of foreign shares.

B) portfolio investments.

C) stock of foreign direct investments.

D) stock market investments.

Answer: C

Explanation: The stock of foreign direct investment refers to the total cumulative value of foreign investments as a percentage of the country's GDP.

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

A) a slowdown in global economic activity.

B) the increasing share of the United States in the total FDI stock.

C) the decline in cross-border flows of foreign direct investment.

D) the increasing internationalization of business corporations.

Answer: D

Explanation: Throughout the 1990s, the amount of investment directed at both developed and developing nations increased dramatically, a trend that reflects the increasing internationalization of business corporations.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

59) Which of the following countries has been the largest recipient of foreign direct investment and, in 2016, received a record $249.8 billion in inflows?

A) Brazil

B) Russia

C) India

D) China

Answer: D

Explanation: Among developing nations, the largest recipient of foreign direct investment has been China, which in 2016 received a record $249.8 billion in inflows.

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

60) Toyota is a multinational enterprise (MNE), which is a firm that

A) exports its products to multiple countries.

B) has production activities in more than two countries.

C) does most of its business on the Internet.

D) lists its securities on a public exchange.

Answer: B

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

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

A) the decline of multinational companies in the manufacturing sector

B) the growth of government-owned multinational enterprises

C) the decline of non-U.S. multinationals

D) the growth of mini-multinationals

Answer: D

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

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

62) In the last two decades, Latin American countries such as Brazil, Mexico, and Chile have

A) embraced communist principles.

B) promoted government ownership of enterprises.

C) experienced increasing debt and inflation.

D) welcomed foreign investment.

Answer: D

Explanation: In the past two decades, throughout most of Latin America, debt and inflation are down, governments have sold state-owned enterprises to private investors, foreign investment is welcomed, and the region's economies have expanded. Brazil, Mexico, and Chile have led the way.

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

63) Which of the following is a risk associated with globalization?

A) restrictions on competition

B) global financial contagion

C) excessive market regulation

D) differentiation of markets

Answer: B

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

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

64) The rise in the number of mini-multinationals means that

A) small businesses are becoming increasingly involved in international trade and investment.

B) it is increasingly difficult to enter the large multinational market.

C) countries are working together to minimize MNE influence.

D) there is greater state involvement in industry.

Answer: A

Explanation: Although most international trade and investment are still conducted by large firms, many medium-size and small businesses are becoming increasingly involved in international trade and investment.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

65) The downside of increased globalization is

A) global financial contagions are less likely.

B) a severe crisis in one region can affect the entire globe.

C) one nation may become too powerful.

D) the potential for increased exploitation of undeveloped nations by developed nations.

Answer: B

Explanation: Greater globalization brings with it risks of its own. This was starkly demonstrated in 1997 and 1998 when a financial crisis in Thailand spread first to other East Asian nations and then to Russia and Brazil. Ultimately, the crisis threatened to plunge the economies of the developed world, including the United States, into a recession.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

66) During the past two decades, change in Latin America has been characterized by

A) an increase in debt.

B) hyperinflation.

C) the sale of state-owned enterprises to private investors.

D) protests against foreign investment.

Answer: C

Explanation: Throughout most of Latin America, debt and inflation are down, governments have sold state-owned enterprises to private investors, foreign investment is welcomed, and the region's economies have expanded. Brazil, Mexico, and Chile have led the way.

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

67) If China continues to move toward greater free market reforms it

A) may move from industrial superpower to third-world status.

B) will likely see a decrease in GDP per capita.

C) may move from third-world to industrial superpower status.

D) will likely give global market share to Western and Japanese enterprises.

Answer: C

Explanation: China continues to move progressively toward greater free market reforms. If what is occurring in China continues for two more decades, China may move from third-world to industrial superpower status even more rapidly than Japan did.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

68) After the United States, the second-largest source country of MNEs is

A) a tie between France and the United Kingdom.

B) China.

C) Japan.

D) a tie between Germany and the United Kingdom.

Answer: C

Explanation: By 2017, some 27 percent, or 540 firms, of the Top 2000 global firms are now U.S. multinationals, a drop of 236 firms in only about a decade and a half. Second-place Japan and third-place United Kingdom also saw drops in inclusion among the Top 2000 firms in the world.

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

69) To be classified as an MNE, a company must have productive activities in at least \_\_\_\_\_\_\_\_ countries.

A) two

B) three

C) four

D) twenty

Answer: A

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

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

70) Supporters of globalization maintain that the apparent decline in real wage rates of unskilled workers

A) is due to technological changes that create greater demand for skilled workers.

B) is due to the migration of low-wage manufacturing jobs offshore.

C) can be checked by increasing government ownership of enterprises.

D) can be checked by limiting free trade and foreign investment.

Answer: A

Explanation: Supporters of globalization maintain that the weak growth rate in real wage rates for unskilled workers owes far more to a technology-induced shift within advanced economies away from jobs where the only qualification was a willingness to turn up for work every day and toward jobs that require significant education and skills.

Difficulty: 2 Medium

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

71) A study published in 2011 by the OECD noted that

A) the real household income of unskilled workers in the United States increased more in comparison to that of skilled workers.

B) in almost all countries real income levels declined over the 20-year period studied.

C) the falling unemployment rates brought gains to low-wage workers and fairly broad-based wage growth.

D) the gap between the poorest and richest segments of society in some OECD countries had widened.

Answer: D

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

Difficulty: 2 Medium

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

A) initially the pollution levels remain low.

B) after a while, the pollution levels decrease.

C) the pollution levels also rise in proportion to the economic growth.

D) there is increasing industrialization, which leads to greater pollution.

Answer: B

Explanation: A number of econometric studies have found consistent evidence of a hump-shaped relationship between income levels and pollution levels. As an economy grows and income levels rise, initially pollution levels also rise. However, past some point, rising income levels lead to demands for greater environmental protection, and pollution levels then fall.

Difficulty: 2 Medium

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

73) NAFTA was passed only after

A) China agreed to establish a higher minimum wage.

B) the United States agreed to limit the number of jobs that could be outsourced.

C) Mexico committed to tougher enforcement of environmental protection regulations.

D) Canada committed to establish new limits on FDI.

Answer: C

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

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

74) Globalization is criticized because it increases the power of

A) governments to own enterprises.

B) unskilled labor to form labor unions.

C) supranational organizations over nation-states.

D) nation-states to regulate markets and reduce competition.

Answer: C

Explanation: A concern voiced by critics of globalization is that today's increasingly interdependent global economy shifts economic power away from national governments and toward supranational organizations such as the World Trade Organization, the European Union, and the United Nations.

Difficulty: 2 Medium

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

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

A) removing subsidies given to their agricultural producers.

B) increasing tariff barriers to trade in agriculture.

C) increasing outsourcing of manufacturing processes.

D) reducing defense expenditure.

Answer: A

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

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

76) Which of the following is viewed by large segments of the population in many countries as a detrimental effect of antiglobalization?

A) job growth in industries under attack from foreign competitors

B) upward pressure on the wage rates of unskilled workers

C) environmental degradation

D) cultural isolationism of global media and MNEs

Answer: C

Explanation: Large segments of the population in many countries believe that globalization has detrimental effects on living standards, wage rates, and the environment. Demonstrators have protested against a wide range of issues, including job losses in industries under attack from foreign competitors, downward pressure on the wage rates of unskilled workers, environmental degradation, and the cultural imperialism of global media and multinational enterprises, which was seen as being dominated by what some protesters called the "culturally impoverished" interests and values of the United States.

Difficulty: 2 Medium

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

77) While the hump-shaped relationship between income levels and pollution levels seems to hold across a wide range of pollutants, \_\_\_\_\_\_\_\_ represent an important exception.

A) sulfur dioxide emissions

B) lead concentrations

C) carbon dioxide emissions

D) water quality standards

Answer: C

Explanation: While the hump-shaped relationship depicted in Figure 1.5 in the text seems to hold across a wide range of pollutants—from sulfur dioxide to lead concentrations and water quality—carbon dioxide emissions are an important exception, rising steadily with higher income levels.

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

78) Based on several studies, the data suggest that real wages

A) for unskilled workers have decreased while real wages for skilled workers have increased.

B) for both skilled and unskilled labor have decreased.

C) for both skilled and unskilled labor have increased.

D) for unskilled workers have increased while real wages for skilled worker have decreased.

Answer: A

Explanation: The data suggest that over the past two decades, the share of labor in national income has declined. However, detailed analysis suggests the share of national income enjoyed by skilled labor has actually increased, suggesting that the fall in labor's share has been due to a fall in the share taken by unskilled labor.

Difficulty: 2 Medium

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

79) Which of the following is a reason that little progress has been made toward the ambitious goals set at the 1992 Earth Summit in Rio de Janeiro?

A) China has shown a strong appetite to adopt tighter pollution controls.

B) Political cooperation in the U.S. Congress promotes domestic action.

C) There is a culture of denial in the United States.

D) Trade liberalization efforts have not been rolled back.

Answer: C

Explanation: There has been little success in moving toward the ambitious goals for reducing carbon emissions laid down in the Earth Summit. In part, this is because the largest emitters of carbon dioxide, the United States and China, have failed to reach agreements about how to proceed. China, a country whose carbon emissions are increasing at a rapid rate, has shown little appetite to adopt tighter pollution controls. As for the United States, political divisions in Congress and a culture of denial have made it difficult for the country to even acknowledge, never mind move forward with, legislation designed to tackle climate change.

Difficulty: 2 Medium

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Evaluate

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

80) The two largest emitters of carbon dioxide are

A) China and the United States.

B) China and the United Kingdom.

C) Canada and the United States.

D) Mexico and the United States.

Answer: A

Explanation: There has been little success in moving toward the ambitious goals for reducing carbon emissions laid down in the Earth Summit. In part, this is because the largest emitters of carbon dioxide, the United States and China, have failed to reach agreements about how to proceed.

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

81) In 2000, the United Nations established the \_\_\_\_\_\_\_\_ to reduce the number of people who live in extreme poverty by 2015.

A) Millennium Development Goals

B) Twenty-First Century Goals

C) Globalization Rejuvenation Goals

D) U.N. Humanistic Goals

Answer: A

Explanation: In 2000, the United Nations established the Millennium Development Goals to reduce the number of people who live in extreme poverty by 2015. Subsequently, in September 2015, the United Nations and its 193-member countries ratified the Sustainable Development Goals that set targets to end poverty, protect the planet, and ensure prosperity for all countries by 2030 as part of a new sustainability agenda (United Nations 2015).

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

82) Which of the following is true of HIPCs?

A) About 100 nations fall in this category.

B) The average debt burden has never been more than 75 percent of the value of the HIPC's economy.

C) Servicing heavy debt leaves HIPCs with little left to invest in public infrastructure.

D) The annual cost of serving debt consumes about 30 percent of HIPC export earnings.

Answer: C

Explanation: Many of the world's poorer nations are being held back by large debt burdens. Of particular concern are the 40 or so "highly indebted poorer countries" (HIPCs), which are home to some 700 million people. Among these countries, the average government debt burden has been as high as 85 percent of the value of the economy, as measured by gross domestic product, and the annual costs of serving government debt consumed 15 percent of the countries' export earnings. Servicing such a heavy debt load leaves the governments of these countries with little left to invest in important public infrastructure projects, such as education, health care, roads, and power. The result is the HIPCs are trapped in a cycle of poverty and debt that inhibits economic development.

Difficulty: 2 Medium

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Evaluate

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

83) Which of the following is true of the supporters of debt relief for HIPCs?

A) They argue that free trade alone is sufficient to bring HIPCs out of poverty.

B) They argue that new democratic governments should be forced to honor debts incurred by previous corrupt predecessors.

C) They include Bono, the Dalai Lama, and Jeffrey Sachs among their ranks.

D) They are working against the policies of the IMF and World Bank.

Answer: C

Explanation: Free trade alone, some argue, is a necessary but not sufficient prerequisite to help these countries bootstrap themselves out of poverty. Instead, large-scale debt relief is needed for the world's poorest nations to give them the opportunity to restructure their economies and start the long climb toward prosperity. Supporters of debt relief also argue that new democratic governments in poor nations should not be forced to honor debts that were incurred and mismanaged long ago by their corrupt and dictatorial predecessors. In the late 1990s, a debt relief movement began to gain ground among the political establishment in the world's richer nations. Fueled by high-profile endorsements from Irish rock star Bono, the Dalai Lama, and influential Harvard economist Jeffrey Sachs, the debt relief movement was instrumental in persuading the United States to enact legislation in 2000 that provided $435 million in debt relief for HIPCs. The IMF and World Bank have picked up the banner and have embarked on a systematic debt relief program.

Difficulty: 2 Medium

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Evaluate

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

84) An international business, unlike a multinational enterprise,

A) needs to have manufacturing units in at least two foreign nations.

B) needs to manufacture products or provide services that target a global market.

C) need not customize its products to the requirements of national markets.

D) need not invest directly in operations in other countries.

Answer: D

Explanation: An international business is any firm that engages in international trade or investment. A firm does not have to become a multinational enterprise, investing directly in operations in other countries, to engage in international business, although multinational enterprises are international businesses.

Difficulty: 2 Medium

Topic: Challenges and Opportunities Created by Globalization

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

85) Issy's Ice Cream is an international business. As such, it

A) needs to have manufacturing units in at least two foreign nations.

B) needs to manufacture products or provide services that target a global market.

C) need not customize its products to the requirements of national markets.

D) invests in international trade or investment.

Answer: D

Explanation: An international business is any firm that engages in international trade or investment. A firm does not have to become a multinational enterprise, investing directly in operations in other countries, to engage in international business, although multinational enterprises are international businesses.

Difficulty: 2 Medium

Topic: Challenges and Opportunities Created by Globalization

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

86) Which of the following statements is true regarding an international business?

A) An international business needs to invest directly in operations in other countries.

B) An international business needs to have homogenous practices across countries.

C) An international business can be managed in the same way that a domestic business is managed.

D) An international business must find ways to work within the limits imposed by government intervention.

Answer: D

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

Difficulty: 2 Medium

Topic: Challenges and Opportunities Created by Globalization

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

87) How does managing an international business differ from managing a domestic business?

A) International managers are more experienced.

B) Countries differ in their cultures and systems.

C) Countries want to do business with their neighbors.

D) Countries want to keep their transactions simple.

Answer: B

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

Difficulty: 2 Medium

Topic: Understanding the Differences Between International and Domestic Business

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

88) Which of the following is true regarding international businesses?

A) All MNEs are international businesses.

B) Only firms that export products are international businesses.

C) Only firms that invest abroad are international businesses.

D) All international businesses are MNEs.

Answer: A

Explanation: A firm does not have to become a multinational enterprise, investing directly in operations in other countries, to engage in international business, although multinational enterprises are international businesses. All a firm has to do is export or import products from other countries.

Difficulty: 2 Medium

Topic: Challenges and Opportunities Created by Globalization

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Bloom's: Evaluate

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

89) Managing an international business is different from managing a purely domestic business for which of the following reasons?

A) Countries prefer to keep business transactions between domestic partners.

B) The range of problems confronted is wider and more complex.

C) International businesses have an added layer of U.N. regulations.

D) International transactions involve exchanging currencies through each country's treasury.

Answer: B

Explanation: Managing an international business is different from managing a purely domestic business for at least four reasons: (1) countries are different, (2) the range of problems confronted by a manager in an international business is wider and the problems themselves more complex than those confronted by a manager in a domestic business, (3) an international business must find ways to work within the limits imposed by government intervention in the international trade and investment system, and (4) international transactions involve converting money into different currencies.

Difficulty: 2 Medium

Topic: Understanding the Differences Between International and Domestic Business

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

90) Discuss the characteristics of globalization. Use an example in your discussion.

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

Note: Examples will vary.

Difficulty: 3 Hard

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: The globalization of markets refers to the idea that historically distinct and separate national markets are merging into a single, huge global marketplace. For example, consumer product firms such as Coca-Cola, Starbucks, and McDonald's offer the same basic product worldwide and are, in fact, not only a part of the trend, but facilitators of the trend as well. The most global of markets are not typically markets for consumer products—where national differences in tastes and preferences can still be important enough to act as a brake on globalization—but markets for industrial goods and materials that serve universal needs the world over.

Note: Examples will vary.

Difficulty: 3 Hard

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

92) Discuss the concept of the globalization of production.

Answer: The globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (such as labor, energy, land, and capital). By doing this, companies hope to lower their overall cost structure or improve the quality or functionality of their product offering, thereby allowing them to compete more effectively.

Difficulty: 3 Hard

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

93) What is the World Trade Organization? What is its role in the world economy?

Answer: The World Trade Organization (WTO) is primarily responsible for policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties signed by WTO members. As of 2017, 164 nations that collectively accounted for 98 percent of world trade were WTO members, thereby giving the organization enormous scope and influence. The WTO is also responsible for facilitating the establishment of additional multinational agreements among WTO member states.

Difficulty: 3 Hard

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: The International Monetary Fund (IMF) and the World Bank were both created in 1944 by 44 nations that met at Bretton Woods, New Hampshire. The IMF was established to maintain order in the international monetary system; the World Bank was set up to promote economic development. In the more than seven decades since their creation, both institutions have emerged as significant players in the global economy. The World Bank is the less controversial of the two sister institutions. It has focused on making low-interest loans to cash-strapped governments in poor nations that wish to undertake significant infrastructure investments (such as building dams or roads)

Difficulty: 3 Hard

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Evaluate

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

95) What is the Uruguay Round? List the measures implemented in the Uruguay Round.

Answer: Under the umbrella of GATT, eight rounds of negotiations among member states worked to lower barriers to the free flow of goods and services. The first round of negotiations went into effect in 1948. The most recent negotiations to be completed, known as the Uruguay Round, were finalized in December 1993. The Uruguay Round further reduced trade barriers; extended GATT to cover services as well as manufactured goods; provided enhanced protection for patents, trademarks, and copyrights; and established the World Trade Organization to police the international trading system.

Difficulty: 3 Hard

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

96) Explain the trends in world trade and foreign direct investment since 1950.

Answer: Since 1950, the volume of world merchandise trade has grown faster than the world economy. In particular, there has been acceleration in world trade since 1980. This trade and investment pattern implies that firms are dispersing parts of their production to different locations around the world to drive down production costs and increase product quality, that the economies of the world's nation-states are becoming more intertwined, that foreign direct investment is playing an increasing role in the global economy as firms increase their cross-border investments, and that the world has become significantly wealthier since 1990. The implication is that rising trade is the engine that has helped pull the global economy along. Evidence also suggests that foreign direct investment is playing an increasing role in the global economy as firms increase their cross-border investments.

Difficulty: 3 Hard

Topic: Drivers of Globalization

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

Bloom's: Analyze

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

97) Explain how a company competes using outsourcing. Provide an example.

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

Note: Examples will vary.

Difficulty: 3 Hard

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

98) Discuss the impact of technological change on global markets.

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

Difficulty: 3 Hard

Topic: Drivers of Globalization

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

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

99) Discuss the demographics of world trade since the 1960s. How has the role of the United States changed? How is world trade expected to change in the future?

Answer: In the early 1960s, the United States was the world's dominant industrial power accounting for almost 40 percent of world output. By 2012, the United States accounted for 23.1 percent of world output, measured by gross domestic product (GDP). By 2018, the United States accounted for 15.8 percent of world output, with China now at 17.1 percent of world output and the global leader in this category. The United States was not the only developed nation to see its relative standing slip. The same occurred to Germany, France, Italy, the United Kingdom, and Canada—as just a few examples. These were all nations that were among the first to industrialize globally. Of course, the change in the U.S. position was not an absolute decline because the U.S. economy grew significantly between 1960 and 2018 (the economies of Germany, France, Italy, the United Kingdom, and Canada also grew during this time). Rather, it was a relative decline, reflecting the faster economic growth of several other economies, particularly China as well as several other nations in Asia. From 1960 to today, China's share of world output increased from a trivial amount to 17.1 percent, making it the world's largest economy in terms of its share in world output (the U.S. is still the largest economy overall). Other countries that markedly increased their share of world output included Japan, Thailand, Malaysia, Taiwan, Brazil, and South Korea. Most forecasts now predict a rapid rise in the share of world output accounted for by developing nations such as China, India, Russia, Indonesia, Thailand, South Korea, Mexico, and Brazil, and a commensurate decline in the share enjoyed by rich industrialized countries such as Great Britain, Germany, Japan, and the United States.

Difficulty: 3 Hard

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Analyze

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

100) Why does China represent both opportunities and threats for established international businesses?

Answer: China represents a huge and largely untapped market. Reflecting this, between 1983 and 2017, annual foreign direct investment in China increased from less than $2 billion to $249.8 billion annually. On the other hand, China's new firms are proving to be very capable competitors, and they could take global market share away from Western and Japanese enterprises. Thus, the changes in China are creating both opportunities and threats for established international businesses.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Understand

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

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

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

Difficulty: 3 Hard

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

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

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

Difficulty: 3 Hard

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Analyze

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

103) Falling barriers to international trade destroy manufacturing jobs in wealthy advanced

economies. Discuss this statement. Do you agree? Why or why not?

Answer: Critics argue that falling trade barriers allow firms to move manufacturing activities to countries where wage rates are much lower. As a result of such moves, they argue that the wage rates of poorer Americans have fallen significantly over the past quarter of a century. Supporters of globalization reply that critics of these trends miss the essential point about free trade—the benefits outweigh the costs. They argue that free trade will result in countries specializing in the production of those goods and services that they can produce most efficiently, while importing goods and services that they cannot produce as efficiently.

Note: Opinions will vary.

Difficulty: 3 Hard

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Evaluate

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

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

Answer: Managing an international business is different from managing a purely domestic business for at least four reasons: (1) countries are different, (2) the range of problems confronted by a manager in an international business is wider and the problems themselves more complex than those confronted by a manager in a domestic business, (3) an international business must find ways to work within the limits imposed by government intervention in the international trade and investment system, and (4) international transactions involve converting money into different currencies.

Difficulty: 3 Hard

Topic: Understanding the Differences Between International and Domestic Business

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Bloom's: Apply

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

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

Answer: In addition to the problems that arise from the differences between countries, managers of an international business must decide where in the world to site production activities to minimize costs and to maximize value added. They must decide whether it is ethical to adhere to the lower labor and environmental standards found in many less developed nations. Then they must decide how best to coordinate and control globally dispersed production activities, which is not a trivial problem. Managers in an international business must also decide which foreign markets to enter and which ones to avoid.

Difficulty: 3 Hard

Topic: Understanding the Differences Between International and Domestic Business

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Bloom's: Apply

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation