Chapter 01

Globalization

**True / False Questions**

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| 1. | A company does not need a large size to facilitate, and benefit from, the globalization of markets.  True    False |

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| 2. | Companies hope to lower their overall cost structure or improve the quality or functionality of their product offering through globalization of production.  True    False |

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| 3. | The most global markets currently are markets for consumer products.  True    False |

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| 4. | Outsourcing is a process that is limited to manufacturing enterprises.  True    False |

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| 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.  True    False |

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| 6. | The World Bank is known as the lender of the last resort.  True    False |

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| 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.  True    False |

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

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| 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.  True    False |

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| 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.  True    False |

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

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

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

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

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| 15. | Non-U.S. firms increasingly began to invest across national borders because they wanted to disperse production activities to optimal locations and to build a direct presence in major foreign markets.  True    False |

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

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

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| 18. | Doing business in Russia involves risks because the country has shown signs of shifting back toward greater state involvement in economic activity and authoritarian government.  True    False |

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| 19. | Globalization critics argue that the decline in unskilled wage rates is due to the migration of low-wage manufacturing jobs offshore and a corresponding reduction in demand for unskilled workers.  True    False |

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

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

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

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| 23. | Supporters of debt relief argue that new democratic governments in poor nations should not be forced to honor debts incurred by corrupt and dictatorial predecessors.  True    False |

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| 24. | A firm does not have to become a multinational enterprise to engage in international business.  True    False |

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| 25. | Managing an international business is much easier than managing a domestic business.  True    False |

**Multiple Choice Questions**

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| 26. | The shift toward a more integrated and interdependent world economy is referred to as \_\_\_\_\_.

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| A.  | outsourcing |

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| B.  | international marketing |

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| --- | --- |
| C.  | privatization |

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| D.  | globalization |

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

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| A.  | GATT |

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| B.  | Group of Ten (G20) |

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| --- | --- |
| C.  | Group of Twenty (G20) |

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| D.  | World Trade Organization |

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| 28. | The Uruguay Round provided:

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| --- | --- |
| A.  | reduced protection for patents, trademarks, and copyrights. |

|  |  |
| --- | --- |
| B.  | enhanced protection for patents, trademarks, and copyrights. |

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| --- | --- |
| C.  | increased trade barriers. |

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| D.  | reduced coverage of services and manufactured goods. |

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| 29. | Since the collapse of communism at the end of the 1980s, the erstwhile communist nations have transformed their economies by globalizing their markets. This involves \_\_\_\_\_.

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| A.  | regulating markets |

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| --- | --- |
| B.  | privatizing state-owned enterprises |

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| --- | --- |
| C.  | decreasing competition |

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| --- | --- |
| D.  | reducing foreign investment |

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| 30. | Which of the following is a consequence of globalization?

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| --- | --- |
| A.  | Decreasing interdependence between national economies |

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| --- | --- |
| B.  | Increasing outsourcing of services |

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| --- | --- |
| C.  | Differentiation of material culture |

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| --- | --- |
| D.  | Increase in barriers to cross-border trade |

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| 31. | Which of the following has enabled globalization of markets?

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| --- | --- |
| A.  | Marginal differentiation among national markets |

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| --- | --- |
| B.  | Falling barriers to cross border trade |

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| --- | --- |
| C.  | Reduced homogeneity of material culture across the world |

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| D.  | Increased government ownership of factors of production |

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| 32. | Which of the following factors hinders globalization of consumer goods market?

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| A.  | National differences in tastes and preferences |

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| --- | --- |
| B.  | Higher production costs in developed nations |

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| --- | --- |
| C.  | Homogenization of material culture |

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| D.  | Increased outsourcing of goods and services |

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| 33. | Globalization of markets results in markets becoming \_\_\_\_\_.

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| --- | --- |
| A.  | more interdependent |

|  |  |
| --- | --- |
| B.  | less diverse |

|  |  |
| --- | --- |
| C.  | more protected |

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| --- | --- |
| D.  | less competitive |

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| 34. | A U.S. investment firm, Fin-Smart, set up a customer service call center in India to take advantage of the lower labor costs. This is called \_\_\_\_.

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| A.  | homogenizing markets |

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| --- | --- |
| B.  | vertical integration |

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| --- | --- |
| C.  | international outsourcing |

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| --- | --- |
| D.  | horizontal integration |

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| 35. | Early outsourcing efforts were primarily confined to \_\_\_\_\_.

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| A.  | health care |

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| --- | --- |
| B.  | service activities |

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| --- | --- |
| C.  | technological research |

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| --- | --- |
| D.  | manufacturing activities |

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| 36. | Which of the following is an impediment that makes it difficult for firms to achieve the optimal dispersion of their productive activities to locations around the globe?

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| --- | --- |
| A.  | Transportation costs |

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| --- | --- |
| B.  | Government deregulations |

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| --- | --- |
| C.  | Reduction of barriers to trade between countries |

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| --- | --- |
| D.  | Reduction of barriers to foreign direct investment |

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| 37. | The General Agreement on Tariffs and Trade (GATT) was responsible for \_\_\_\_.

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| A.  | protecting government owned enterprises |

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| --- | --- |
| B.  | policing the global marketplace |

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| C.  | limiting nuclear testing |

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| --- | --- |
| D.  | promoting environment friendly technology |

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| 38. | 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.

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| A.  | International Development Association |

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| --- | --- |
| B.  | World Bank |

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| C.  | International Court of justice |

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| --- | --- |
| D.  | World Trade Organization |

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| 39. | The World Trade Organization promotes the:

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

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| B.  | development of poor nations through low-interest loans. |

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| C.  | state ownership of major enterprises. |

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| D.  | regulation of national economies. |

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| 40. | Which of the following is true about the International Monetary Fund?

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

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

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

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

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| 41. | The \_\_\_\_\_ was established on October 24, 1945, by 51 countries committed to preserving peace through international cooperation and collective security.

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| A.  | World Trade Organization |

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| --- | --- |
| B.  | United Nations |

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| C.  | G20 |

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| --- | --- |
| D.  | World Bank |

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| 42. | The G20 was originally established to:

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| A.  | preserve peace through international cooperation and collective security. |

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| B.  | maintain order in the international monetary system. |

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

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

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| 43. | \_\_\_\_\_ occurs when a firm exports goods or services to consumers in another country.

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| A.  | International trade |

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| --- | --- |
| B.  | Foreign direct investment |

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| --- | --- |
| C.  | Inward investment |

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| --- | --- |
| D.  | Outsourcing |

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| 44. | Which of the following is a factor of production?

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| A.  | tariffs |

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| B.  | transportation costs |

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| --- | --- |
| C.  | capital |

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| --- | --- |
| D.  | government |

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| 45. | Which of the following is true regarding the WTO?

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| A.  | WTO stands for World Transition Organization. |

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| B.  | The WTO was succeeded by GATT. |

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| C.  | As of 2015, the WTO has 160 members. |

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| D.  | The WTO is policed by the United Nations. |

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| 46. | Which of the following is focused on making low-interest loans to cash-strapped governments in poor nations that wish to undertake significant infrastructure investments?

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| A.  | The WTO |

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| --- | --- |
| B.  | The GATT |

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| --- | --- |
| C.  | The World Bank |

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| D.  | The IMF |

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| 47. | Which of the following was established to maintain order in the international monetary system?

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| A.  | The WTO |

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| --- | --- |
| B.  | The GATT |

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| --- | --- |
| C.  | The World Bank |

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| D.  | The IMF |

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| 48. | Which of the following is true of the IMF?

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

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| B.  | Its loans come with no strings attached. |

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

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

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| 49. | In late 2001, the WTO launched a new round of talks in Doha aimed at:

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| A.  | helping member states to cope with financial crisis. |

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| B.  | liberalizing of the global trade and investment framework. |

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| C.  | protecting national economies from global competition. |

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| D.  | promoting higher standards of living in all member states. |

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| 50. | Which of the following is included in world merchandise trade?

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| A.  | Service industry |

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| B.  | Agricultural labor |

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| C.  | Foreign services |

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| D.  | Mining products |

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| 51. | \_\_\_\_\_ have/has the most to gain from reductions in agricultural tariffs and subsidies that are a part of the Doha agenda.

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| A.  | The world's developed nations |

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| --- | --- |
| B.  | The world's poorer nations |

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| --- | --- |
| C.  | European nations |

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| --- | --- |
| D.  | The United States |

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| 52. | The volume of world trade in merchandise growing faster than world GDP implies that:

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

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

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

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| D.  | the world is becoming poorer. |

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| 53. | In 2009, the financial crisis in the United States was triggered by:

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

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| --- | --- |
| B.  | the slowdown in U.S. imports |

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| C.  | the problems in the U.S. subprime mortgage lending market |

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

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| 54. | \_\_\_\_\_ predicts that the power of microprocessor technology doubles and its cost of production falls in half every 18 months.

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| A.  | Keynes's Law |

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| --- | --- |
| B.  | Say's Law |

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| --- | --- |
| C.  | Moore's Law |

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| --- | --- |
| D.  | Sullivan Principles |

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| 55. | Containerization allows:

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

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

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

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

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| 56. | The average tariff rates for manufactured goods have fallen significantly since 1950 and now stand at about \_\_\_\_\_.

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| --- | --- |
| A.  | 18% |

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| --- | --- |
| B.  | 5.9% |

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| --- | --- |
| C.  | 4.8% |

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| --- | --- |
| D.  | 1.5% |

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| 57. | The volume of world trade in merchandised goods has been:

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| --- | --- |
| A.  | growing at the same rate as world GDP. |

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| --- | --- |
| B.  | growing faster than world GDP. |

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| --- | --- |
| C.  | growing slower than world GDP. |

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| --- | --- |
| D.  | declining faster than world GDP. |

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| 58. | The growth of international trade in services has been driven by advances in:

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| --- | --- |
| A.  | communications. |

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| --- | --- |
| B.  | transportation. |

|  |  |
| --- | --- |
| C.  | agriculture. |

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| --- | --- |
| D.  | energy. |

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| 59. | The value of international trade in services now accounts for about \_\_\_\_\_ of the value of all international trade.

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| A.  | 15% |

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| --- | --- |
| B.  | 20% |

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| --- | --- |
| C.  | 30% |

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| --- | --- |
| D.  | 40% |

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| 60. | \_\_\_\_\_ occurs when a firm invests resources in business activities outside its home country.

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| A.  | Foreign direct investment (FDI) |

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| --- | --- |
| B.  | Direct international investment (DII) |

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| --- | --- |
| C.  | International trade (IT) |

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| --- | --- |
| D.  | Foreign direct production (FDP) |

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| 61. | The relative decline of the United States in the share of world output and world exports reflects:

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

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| --- | --- |
| B.  | the deepening of the global financial crisis. |

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| --- | --- |
| C.  | the reduced industrialization in developing nations. |

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

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| 62. | Why did many Japanese firms invest in North America and Europe in the 1970s?

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| A.  | To avoid a highly competitive domestic market. |

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| --- | --- |
| B.  | To exploit high domestic tariff barriers. |

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| --- | --- |
| C.  | To create a hedge against unfavorable currency movements. |

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| D.  | To take advantage of low labor costs. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 63. | 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. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 64. | 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. |

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| --- | --- |
| D.  | the increasing internationalization of business corporations. |

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| 65. | Which of the following countries has been the largest recipient of foreign direct investment and received about $60 billion to $100 billion a year in inflows in 2004-2012?

|  |  |
| --- | --- |
| A.  | Brazil |

|  |  |
| --- | --- |
| B.  | Russia |

|  |  |
| --- | --- |
| C.  | India |

|  |  |
| --- | --- |
| D.  | China |

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| 66. | A multinational enterprise (MNE) is a firm that:

|  |  |
| --- | --- |
| A.  | exports its products to multiple countries. |

|  |  |
| --- | --- |
| B.  | has production units in more than two countries. |

|  |  |
| --- | --- |
| C.  | does most of its business on the Internet. |

|  |  |
| --- | --- |
| D.  | lists its securities on a public exchange. |

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| 67. | Which of these statements pertaining to cross-border FDI flows is true?

|  |  |
| --- | --- |
| A.  | There was a growth of FDI between 2004 and 2007. |

|  |  |
| --- | --- |
| B.  | A slump in FDI from 1998 to 2000 was followed by a surge from 2001 to 2003. |

|  |  |
| --- | --- |
| C.  | Among developing nations, the largest recipient of FDI has been Russia. |

|  |  |
| --- | --- |
| D.  | The dramatic increase in FDI reflects the decreasing internationalization of business corporations. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 68. | 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 |

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| 69. | In the last two decades, Latin American countries like Brazil, Mexico, and Chile have \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | embraced communist principles |

|  |  |
| --- | --- |
| B.  | promoted government ownership of enterprises |

|  |  |
| --- | --- |
| C.  | experienced increasing debt and inflation |

|  |  |
| --- | --- |
| D.  | welcomed foreign investment |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 70. | 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 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 71. | Between 1960 and 2013, the U.S. share of world exports of goods and services:

|  |  |
| --- | --- |
| A.  | has increased from 9.7% to 38.3%. |

|  |  |
| --- | --- |
| B.  | has decreased from more than 20% to 9.7%. |

|  |  |
| --- | --- |
| C.  | has slipped to second place, behind only Japan. |

|  |  |
| --- | --- |
| D.  | although in decline, has remained in first place with China a close second. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 72. | The rise 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. |

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| --- | --- |
| D.  | there is greater state involvement in industry. |

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| 73. | The downside of increased globalization is:

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| --- | --- |
| 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. |

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

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| 74. | During the last 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. |

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| 75. | If China continues to move toward greater free market reforms they:

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

|  |  |
| --- | --- |
| B.  | will likely see a decrease in their 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. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 76. | The rise 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. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 77. | After the United States, the second-largest source country of MNEs is:

|  |  |
| --- | --- |
| A.  | Japan. |

|  |  |
| --- | --- |
| B.  | China. |

|  |  |
| --- | --- |
| C.  | a tie between France and the United Kingdom. |

|  |  |
| --- | --- |
| D.  | a tie between Germany and the United Kingdom. |

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| 78. | In order to be classified as an MNE, a company must have productive activities in at least \_\_\_\_\_ countries.

|  |  |
| --- | --- |
| A.  | two |

|  |  |
| --- | --- |
| B.  | three |

|  |  |
| --- | --- |
| C.  | four |

|  |  |
| --- | --- |
| D.  | twenty |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 79. | 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. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 80. | A study published in 2011 by the OECD noted that:

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

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

|  |  |
| --- | --- |
| C.  | 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. |

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| 81. | 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. |

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| --- | --- |
| D.  | there is increasing industrialization which leads to greater pollution. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 82. | NAFTA was passed only after:

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| --- | --- |
| 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. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 83. | 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. |

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

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| 84. | 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. |

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| --- | --- |
| D.  | reducing defense expenditure. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 85. | Which of the following is an ill antiglobalization protestors assign to globalization?

|  |  |
| --- | --- |
| 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 insularity of global media and MNEs |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 86. | 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 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 87. | 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. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 88. | Critics of globalization argue that if proponents of globalization were correct about the supposed benefits associated with free trade and investment, then which of the following would have happened?

|  |  |
| --- | --- |
| A.  | The average GNI per person between the richest and poorest nations would have shrunk |

|  |  |
| --- | --- |
| B.  | The debt burdens of the poorest nations would have increased |

|  |  |
| --- | --- |
| C.  | Tougher environmental and labor laws would have been implemented in less-developed countries |

|  |  |
| --- | --- |
| D.  | Factories based in Mexico would not be cleaner |

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| 89. | 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. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 90. | 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. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 91. | In 2000, the United Nations adopted eight economic and human develop goals for the world known as the:

|  |  |
| --- | --- |
| A.  | Millennium Goals. |

|  |  |
| --- | --- |
| B.  | Century Goals. |

|  |  |
| --- | --- |
| C.  | Globalization Goals. |

|  |  |
| --- | --- |
| D.  | U.N. Humanic Goals. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 92. | Proponents of globalization and reduced trade restrictions would argue that they are largely responsible for:

|  |  |
| --- | --- |
| A.  | reducing by half the number of people living in extreme poverty, howbeit, five years later than the U.N.'s goal. |

|  |  |
| --- | --- |
| B.  | reducing by half the number of people living in extreme poverty five years ahead of the U.N.'s goal. |

|  |  |
| --- | --- |
| C.  | reducing by two-thirds the under-five mortality rate as scheduled by the U.N.'s goal. |

|  |  |
| --- | --- |
| D.  | reducing by half the number of people living without sustainable access to safe drinking water five years ahead of the U.N.'s goal. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 93. | 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% 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 costs of serving debt consumes about 30% of HIPC export earnings. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 94. | 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. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 95. | 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. |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 96. | 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. |

 |

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| 97. | What is the main reason that managing an international business differs 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. |

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| 98. | 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. |

 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 99. | 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 are wider and more complex. |

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

|  |  |
| --- | --- |
| D.  | International transactions involve exchanging currencies through each countries' treasury. |

 |

**Essay Questions**

|  |  |
| --- | --- |
| 100. | Discuss the characteristics of globalization. Use an example in your discussion.      |

|  |  |
| --- | --- |
| 101. | Explain what is meant by the globalization of markets. Provide an example. What are the most global markets?      |

|  |  |
| --- | --- |
| 102. | Discuss the concept of the globalization of production.      |

|  |  |
| --- | --- |
| 103. | What is the World Trade Organization? What is its role in the world economy?      |

|  |  |
| --- | --- |
| 104. | What is the International Monetary Fund? What is the World Bank? What is their relationship, if any, with each other?      |

|  |  |
| --- | --- |
| 105. | What is the Uruguay Round? List the measures implemented in the Uruguay Round?      |

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| --- | --- |
| 106. | Explain the trends in world trade and foreign direct investment since 1950.      |

|  |  |
| --- | --- |
| 107. | Explain how a company competes using outsourcing. Provide an example.      |

|  |  |
| --- | --- |
| 108. | Discuss the impact of technological change on global markets.      |

|  |  |
| --- | --- |
| 109. | 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?      |

|  |  |
| --- | --- |
| 110. | Why does China represent both opportunities and threats for established international businesses?      |

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| --- | --- |
| 111. | 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.      |

|  |  |
| --- | --- |
| 112. | 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.      |

|  |  |
| --- | --- |
| 113. | Falling barriers to international trade destroy manufacturing jobs in wealthy advanced economies. Discuss this statement. Do you agree? Why or why not?      |

|  |  |
| --- | --- |
| 114. | Why is managing an international business different from managing a purely domestic business?      |

|  |  |
| --- | --- |
| 115. | What are some of the issues a manager of an international business must confront that a manager of a domestic business never confronts?      |

Chapter 01 Globalization Answer Key

**True / False Questions**

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| 1. | A company does not need a large size to facilitate, and benefit from, the globalization of markets.  **TRUE**A company does not have to be the size of multinational giants to facilitate, and benefit from, the globalization of markets. In the United States, for example, nearly 90 percent of firms that export are small businesses employing less than 100 people, and their share of total U.S. exports has grown steadily over the past decade to now exceed 20 percent. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 2. | Companies hope to lower their overall cost structure or improve the quality or functionality of their product offering through globalization of production.  **TRUE**The globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production. By doing this, companies hope to lower their overall cost structure or improve the quality or functionality of their product offering, thereby allowing them to compete more effectively. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 3. | The most global markets currently are markets for consumer products.  **FALSE**The most global markets currently are not markets for consumer products—where national differences in tastes and preferences are still often important enough to act as a brake on globalization—but markets for industrial goods and materials that serve a universal need the world over. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 4. | Outsourcing is a process that is limited to manufacturing enterprises.  **FALSE**Early outsourcing efforts were primarily confined to manufacturing activities. Increasingly, however, companies are taking advantage of modern communications technology, particularly the Internet, to outsource service activities to low-cost producers in other nations. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 6. | The World Bank is known as the lender of the last resort.  **FALSE**The IMF was established to maintain order in the international monetary system. It is often seen as the lender of last resort to nation-states whose economies are in turmoil and whose currencies are losing value against those of other nations. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 8. | The Uruguay Round, finalized in December 1993, reduced protection for patents, trademarks, and copyrights.  **FALSE**Under the umbrella of GATT, the most recent negotiations to be completed, known as the Uruguay Round, were finalized in December 1993. The Uruguay Round provided enhanced protection for patents, trademarks, and copyrights. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 11. | World Bank gives an aid of 100 million dollars to Kenya for creating rural health care facilities. This is an example of foreign direct investment.  **FALSE**Foreign direct investment (FDI) occurs when a firm invests resources in business activities outside its home country. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 14. | The cost of microprocessors continues to fall, while their power increases. This statement supports the predictions made by Moore's Law.  **TRUE**The cost of microprocessors continues to fall, while their power increases (a phenomenon known as Moore's Law, which predicts that the power of microprocessor technology doubles and its cost of production falls in half every 18 months). |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 15. | Non-U.S. firms increasingly began to invest across national borders because they wanted to disperse production activities to optimal locations and to build a direct presence in major foreign markets.  **TRUE**As the barriers to the free flow of goods, services, and capital fell, and as other countries increased their shares of world output, non-U.S. firms increasingly began to invest across national borders. The motivation for much of this foreign direct investment by non-U.S. firms was the desire to disperse production activities to optimal locations and to build a direct presence in major foreign markets. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 16. | A current trend in international business is the decline of medium-sized and small multinationals, known as mini-multinationals.  **FALSE**Since the 1960s, two notable trends in the demographics of the multinational enterprise have been (1) the rise of non-U.S. multinationals and (2) the growth of mini-multinationals. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 17. | The globalization of the world economy has resulted in a relative increase in the dominance of U.S. firms in the global marketplace.  **FALSE**By 2012 some 22 of the world's 100 largest nonfinancial multinationals were now U.S. enterprises; 14 were British; 14 French; 10, German; and 7, Japanese. The globalization of the world economy has resulted in a relative decline in the dominance of U.S. firms in the global marketplace. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 18. | Doing business in Russia involves risks because the country has shown signs of shifting back toward greater state involvement in economic activity and authoritarian government.  **TRUE**Disturbing signs of growing unrest and totalitarian tendencies continue to be seen in several Eastern European and Central Asian states, including Russia, which has shown signs of shifting back toward greater state involvement in economic activity and authoritarian government. Thus, the risks involved in doing business in such countries are high, but so may be the returns. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 19. | Globalization critics argue that the decline in unskilled wage rates is due to the migration of low-wage manufacturing jobs offshore and a corresponding reduction in demand for unskilled workers.  **TRUE**Globalization critics argue that the decline in unskilled wage rates is due to the migration of low-wage manufacturing jobs offshore and a corresponding reduction in demand for unskilled workers. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 21. | According to supporters of free trade, as countries get richer they commit greater violation of environmental and labor regulations.  **FALSE**Supporters of free trade and greater globalization argue that tougher environmental regulations and stricter labor standards go hand in hand with economic progress. In general, as countries get richer, they enact tougher environmental and labor regulations. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 22. | According to critics of globalization, today's interdependent global economy limits a nation's national sovereignty.  **TRUE**A concern voiced by critics of globalization is that today's increasingly interdependent global economy shifts economic power away from national governments and toward supranational organizations such as the World Trade Organization, the European Union, and the United Nations. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 23. | Supporters of debt relief argue that new democratic governments in poor nations should not be forced to honor debts incurred by corrupt and dictatorial predecessors.  **TRUE**Supporters of debt relief argue that new democratic governments in poor nations should not be forced to honor debts that were incurred and mismanaged long ago by their corrupt and dictatorial predecessors. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 24. | A firm does not have to become a multinational enterprise to engage in international business.  **TRUE**An international business is any firm that engages in international trade or investment. A firm does not have to become a multinational enterprise, investing directly in operations in other countries, to engage in international business, although multinational enterprises are international businesses. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeDifficulty: 2 MediumGradable: automaticLearning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.Topic: Challenges and Opportunities Created by Globalization* |

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| 25. | Managing an international business is much easier than managing a domestic business.  **FALSE**A further way in which international business differs from domestic business is the greater complexity of managing an international business. In addition to the problems that arise from the differences between countries, a manager in an international business is confronted with a range of other issues that the manager in a domestic business never confronts. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeDifficulty: 2 MediumGradable: automaticLearning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.Topic: Understanding the Differences Between International and Domestic Business* |

**Multiple Choice Questions**

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| 26. | The shift toward a more integrated and interdependent world economy is referred to as \_\_\_\_\_.

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| A.  | outsourcing |

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| B.  | international marketing |

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| C.  | privatization |

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| **D.**  | globalization |

Globalization refers to the shift toward a more integrated and interdependent world economy. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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

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| A.  | GATT |

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| B.  | Group of Ten (G20) |

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| **C.**  | Group of Twenty (G20) |

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| D.  | World Trade Organization |

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 though which major nations attempted to launch a coordinated policy response to the global financial crisis that started in America and then rapidly spread around the world. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 28. | The Uruguay Round provided:

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

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| **B.**  | enhanced protection for patents, trademarks, and copyrights. |

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| C.  | increased trade barriers. |

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| D.  | reduced coverage of services and manufactured goods. |

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. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 29. | Since the collapse of communism at the end of the 1980s, the erstwhile communist nations have transformed their economies by globalizing their markets. This involves \_\_\_\_\_.

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| A.  | regulating markets |

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| **B.**  | privatizing state-owned enterprises |

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| C.  | decreasing competition |

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| D.  | reducing foreign investment |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 30. | Which of the following is a consequence of globalization?

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| A.  | Decreasing interdependence between national economies |

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| **B.**  | Increasing outsourcing of services |

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| C.  | Differentiation of material culture |

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| D.  | Increase in barriers to cross-border trade |

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

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 31. | Which of the following has enabled globalization of markets?

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| A.  | Marginal differentiation among national markets |

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| **B.**  | Falling barriers to cross border trade |

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| C.  | Reduced homogeneity of material culture across the world |

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| D.  | Increased government ownership of factors of production |

The globalization of markets refers to the merging of historically distinct and separate national markets into one huge global marketplace. Falling barriers to cross-border trade have made it easier to sell internationally. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 32. | Which of the following factors hinders globalization of consumer goods market?

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| **A.**  | National differences in tastes and preferences |

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| B.  | Higher production costs in developed nations |

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| C.  | Homogenization of material culture |

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| D.  | Increased outsourcing of goods and services |

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

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 33. | Globalization of markets results in markets becoming \_\_\_\_\_.

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| --- | --- |
| A.  | more interdependent |

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| --- | --- |
| **B.**  | less diverse |

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| C.  | more protected |

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| D.  | less competitive |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 34. | A U.S. investment firm, Fin-Smart, set up a customer service call center in India to take advantage of the lower labor costs. This is called \_\_\_\_.

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| A.  | homogenizing markets |

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| B.  | vertical integration |

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| **C.**  | international outsourcing |

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| D.  | horizontal integration |

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

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 3 HardGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 35. | Early outsourcing efforts were primarily confined to \_\_\_\_\_.

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| A.  | health care |

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| B.  | service activities |

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| C.  | technological research |

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| **D.**  | manufacturing activities |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 36. | Which of the following is an impediment that makes it difficult for firms to achieve the optimal dispersion of their productive activities to locations around the globe?

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| **A.**  | Transportation costs |

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| B.  | Government deregulations |

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| C.  | Reduction of barriers to trade between countries |

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| D.  | Reduction of barriers to foreign direct investment |

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

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 37. | The General Agreement on Tariffs and Trade (GATT) was responsible for \_\_\_\_.

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| A.  | protecting government owned enterprises |

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| **B.**  | policing the global marketplace |

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| C.  | limiting nuclear testing |

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| D.  | promoting environment friendly technology |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 38. | 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.

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| A.  | International Development Association |

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| B.  | World Bank |

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| C.  | International Court of justice |

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| **D.**  | World Trade Organization |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 39. | The World Trade Organization promotes the:

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| **A.**  | lowering of barriers to cross-border trade and investment. |

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| --- | --- |
| B.  | development of poor nations through low-interest loans. |

|  |  |
| --- | --- |
| C.  | state ownership of major enterprises. |

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| --- | --- |
| D.  | regulation of national economies. |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 40. | Which of the following is true about the International Monetary Fund?

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

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

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

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

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: AnalyzeDifficulty: 2 MediumGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 41. | The \_\_\_\_\_ was established on October 24, 1945, by 51 countries committed to preserving peace through international cooperation and collective security.

|  |  |
| --- | --- |
| A.  | World Trade Organization |

|  |  |
| --- | --- |
| **B.**  | United Nations |

|  |  |
| --- | --- |
| C.  | G20 |

|  |  |
| --- | --- |
| D.  | World Bank |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 42. | The G20 was originally established to:

|  |  |
| --- | --- |
| A.  | preserve peace through international cooperation and collective security. |

|  |  |
| --- | --- |
| B.  | maintain order in the international monetary system. |

|  |  |
| --- | --- |
| **C.**  | formulate a coordinated policy response to financial crises in developing nations. |

|  |  |
| --- | --- |
| D.  | manage, regulate, and police the global marketplace. |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 43. | \_\_\_\_\_ occurs when a firm exports goods or services to consumers in another country.

|  |  |
| --- | --- |
| **A.**  | International trade |

|  |  |
| --- | --- |
| B.  | Foreign direct investment |

|  |  |
| --- | --- |
| C.  | Inward investment |

|  |  |
| --- | --- |
| D.  | Outsourcing |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 44. | Which of the following is a factor of production?

|  |  |
| --- | --- |
| A.  | tariffs |

|  |  |
| --- | --- |
| B.  | transportation costs |

|  |  |
| --- | --- |
| **C.**  | capital |

|  |  |
| --- | --- |
| D.  | government |

The factors of production are land, labor, and capital. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: Drivers of Globalization* |

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| 45. | Which of the following is true regarding the WTO?

|  |  |
| --- | --- |
| A.  | WTO stands for World Transition Organization. |

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| --- | --- |
| B.  | The WTO was succeeded by GATT. |

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| --- | --- |
| **C.**  | As of 2015, the WTO has 160 members. |

|  |  |
| --- | --- |
| D.  | The WTO is policed by the United Nations. |

The World Trade Organization (WTO), like the GATT before it, is primarily responsible for policing the world trading system and making sure its nation-states adhere to the rules laid down in trade treaties. As of 2015, 160 nations were WTO members. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: Drivers of Globalization* |

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| 46. | Which of the following is focused 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 |

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). |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: Drivers of Globalization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 47. | 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 |

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

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: Drivers of Globalization* |

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| 48. | 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. |

The IMF was established to maintain order in the international monetary system and has emerged as 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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: Drivers of Globalization* |

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| 49. | In late 2001, the WTO launched a new round of talks in Doha aimed at:

|  |  |
| --- | --- |
| A.  | helping member states to cope with financial crisis. |

|  |  |
| --- | --- |
| **B.**  | liberalizing of the global trade and investment framework. |

|  |  |
| --- | --- |
| C.  | protecting national economies from global competition. |

|  |  |
| --- | --- |
| D.  | promoting higher standards of living in all member states. |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 50. | Which of the following is included in world merchandise trade?

|  |  |
| --- | --- |
| A.  | Service industry |

|  |  |
| --- | --- |
| B.  | Agricultural labor |

|  |  |
| --- | --- |
| C.  | Foreign services |

|  |  |
| --- | --- |
| **D.**  | Mining products |

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

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 2 MediumGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 51. | \_\_\_\_\_ have/has the most to gain from reductions in agricultural tariffs and subsidies that are a part of the Doha agenda.

|  |  |
| --- | --- |
| A.  | The world's developed nations |

|  |  |
| --- | --- |
| **B.**  | The world's poorer nations |

|  |  |
| --- | --- |
| C.  | European nations |

|  |  |
| --- | --- |
| D.  | The United States |

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

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 52. | The volume of world trade in merchandise growing faster than world GDP 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. |

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 since 1990. The implication is that rising trade is the engine that has helped pull the global economy along. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 53. | 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 |

|  |  |
| --- | --- |
| **C.**  | the problems in the U.S. subprime mortgage lending market |

|  |  |
| --- | --- |
| D.  | the artificial fixing of currency rate by China |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 54. | \_\_\_\_\_ predicts that the power of microprocessor technology doubles and its cost of production falls in half every 18 months.

|  |  |
| --- | --- |
| A.  | Keynes's Law |

|  |  |
| --- | --- |
| B.  | Say's Law |

|  |  |
| --- | --- |
| **C.**  | Moore's Law |

|  |  |
| --- | --- |
| D.  | Sullivan Principles |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 55. | 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. |

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. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 56. | The average tariff rates for manufactured goods have fallen significantly since 1950 and now stand at about \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | 18% |

|  |  |
| --- | --- |
| B.  | 5.9% |

|  |  |
| --- | --- |
| C.  | 4.8% |

|  |  |
| --- | --- |
| **D.**  | 1.5% |

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 1.5 percent. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 57. | 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. |

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. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 58. | The growth of international trade in services has been driven by advances in:

|  |  |
| --- | --- |
| **A.**  | communications. |

|  |  |
| --- | --- |
| B.  | transportation. |

|  |  |
| --- | --- |
| C.  | agriculture. |

|  |  |
| --- | --- |
| D.  | energy. |

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. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 59. | The value of international trade in services now accounts for about \_\_\_\_\_ of the value of all international trade.

|  |  |
| --- | --- |
| A.  | 15% |

|  |  |
| --- | --- |
| **B.**  | 20% |

|  |  |
| --- | --- |
| C.  | 30% |

|  |  |
| --- | --- |
| D.  | 40% |

Since the mid-1980s, the value of international trade in services has also grown robustly and now accounts for about 20 percent of the value of all international trade. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 60. | \_\_\_\_\_ occurs when a firm invests resources in business activities outside its home country.

|  |  |
| --- | --- |
| **A.**  | Foreign direct investment (FDI) |

|  |  |
| --- | --- |
| B.  | Direct international investment (DII) |

|  |  |
| --- | --- |
| C.  | International trade (IT) |

|  |  |
| --- | --- |
| D.  | Foreign direct production (FDP) |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 61. | 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. |

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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 62. | 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 create a hedge against unfavorable currency movements. |

|  |  |
| --- | --- |
| D.  | To take advantage of low labor costs. |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 63. | 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. |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 64. | 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. |

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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 65. | Which of the following countries has been the largest recipient of foreign direct investment and received about $60 billion to $100 billion a year in inflows in 2004-2012?

|  |  |
| --- | --- |
| A.  | Brazil |

|  |  |
| --- | --- |
| B.  | Russia |

|  |  |
| --- | --- |
| C.  | India |

|  |  |
| --- | --- |
| **D.**  | China |

Among developing nations, the largest recipient of foreign direct investment has been China, which in 2004-2012 received $60 billion to $100 billion a year in inflows. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 66. | A multinational enterprise (MNE) is a firm that:

|  |  |
| --- | --- |
| A.  | exports its products to multiple countries. |

|  |  |
| --- | --- |
| **B.**  | has production units in more than two countries. |

|  |  |
| --- | --- |
| C.  | does most of its business on the Internet. |

|  |  |
| --- | --- |
| D.  | lists its securities on a public exchange. |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 67. | Which of these statements pertaining to cross-border FDI flows is true?

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| --- | --- |
| **A.**  | There was a growth of FDI between 2004 and 2007. |

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| --- | --- |
| B.  | A slump in FDI from 1998 to 2000 was followed by a surge from 2001 to 2003. |

|  |  |
| --- | --- |
| C.  | Among developing nations, the largest recipient of FDI has been Russia. |

|  |  |
| --- | --- |
| D.  | The dramatic increase in FDI reflects the decreasing internationalization of business corporations. |

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

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| 68. | 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 |

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| --- | --- |
| C.  | The decline of non-U.S. multinationals |

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| **D.**  | The growth of mini-multinationals |

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

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| 69. | In the last two decades, Latin American countries like Brazil, Mexico, and Chile have \_\_\_\_\_.

|  |  |
| --- | --- |
| A.  | embraced communist principles |

|  |  |
| --- | --- |
| B.  | promoted government ownership of enterprises |

|  |  |
| --- | --- |
| C.  | experienced increasing debt and inflation |

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| --- | --- |
| **D.**  | welcomed foreign investment |

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

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| 70. | Which of the following is a risk associated with globalization?

|  |  |
| --- | --- |
| A.  | Restrictions on competition |

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| --- | --- |
| **B.**  | Global financial contagion |

|  |  |
| --- | --- |
| C.  | Excessive market regulation |

|  |  |
| --- | --- |
| D.  | Differentiation of markets |

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

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 71. | Between 1960 and 2013, the U.S. share of world exports of goods and services:

|  |  |
| --- | --- |
| A.  | has increased from 9.7% to 38.3%. |

|  |  |
| --- | --- |
| B.  | has decreased from more than 20% to 9.7%. |

|  |  |
| --- | --- |
| C.  | has slipped to second place, behind only Japan. |

|  |  |
| --- | --- |
| **D.**  | although in decline, has remained in first place with China a close second. |

By 2012, the United States accounted for 23.1 percent of world output, still the world's largest industrial power but down significantly in relative size. China's share of world output increased from a trivial amount to 12.2 percent, making it the world's second-largest economy. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: EvaluateDifficulty: 2 MediumGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 72. | The rise 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. |

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| --- | --- |
| D.  | there is greater state involvement in industry. |

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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 73. | The downside of increased globalization is:

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| --- | --- |
| A.  | global financial contagions are less likely. |

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| --- | --- |
| **B.**  | a severe crisis in one region can affect the entire globe. |

|  |  |
| --- | --- |
| C.  | one nation may become too powerful. |

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

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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 74. | During the last 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. |

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. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 1 EasyGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 75. | If China continues to move toward greater free market reforms they:

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

|  |  |
| --- | --- |
| B.  | will likely see a decrease in their 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. |

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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 76. | The rise 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. |

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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 77. | After the United States, the second-largest source country of MNEs is:

|  |  |
| --- | --- |
| A.  | Japan. |

|  |  |
| --- | --- |
| B.  | China. |

|  |  |
| --- | --- |
| **C.**  | a tie between France and the United Kingdom. |

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| --- | --- |
| D.  | a tie between Germany and the United Kingdom. |

By 2012, 22 of the world's 100 largest nonfinancial multinationals were U.S. enterprises; 14 were British, 14 French, 10 were German, and 7 were from Japan. |

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| 78. | In order to be classified as an MNE, a company must have productive activities in at least \_\_\_\_\_ countries.

|  |  |
| --- | --- |
| **A.**  | two |

|  |  |
| --- | --- |
| B.  | three |

|  |  |
| --- | --- |
| C.  | four |

|  |  |
| --- | --- |
| D.  | twenty |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 79. | Supporters of globalization maintain that the apparent decline in real wage rates of unskilled workers:

|  |  |
| --- | --- |
| **A.**  | is due to technological changes that create greater demand for skilled workers. |

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

|  |  |
| --- | --- |
| C.  | can be checked by increasing government ownership of enterprises. |

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

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

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 80. | A study published in 2011 by the OECD noted that:

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

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

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

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

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 2 MediumGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 81. | A number of econometric studies have found consistent evidence of a hump-shaped relationship between income levels and pollution levels. According to this, as an economy grows and income levels rise:

|  |  |
| --- | --- |
| A.  | initially the pollution levels remain low. |

|  |  |
| --- | --- |
| **B.**  | after a while, the pollution levels decrease. |

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

|  |  |
| --- | --- |
| D.  | there is increasing industrialization which leads to greater pollution. |

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

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| *AACSB: Reflective ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 82. | NAFTA was passed only after:

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| --- | --- |
| A.  | China agreed to establish a higher minimum wage. |

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

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| **C.**  | Mexico committed to tougher enforcement of environmental protection regulations. |

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| --- | --- |
| D.  | Canada committed to establish new limits on FDI. |

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

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| 83. | Globalization is criticized because it increases the power of:

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| --- | --- |
| A.  | governments to own enterprises. |

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| --- | --- |
| B.  | unskilled labor to form labor unions. |

|  |  |
| --- | --- |
| **C.**  | supranational organizations over nation-states. |

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

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

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| 84. | 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. |

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| --- | --- |
| D.  | reducing defense expenditure. |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 85. | Which of the following is an ill antiglobalization protestors assign to globalization?

|  |  |
| --- | --- |
| 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 insularity of global media and MNEs |

The demonstrators were protesting 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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 86. | 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 |

While the hump-shaped relationship depicted in Figure 1.4 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. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 87. | 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. |

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. |

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| 88. | Critics of globalization argue that if proponents of globalization were correct about the supposed benefits associated with free trade and investment, then which of the following would have happened?

|  |  |
| --- | --- |
| A.  | The average GNI per person between the richest and poorest nations would have shrunk |

|  |  |
| --- | --- |
| B.  | The debt burdens of the poorest nations would have increased |

|  |  |
| --- | --- |
| C.  | Tougher environmental and labor laws would have been implemented in less-developed countries |

|  |  |
| --- | --- |
| **D.**  | Factories based in Mexico would not be cleaner |

Critics of globalization argue that despite the supposed benefits associated with free trade and investment, over the past 100 years or so, the gap between the rich and poor nations of the world has gotten wider. If globalization is such a positive development, this divergence between the rich and poor should not have occurred. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 89. | 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. |

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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: EvaluateDifficulty: 2 MediumGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 90. | 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. |

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. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 91. | In 2000, the United Nations adopted eight economic and human develop goals for the world known as the:

|  |  |
| --- | --- |
| **A.**  | Millennium Goals. |

|  |  |
| --- | --- |
| B.  | Century Goals. |

|  |  |
| --- | --- |
| C.  | Globalization Goals. |

|  |  |
| --- | --- |
| D.  | U.N. Humanic Goals. |

In 2000 the United Nations adopted what were known as the Millennium Goals. These were eight economic and human development goals for the world. |

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: RememberDifficulty: 1 EasyGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 92. | Proponents of globalization and reduced trade restrictions would argue that they are largely responsible for:

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| A.  | reducing by half the number of people living in extreme poverty, howbeit, five years later than the U.N.'s goal. |

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| **B.**  | reducing by half the number of people living in extreme poverty five years ahead of the U.N.'s goal. |

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| C.  | reducing by two-thirds the under-five mortality rate as scheduled by the U.N.'s goal. |

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| D.  | reducing by half the number of people living without sustainable access to safe drinking water five years ahead of the U.N.'s goal. |

One of the Millennium goals was to cut in half the number of people living in extreme poverty, defined as less than $1.25 a day, between 1995 and 2015. This goal was actually achieved in 2010, five years ahead of schedule. This represents the greatest reduction in extreme poverty in human history. It's hard to escape the conclusion that globalization and lower barriers to cross-border trade and investment were major factors behind this remarkable achievement. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 93. | Which of the following is true of HIPCs?

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| A.  | About 100 nations fall in this category. |

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

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

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| D.  | The annual costs of serving debt consumes about 30% of HIPC export earnings. |

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% of the value of the economy, as measured by gross domestic product, and the annual costs of serving government debt consumed 15% of the country's 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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: EvaluateDifficulty: 2 MediumGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 94. | Which of the following is true of the supporters of debt relief for HIPCs?

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

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

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

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

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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: EvaluateDifficulty: 2 MediumGradable: automaticLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 95. | An international business, unlike a multinational enterprise:

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

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

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

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| **D.**  | need not invest directly in operations in other countries. |

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

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| *AACSB: Knowledge ApplicationAccessibility: Keyboard NavigationBlooms: UnderstandDifficulty: 2 MediumGradable: automaticLearning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.Topic: Challenges and Opportunities Created by Globalization* |

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| 96. | Which of the following statements is true regarding an international business?

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

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

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

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

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

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: AnalyzeDifficulty: 2 MediumGradable: automaticLearning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.Topic: Challenges and Opportunities Created by Globalization* |

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| 97. | What is the main reason that managing an international business differs from managing a domestic business?

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| A.  | International managers are more experienced. |

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| **B.**  | Countries differ in their cultures and systems. |

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| C.  | Countries want to do business with their neighbors. |

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| D.  | Countries want to keep their transactions simple. |

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

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.Topic: Understanding the Differences Between International and Domestic Business* |

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| 98. | Which of the following is true regarding international businesses?

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| **A.**  | All MNEs are international businesses. |

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| B.  | Only firms that export products are international businesses. |

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| C.  | Only firms that invest abroad are international businesses. |

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| D.  | All international businesses are MNEs. |

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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: EvaluateDifficulty: 2 MediumGradable: automaticLearning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.Topic: Challenges and Opportunities Created by Globalization* |

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| 99. | Managing an international business is different from managing a purely domestic business for which of the following reasons?

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

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| **B.**  | The range of problems confronted are wider and more complex. |

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

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| D.  | International transactions involve exchanging currencies through each countries' treasury. |

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. |

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| *AACSB: Analytical ThinkingAccessibility: Keyboard NavigationBlooms: ApplyDifficulty: 2 MediumGradable: automaticLearning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.Topic: Understanding the Differences Between International and Domestic Business* |

**Essay Questions**

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| 100. | Discuss the characteristics of globalization. Use an example in your discussion.  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. |

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| *AACSB: Analytical ThinkingBlooms: ApplyDifficulty: 3 HardGradable: manualLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 101. | Explain what is meant by the globalization of markets. Provide an example. What are the most global markets?  The globalization of markets refers to the idea that historically distinct and separate national markets are merging into a single, huge global marketplace. For example, Coca-Cola, Starbucks, and McDonald's offer the same basic product worldwide, and are in fact, not only a part of the trend, but facilitators of the trend as well. The most global markets are not actually for consumer goods, but instead are for industrial goods and materials that serve the same needs across the world. |

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| *AACSB: Analytical ThinkingBlooms: AnalyzeDifficulty: 3 HardGradable: manualLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 102. | Discuss the concept of the globalization of production.  The globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (such as labor, energy, land, and capital). By doing this, companies hope to lower their overall cost structure or improve the quality or functionality of their product offering, thereby allowing them to compete more effectively. |

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| *AACSB: Analytical ThinkingBlooms: UnderstandDifficulty: 3 HardGradable: manualLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 103. | What is the World Trade Organization? What is its role in the world economy?  The World Trade Organization (WTO) is primarily responsible for policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties signed by WTO members. As of 2015, 160 nations that collectively accounted for 98 percent of world trade were WTO members, thereby giving the organization enormous scope and influence. The WTO has been instrumental in lowering barriers to cross-border trade and investment. In addition to these responsibilities, the WTO also facilitates the establishment of additional agreements between member states. |

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| *AACSB: Analytical ThinkingBlooms: ApplyDifficulty: 3 HardGradable: manualLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 104. | What is the International Monetary Fund? What is the World Bank? What is their relationship, if any, with each other?  The International Monetary Fund (IMF) was created to maintain order in the international monetary system. The World Bank was established to promote economic development. Both organizations were launched as part of the 1944 Bretton Woods Agreement and have emerged as significant players in the global economy. The IMF is often seen as the lender of last resort to nation-states whose economies are in turmoil and currencies are losing value against those of other nations. |

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| *AACSB: Analytical ThinkingBlooms: EvaluateDifficulty: 3 HardGradable: manualLearning Objective: 01-01 Understand what is meant by the term globalization.Topic: What is Globalization?* |

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| 105. | What is the Uruguay Round? List the measures implemented in the Uruguay Round?  Under the umbrella of GATT, eight rounds of negotiations among member states worked to lower barriers to the free flow of goods and services. The most recent negotiations to be completed, known as the Uruguay Round, were finalized in December 1993. The Uruguay Round further reduced trade barriers; extended GATT to cover services as well as manufactured goods; provided enhanced protection for patents, trademarks, and copyrights; and established the World Trade Organization to police the international trading system. |

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| *AACSB: Analytical ThinkingBlooms: ApplyDifficulty: 3 HardGradable: manualLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 106. | Explain the trends in world trade and foreign direct investment since 1950.  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. |

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| *AACSB: Reflective ThinkingBlooms: AnalyzeDifficulty: 3 HardGradable: manualLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 107. | Explain how a company competes using outsourcing. Provide an example.  The lowering of trade and investment barriers also allows firms to base production at the optimal location for that activity. Thus, a firm might design a product in one country, produce component parts in two other countries, assemble the product in yet another country, and then export the finished product around the world. For example, consider Boeing's 777, a commercial jet airliner. Eight Japanese suppliers make parts for the fuselage, doors, and wings; a supplier in Singapore makes the doors for the nose landing gear; three suppliers in Italy manufacture wing flaps; and so on. In total, some 30 percent of the 777, by value, is built by foreign companies. |

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| *AACSB: Analytical ThinkingBlooms: ApplyDifficulty: 3 HardGradable: manualLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 108. | Discuss the impact of technological change on global markets.  Major advances in communication, information processing, and transportation technology have facilitated the globalization of markets and production. The microprocessor and the Internet have been central to the technology explosion. The development of the microprocessor vastly increased the amount of information that can be processed by individuals and firms, and the growth of the Internet has allowed companies to expand their global presence at a fraction of the cost of more traditional methods of business. Jet air travel, by shrinking travel time, has also helped to link the worldwide operations of international businesses. These changes have enabled firms to achieve tight coordination of their worldwide operations and to view the world as a single market. |

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| *AACSB: Analytical ThinkingBlooms: ApplyDifficulty: 3 HardGradable: manualLearning Objective: 01-02 Recognize the main drivers of globalization.Topic: Drivers of Globalization* |

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| 109. | 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?  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, still the world's largest industrial power but down significantly in relative size. Other industrialized countries also saw their relative standing slip. This change in the U.S. position was a relative decline, reflecting the faster economic growth of several other economies, particularly in Asia. Most forecasts now predict a rapid rise in the share of world output accounted for by developing nations such as China, India, Russia, Indonesia, Thailand, South Korea, Mexico, and Brazil, and a commensurate decline in the share enjoyed by rich industrialized countries such as Great Britain, Germany, Japan, and the United States. |

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| *AACSB: Reflective ThinkingBlooms: AnalyzeDifficulty: 3 HardGradable: manualLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 110. | Why does China represent both opportunities and threats for established international businesses?  China represents a huge and largely untapped market. Reflecting this, between 1983 and 2014, annual foreign direct investment in China increased from less than $2 billion to $110 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. |

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| *AACSB: Reflective ThinkingBlooms: UnderstandDifficulty: 2 MediumGradable: manualLearning Objective: 01-03 Describe the changing nature of the global economy.Topic: The Changing Nature of the Global Economy* |

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| 111. | Consider whether the shift toward a more integrated and interdependent global economy is a good thing. Discuss the shift from the eyes of the consumer, the worker, the company, and the environmentalist.  There are many advantages of globalization. From a broad perspective, globalization creates economic activity (which stimulates economic growth), creates jobs, raises income levels, and provides consumers with more choices in regard to the products and services that are available to them. From the perspective of an individual firm, globalization has the potential to increase revenues (through expanded market potential), drive down costs (through additional economies of scale), and boost profits. However, critics argue that globalization destroys manufacturing jobs in wealthy countries and contributes to pollution. Critics argue that falling trade barriers allow firms in industrialized countries to move their manufacturing activities offshore to countries where wage rates are much lower. Critics also argue that globalization encourages firms from advanced nations to move manufacturing facilities offshore to less developed countries to avoid the more stringent pollution controls in place in their home countries. |

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| *AACSB: Reflective ThinkingBlooms: EvaluateDifficulty: 3 HardGradable: manualLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 112. | Discuss what occurred in Seattle in 1999 at the meeting of the WTO and why the events were important to the future of global trade.  In December 1999, more than 40,000 protesters blocked the streets of Seattle in an effort to shut down a WTO meeting being held in the city. The issue was job losses in industries under attack from foreign competitors, falling wage rates of unskilled workers, environmental degradations, and cultural imperialism of global media and MNEs. Protesters believed that all of these issues were the result of globalization, and felt that the WTO, as a promoter of globalization, was a legitimate target for blame. The protest was a violent one, and emboldened by the experience, antiglobalization protesters now turn up at almost every major meeting of a global institution. |

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| *AACSB: Reflective ThinkingBlooms: AnalyzeDifficulty: 3 HardGradable: manualLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 113. | Falling barriers to international trade destroy manufacturing jobs in wealthy advanced economies. Discuss this statement. Do you agree? Why or why not?  Critics argue that falling trade barriers allow firms to move manufacturing activities to countries where wage rates are much lower. Because of such moves they argue that, the wage rates of poorer Americans have fallen significantly over the past quarter of a century. Supporters of globalization reply that critics of these trends miss the essential point about free trade—the benefits outweigh the costs. They argue that free trade will result in countries specializing in the production of those goods and services that they can produce most efficiently, while importing goods and services that they cannot produce as efficiently. |

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| *AACSB: Reflective ThinkingBlooms: EvaluateDifficulty: 3 HardGradable: manualLearning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.Topic: The Globalization Debate* |

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| 114. | Why is managing an international business different from managing a purely domestic business?  Managing an international business is different from managing a purely domestic business for at least four reasons: (1) countries are different, (2) the range of problems confronted by a manager in an international business is wider and the problems themselves more complex than those confronted by a manager in a domestic business, (3) an international business must find ways to work within the limits imposed by government intervention in the international trade and investment system, and (4) international transactions involve converting money into different currencies. |

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| *AACSB: Analytical ThinkingBlooms: ApplyDifficulty: 3 HardGradable: manualLearning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.Topic: Understanding the Differences Between International and Domestic Business* |

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| 115. | What are some of the issues a manager of an international business must confront that a manager of a domestic business never confronts?  In addition to the problems that arise from the differences between countries, managers of an international business must decide where in the world to site production activities to minimize costs and to maximize value added. They must decide whether it is ethical to adhere to the lower labor and environmental standards found in many less developed nations. Then they must decide how best to coordinate and control globally dispersed production activities, which is not a trivial problem. Managers in an international business must also decide which foreign markets to enter and which ones to avoid. |

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| *AACSB: Reflective ThinkingBlooms: ApplyDifficulty: 3 HardGradable: manualLearning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.Topic: Understanding the Differences Between International and Domestic Business* |