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**Chapter 1 Globalization**

1) As a result of globalization, we have been moving toward a world in which national economies are relatively self-contained entities.

2) To truly benefit from globalization, a firm needs to be a multinational conglomerate rather than a small or mid-size company.

3) In today's marketplace, outsourcing efforts are confined to manufacturing activities.

4) The World Trade Organization, the International Monetary Fund and its sister institution the World Bank, and the United Nations were all created by voluntary agreement between individual nation-states.

5) The WTO polices the world trading system, and without this organization, the globalization of markets might not be where it is today.

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

7) The retaliatory trade policies of the 1920s and 1930s contributed to the Great Depression.

8) The Uruguay Round extended GATT to cover services as well as manufactured goods.

9) Enhanced protection for patents and trademarks was one focus of the Uruguay Round.

10) The lowering of trade and investment barriers creates more opportunities for companies to have the world as their market.

11) In recent years, the economies of the world's nation-states have become less intertwined as a result of international trade.

12) The United Nations created the Millennium Development Goals to increase the number of entrepreneurial activities around the world.

13) Containerization has revolutionized the transportation business, significantly lowering the costs of shipping goods over long distances.

14) Moore's law helps determine the most appropriate transportation method for a produced good.

15) During the 1960s, centrally planned economies associated with the communist world became open to Western international businesses.

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

17) Throughout the 1990s, the amount of investment directed at both developed and developing nations increased dramatically.

18) A domestic enterprise is any business that has productive activities in at least two countries.

19) Today, many of the former communist nations of Europe and Asia seem to share a commitment to democratic policies and free market economies.

20) The amount of foreign direct investment in China has been decreasing since the 1980s.

21) According to many influential economists, the increase in international trade and cross-border investment will result in an increase in the prices of goods and services.

22) One criticism of globalization is that falling trade barriers encourage companies to locate manufacturing activities in another country to take advantage of lower wage rates.

23) A firm has to become a multinational enterprise to engage in international business.

24) The range of problems that a manager in an international business faces is typically more complex than those faced by a manager in a domestic business.

25) As a result of globalization, international businesses can avoid the haggle of currency exchanges during cross-border transactions.

26) Many believe that globalization has created a convergence in

A) the volume of goods and services produced.

B) foreign exchange transaction law.

C) environmental and labor laws.

D) consumer taste preferences.

E) the regulation of markets.

27) What is the shift toward a more integrated and interdependent world economy called?

A) international trade

B) foreign direct investment

C) globalization

D) Moore's Law

E) containerization

28) Fast food chain restaurants promote different menu choices in different countries depending on a range of factors such as demographics, local taste, income levels, and cultural values. This demonstrates that

A) significant differences still exist among national markets.

B) cultural diversity has been replaced by global uniformity.

C) the global market is less complex than national markets.

D) only multinational giants can benefit from the globalization of markets.

E) the social norms in a country do not affect purchase decisions of consumers.

29) What statement best supports the claim that greater uniformity replaces diversity in the context of global markets?

A) Differences in business systems and legal regulations lead companies to customize their marketing strategies, product features, and operating practices to best match conditions in a particular country.

B) As rival global firms follow each other across countries, they bring with them their brand names, products, and marketing strategies from other national markets, thus creating some homogeneity across markets.

C) Truly innovative companies succeed by developing products that serve specific needs of the local markets.

D) The volume of goods, services, and investment crossing national borders has expanded at a slower rate than world output for more than half a century.

E) The most global of markets are not typically markets for consumer products, as significant differences in consumer tastes and preferences still exist among national markets.

30) Agri-Corp manufactures large farm implements and currently sources component parts for these large machines from fifteen different companies around globe. They use these sources to take advantage of lower costs. This demonstrates the idea of

A) globalization of markets.

B) containerization of production.

C) dispersal of production.

D) globalization of production.

E) industrialization of markets.

31) Which of these companies is taking advantage of the globalization of production?

A) Daily Diamonds, an American jewelry manufacturer, buys diamonds from South Africa and exports them to India for the cutting process.

B) Evan Swan, a U.S.-based fashion designer, is planning to open a flagship store in China to serve the Asian market.

C) Uncle Crab, a U.K. fast food chain, serves customers worldwide through its local franchises.

D) Silver Unicorn Inc. uses sales personnel from the respective host country to sell its products and services.

E) Pizza Gallery, an Italian pizza chain, customizes its pizzas and pastas to suit the tastes of its American and Australian customers.

32) West Electronic Corporation sources goods and services for its electronics products from different locations around the globe in an attempt to take advantage of differences in the cost and quality of labor and land. This practice is an example of the

A) globalization of production.

B) globalization of markets.

C) dislocation of a developing nation's economy.

D) restriction on foreign direct investment.

E) regulation of the environment

33) The labor, energy, land, and capital a country relies on to source goods and services are known as

A) trade tariffs.

B) the globalization of markets.

C) the marketing mix.

D) the globalization of production.

E) factors of production.

34) During early globalization efforts, outsourcing was typically confined to \_\_\_\_\_\_\_\_ activities.

A) marketing

B) financial

C) legal

D) manufacturing

E) service

35) Which global institution has focused on making low-interest loans to governments in poor nations that want to make significant infrastructure investments such as building a road or a bridge?

A) World Trade Organization

B) World Bank

C) Peace Corps

D) International Monetary Fund

E) United Nations

36) Countries that receive loans from the IMF are required to

A) become a member of the United Nations.

B) allow developed nations to create businesses in their country.

C) enforce a democratic government.

D) use the funds to help individual citizens.

E) adopt specific economic policies to attain stabilization.

37) According to the UN Charter, one of the four purposes of the UN is to

A) be a center for harmonizing the actions of nations.

B) encourage high tariffs on imports of manufactured goods.

C) provide enhanced protection for patents.

D) promote the establishment of multinational treaties.

E) facilitate globalization of production.

38) A macro factor underlying the trend toward greater globalization is the

A) rise of communism across the globe.

B) increase in nationalization of private organizations.

C) increase in diversity in consumer tastes and preferences.

D) increase in trade regulations across the globe.

E) dramatic developments in information processing and other technologies.

39) Which scenario best demonstrates foreign direct investment?

A) Pure Pearls, a jewelry store in the United States, imports harvested pearls from Indonesia, Philippines, and Australia.

B) Chivalry, a U.S.-based phone manufacturing company, has set up its own assembly plant in Japan to cater to the needs of the Asian market.

C) Delicate Love, a reputable florist company in Holland, exports tulips and roses throughout the globe.

D) Samantha started an Italian restaurant in her home country, the United States, after she took cooking lessons from a well-known chef in Italy.

E) Yin and Yang Inc., a Chinese firm, supplies buttons and zippers to major denim brands in the United Kingdom.

40) Savvy Skin Care, a U.S.-based beauty products manufacturer, has set up a manufacturing plant in Hong Kong. This is an example of

A) foreign direct investment.

B) international trade.

C) exporting.

D) global rivalry.

E) the globalization of markets.

41) Michelle, an Italian fashion designer, sells her merchandise by exporting it to retail stores in the United States, United Kingdom, and Brazil. According to this information, Michelle is participating in

A) foreign direct investment.

B) globalization of production.

C) international trade.

D) multinational enterprise.

E) outsourcing.

42) For foreign direct investment (FDI) to occur, a firm should primarily

A) conduct cross-border bartering with neighboring countries.

B) invest resources in business activities outside its home country.

C) export goods or services to consumers in another country.

D) import goods or services from producers in another country.

E) support strong barriers to international trade.

43) Why did many nations impose high tariffs on imports of manufactured goods prior to World War II?

A) to protect domestic industries from foreign competition

B) to prevent the occurrence of the Great Depression

C) to safeguard patents, copyrights, and trademarks

D) to promote the trade of services over the trade of manufactured goods

E) to deter any possible attempts to promote communism

44) The main goal of GATT was to

A) limit foreign competition.

B) make loans to struggling nations.

C) increase domestic competition.

D) privatize state-owned organizations.

E) reduce trade barriers.

45) One result of the Uruguay Round was

A) increased trade and investment barriers.

B) excluding the trade of services from international trade.

C) transforming the World Trade Organization into GATT.

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

E) promoting the worldwide rise of communism.

46) What is implied by the fact that in today's marketplace, the volume of world trade has been growing faster than world GDP?

A) More companies are relying on domestic firms to obtain parts of their production process.

B) The economies of the world's nation-states are becoming less intertwined.

C) More companies are dispersing parts of their production process to locations around the globe.

D) The world has experienced a loss of overall wealth in the last two decades.

E) More countries are imposing trade barriers to minimize competition.

47) While the lowering of trade barriers made globalization of markets and production a theoretical possibility, what has made it a tangible reality?

A) the advances in communication, information processing, and transportation technologies

B) the rise of communism and the need for independent economies on a global scale

C) the increasing diversity in consumer tastes and preferences worldwide

D) the increasing differences in the material culture the world over

E) the decreasing significance of the World Trade Organization

48) Gerald bought his son, David, a computer two years ago. Recently, he decided to buy his daughter, Julian, a computer of her own. When applying Moore's Law to the two-year gap between the purchase of the computers, it is most likely that

A) Gerald paid a higher price for Julian's computer.

B) David's computer will have a microprocessor with better power than that of Julian's.

C) both David's and Julian's computers would cost Gerald the same price.

D) the microprocessor in Julian's computer will be more advanced in terms of power than that of David's.

E) the power of the microprocessors, in both David and Julian's computers, would be the same.

49) Sharron purchased a computer for $500 in 2018. Compared to the $900 computer that she purchased in 2011, the new one seems better in terms of the price she has paid and the power of the microprocessor technology. This is best explained by

A) product liability.

B) property rights.

C) Moore's law.

D) purchasing power parity.

E) sustainable strategies.

50) Connor assured his foreign counterpart that the items would be shipped from St. Louis, Missouri, and arrive in about ten days to Lisbon, Portugal because the parts would stay in the same packing crate and be lifted directly from the truck onto the airplane rather than having to be repackaged. What innovation is Connor referring to?

A) logistics

B) communication

C) containerization

D) sustainability

E) customization

51) What country has seen a relative decline in its share of world output between 1960 and 2018?

A) United States

B) Brazil

C) Thailand

D) China

E) South Korea

52) Which statement reflects the changing demographics of the global economy?

A) U.S. dominance in export markets has waned as Japan, Germany, and a number of newly industrialized countries have taken a larger share of world exports.

B) The change in the position of the United States in terms of the share of world output is the result of the absolute decline in the health of the U.S. economy.

C) From 1960 to 2010, countries that experienced a large decrease in their share of world output include Japan, Thailand, Malaysia, Taiwan, and South Korea.

D) The United States is the only developed nation to see its relative standing in the share of world output slip.

E) Today, roughly half the globe—the centrally planned economies of the communist world—is off-limits to Western international businesses.

53) The change in the United States' position as a dominant industrial power is characterized as a relative decline because it

A) is the direct result of an isolationism policy.

B) doesn't account for entrepreneurial activity.

C) actually increased compared to some other developed nations.

D) accounts for the production of goods and services.

E) reflects the faster economic growth of several other economies.

54) A positive economic change from 1960 to 2018 was seen in the

A) growth of the centrally planned economies of the communist world.

B) U.S. position in the world economy and world trade picture.

C) share of world output enjoyed by rich industrialized countries such as Great Britain, Germany, and France.

D) share of world output accounted for by developing nations.

E) prevalence of independent and self-contained national economies.

55) Due to the changing economic geography, many of tomorrow's economic opportunities are most likely to be found in the

A) rich industrialized nations of the world like Great Britain and Germany.

B) centrally planned economies of the communist world.

C) United States.

D) developing nations of the world such as China, India, and Brazil.

E) countries that are currently not members of the World Trade Organization.

56) When trade barriers began to fall, what was the motivation for much of the foreign direct investment by non-U.S. firms?

A) desire to disperse production activities to optimal locations

B) need to suppress emerging economies such as China, India, and Brazil

C) demand for skilled workers in foreign nations

D) lack of adequate environmental regulations

E) establishment of multinational treaties

57) The stock of foreign direct investment refers to

A) the purchasing power associated with current investments.

B) the ability to leverage FDI when negotiating with a foreign entity.

C) the total cumulative value of foreign investments as a percentage of a country's GDP.

D) the value of foreign investment when accounting for tariffs and other government-imposed costs.

E) the number of foreign investments a company has compared to the number of domestic investments.

58) Silver Fire Electric Inc., a U.S.-based company, has productive activities in more than two countries. Silver Fire Electric is what type of enterprise?

A) state-owned

B) universal

C) private

D) multinational

E) public

59) Kellen's Karpets is headquartered in Las Vegas, Nevada, and has production plants in Mexico and Indonesia. Kellen's Karpets is an example of

A) an acquisition.

B) a multinational enterprise.

C) a factor endowment.

D) a global trader.

E) a domestic company.

60) What are mini-multinationals?

A) multinational firms from relatively small countries in terms of area

B) multinationals from the developing nations of the world

C) multinational firms that operate in only one foreign country

D) medium- and small-size multinationals

E) subsidiaries of large multinationals in foreign countries

61) One advancement that has lowered the barriers many small firms face when building international sales is

A) containerization.

B) JIT inventory systems.

C) government-imposed quotas.

D) air and railway systems.

E) the Internet.

62) Royal Teas, a U.K.-based company employing just 30 people worldwide, generates $1.5 million in revenues of which 60 percent comes from exports to Asian countries. Royal Teas is most likely classified as a

A) large domestic firm.

B) mini-multinational firm.

C) greenfield firm.

D) foreign firm.

E) multinational giant.

63) What is acting as a deterrent for foreign firms willing to do business with former communist nations of Eastern Europe and central Asia?

A) high levels of economic development in these countries

B) signs of growing unrest and totalitarian tendencies seen in these countries

C) strong commitment to market-based economic systems seen in these countries

D) collapse of communism in these countries

E) low returns involved in doing business in these countries

64) What is an accurate characterization of the role of international business investments in Latin America today?

A) Foreign investment by Western international business is frowned upon.

B) Debt and inflation are down and foreign investment is welcomed.

C) Latin America is plagued with low growth, high debt, and hyperinflation which discourages investment.

D) Latin American governments are purchasing businesses from private investors.

E) There are fewer opportunities for investment because of communist rule.

65) What country in Latin America has seen a significant expansion in their economy in the past two decades?

A) Argentina

B) Peru

C) Chile

D) Paraguay

E) Panama

66) Which statement is a general implication of globalization?

A) Globalization is inevitable.

B) From a purely economic perspective, globalization is all good.

C) Globalization has no negative impacts on the economies of the developed world.

D) Globalization has reduced the risks associated with global financial contagion.

E) As a result of globalization, a severe crisis in one region of the world can affect the entire globe.

67) An argument in support of the falling barriers to international trade and investment is that the falling barriers

A) prohibit countries from specializing in the production of goods and services.

B) drive the global economy toward greater prosperity.

C) reduce the need to export jobs overseas.

D) increase the bargaining power of business firms by decreasing the incomes of consumers.

E) reduce attacks from foreign competitors.

68) Opponents to globalization believe that when U.S. companies outsource service activities, such as call centers, to a lower-cost foreign supplier, it results in

A) higher living standards in those countries that "export" the jobs.

B) higher unemployment in wealthy advanced economies such as the United States.

C) an increase in the income levels in those nations that "export" the jobs.

D) lower standards of living in those countries to which the jobs are exported.

E) reduced specialization in the production of goods and services.

69) According to globalization opponents, what has increased in wealthy advanced economies as a result of globalization?

A) unemployment

B) price of goods and services

C) demand for unskilled workers

D) standard of living

E) income equality

70) Those who support globalization recognize that while some concessions occur during the process of globalization, ultimately, it still works because

A) all retaliatory trade policies have been eliminated.

B) the benefits outweigh the costs.

C) democratic governments follow this pattern.

D) the costs affect very few people.

E) nations need to import goods they are efficient at producing.

71) Globalization critics argue that the decline in unskilled wage rates in advanced economies is due to the

A) migration of low-wage manufacturing jobs offshore.

B) technology-induced shift toward jobs that require significant education and skills.

C) increased supply of highly skilled workers.

D) increasing demand for unskilled workers.

E) reducing national differences in the cost of labor between developed and developing nations.

72) Growing income inequality between the skilled and unskilled workers in advanced nations, such as the United States, is a result of the

A) wages for skilled workers being bid up by the labor market and the wages for unskilled workers being discounted.

B) decrease in the outsourcing of low-wage manufacturing jobs offshore and a corresponding increase in demand for unskilled workers.

C) shift within advanced economies toward jobs where the only qualification is the willingness to turn up for work every day.

D) increasing wage gap between developing and developed nations.

E) shortage of unskilled workers and an excess supply of highly skilled workers.

73) Clean Chemical Corp. recently moved its operations from Houston, Texas, to Somalia. The decision to move was the result of new federal regulations regarding clean air standards that all chemical corporations are subjected to. A critic of globalization would say this example demonstrates what concern?

A) Free trade discourages firms from advanced nations to move manufacturing facilities to less developed countries.

B) Facilities in advanced nations are moving to less developed countries that have lower environmental regulations.

C) Manufacturing enterprises are put at a competitive disadvantage by moving their production facilities to nations that do not have burdensome regulations.

D) As countries get richer, they relax their environmental and labor regulations.

E) More countries are working to meet the strict environmental standards set by the U.S. government.

74) The North American Free Trade Agreement (NAFTA) was formed in 1994 among

A) Canada, Mexico, and the United States.

B) the United States, Brazil, and Argentina.

C) Canada, Argentina, and Mexico.

D) Colombia, Venezuela, and Brazil.

E) Uruguay, Colombia, and Costa Rica.

75) A supporter of globalization would agree that

A) environmental regulations need to be standardized around the world to equalize the economy.

B) free trade agreements should be tied to higher environmental standards.

C) tougher environmental regulations ultimately result in economic progress.

D) a lack of environmental standards results in more job opportunities in developed nations.

E) stricter labor standards eventually result in an economic downturn.

76) Econometric studies show a hump-shaped relationship between income levels and pollution levels. Which of these statements reflects that relationship?

A) As an economy grows and income levels rise, initially pollution levels also rise.

B) Decreasing income levels lead to an increase in pollution levels.

C) As an economy grows, pollution levels show a constant increase.

D) Economies that are in turmoil reflect pollution levels that are diminishing.

E) Income levels do not have any correlation with pollution levels.

77) A concern voiced by critics of globalization is that today's increasingly interdependent global economy shifts economic power toward

A) supranational organizations such as the World Trade Organization.

B) the communist states of eastern Europe and central Asia.

C) the medium-size and small U.S. multinationals.

D) the national governments of the countries participating in globalization.

E) nations that have authoritarian forms of government.

78) The WTO arbitrates trade disputes between its member states. What is one power of particular interest that the WTO can use?

A) It can restrict the membership of nations in other supranational organizations such as the United Nations.

B) It can grant loans to cash-strapped governments in poor nations.

C) It supersedes IMF and has complete authority over IMF's actions.

D) It can issue a ruling instructing a member state to change trade policies that violate GATT regulations.

E) It can make decisions related to international trade without considering the collective interests of member states.

79) When compared to the past, the gap between rich and poor nations today has

A) shown no significant change

B) gotten bigger.

C) become inexistent.

D) become balanced.

E) gotten smaller.

80) Free trade alone, some argue, is a necessary but not sufficient prerequisite to help "highly indebted poorer countries" (HIPCs) bootstrap themselves out of poverty. They also recommend implementing

A) a highly regulated command economy.

B) weaker property rights laws.

C) weaker labor regulations.

D) large-scale debt relief.

E) rapid expansion in population.

81) One suggestion for helping poor countries enjoy the benefits of free trade is for richer nations to reduce barriers to importing products from those nations particularly for textiles and \_\_\_\_\_\_\_\_ products.

A) electronic

B) agricultural

C) service

D) financial

E) manufacturing

82) The minimum that a firm has to do to engage in international business is to

A) export or import products from other countries.

B) invest directly in operations in another country.

C) establish joint ventures or strategic alliances with companies in other countries.

D) export low-wage manufacturing jobs to companies in other countries.

E) develop franchises and subsidiaries in other countries.

83) Sun-Jun is the executive general manager of a U.S.-based multinational corporation. Marisol is a manager in a similar position but works for an American company that operates only in the U.S. and does not engage in international business. In this context, which business function will be most typically exclusive to Sun-Jun?

A) marketing a product or service

B) maintaining healthy relations with the U.S. government

C) developing a business strategy

D) adhering to labor and environmental standards

E) choosing an appropriate mode for entering a particular foreign country

84) What is globalization? Explain, with examples, how global companies can facilitate the creation of a global market.

85) Discuss how small- and medium-size firms can benefit from the globalization of markets.

86) What are the roles of the International Monetary Fund (IMF) and the World Bank? Which of these institutions is more controversial? Why?

87) Discuss the role of the United Nations and explain the four purposes of the organization.

88) Explain the factors that led to the Great Depression of the 1930s.

89) Describe the implications that result as the volume of world trade continues to grow faster than world GDP.

90) Briefly discuss the ways in which technological change has affected globalization.

91) Define containerization and explain how it has changed the way goods are transported around the world.

92) In the context of international trade and investment, describe how the former communist nations of Europe and Asia have been changing.

93) Elaborate on why globalization is not inevitable.

94) Discuss how supporters and opponents of globalization regard its effect on jobs and income.

95) Analyze the antiglobalization protest that took place in Seattle in December 1999. What was being protested? Did the protest succeed? How was the protest viewed by the world?

96) Explain how supporters of globalization view the idea that the decline in unskilled wage rates and the demand for unskilled workers is due to the migration of low-wage manufacturing jobs offshore.

97) What are the various reasons for economic stagnation in many of the world's poorest countries?

98) What are some of the challenges faced by managers of an international business?

99) How is managing an international business different from managing a purely domestic business?