

Chapter 1

Student: _____

1. According to the opening case, the most important reason to assemble iPhones in China was due to:
 - A. lower labour costs in China
 - B. foreign exchange rates
 - C. consumer preferences for foreign items
 - D. the ability to scale production up and down
 - E. tariffs and trade barriers

2. The trend toward a more integrated and interdependent global economic system that has been in place for many years is commonly referred to as:
 - A. market standardization
 - B. cross-border integration
 - C. globalization
 - D. consumerism
 - E. nationalization

3. Sourcing goods and services from locations around the globe is known as _____.
 - A. melding of markets
 - B. integration of markets
 - C. deregulation
 - D. globalization of production
 - E. globalization of markets

4. The globalization of _____ 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 labour, energy, land, and capital).
 - A. information technology
 - B. process design
 - C. markets
 - D. production
 - E. R&D

5. The factors of production include:
- A. information technology
 - B. process design
 - C. markets
 - D. labour
 - E. research and development
6. The _____ was created in 1944 by 44 nations that met in Breton Woods, New Hampshire.
- A. International bank
 - B. World Monetary Fund
 - C. World Trade Organization
 - D. International Monetary Fund
 - E. United Nations
7. The _____ is 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.
- A. International Monetary Fund
 - B. International bank
 - C. United Nations
 - D. Canada's Export Development Corporation
 - E. Bank of Canada
8. Who is responsible for policing the world trading system?
- A. International Monetary Fund
 - B. The World Bank
 - C. The World Trade Organization
 - D. Canada's Export Development Corporation
 - E. Bank of Canada
9. What was created at the same time as the International Monetary Fund?
- A. World Bank
 - B. GATT
 - C. United Nations
 - D. Canada's Export Development Corporation
 - E. Bank of Canada

10. Although this organization is perhaps best known for its peacekeeping role, one of its central mandates is the promotion of higher standards of living, full employment, and conditions of economic and social progress and development. What is it called?
- A. World Bank
 - B. GATT
 - C. United Nations
 - D. Canada's Export Development Corporation
 - E. Bank of Canada
11. _____ are the two macro factors that seem to underlie the trend toward greater globalization.
- A. The increase in global economic stability, and the slowdown in technological change
 - B. The increase in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II, and global economic stability
 - C. The decline in barriers to the free flow of goods, services, and capital that has occurred in the past 10 years, and the slowdown in technological change
 - D. The decline in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II, and technological change
 - E. Technological Change and the convergence of global product preferences
12. Firm X exports a number of products to users in other countries. This practice is referred to as _____.
- A. world exchange
 - B. international trade
 - C. cross-national barter
 - D. situational commerce
 - E. multinational diversification
13. XYZ, Inc. is an auto parts distributing warehouse that exports many of its products to consumers in other countries. XYZ Inc. can be described as engaging in:
- A. international trade.
 - B. cross-border investments.
 - C. product development.
 - D. trading barriers.
 - E. international procurement.

14. Which of the following refers to the exporting of goods or services to consumers in another country?
- A. situational commerce
 - B. world exchange
 - C. international trade
 - D. cross-national barter
 - E. foreign investment
15. Although Inco is a Canadian company, it has invested substantial business resources in activities outside Canada. This practice is referred to as:
- A. transnational commerce
 - B. foreign direct investment
 - C. international trade
 - D. organizational diversification
 - E. outsourcing
16. The investing of resources in business activities outside a firm's home country is referred to as:
- A. international trade
 - B. domestic direct investment
 - C. transnational barter
 - D. foreign direct investment
 - E. outsourcing
17. The _____ is a treaty designed to remove barriers to the free flow of goods, services, and capital between nations.
- A. Global Agreement on Tariffs and Commerce
 - B. United Nations Treaty on Trade
 - C. General Agreement on Tariffs and Trade
 - D. Multi-National Agreement on Tariffs and Commerce
 - E. The ILO
18. After World War II, the West committed to removing trade barriers between nations because of what experience?
- A. the loss of production from the war
 - B. retaliatory trade policies leading to the Depression
 - C. the General Agreement on Tariffs and Trade
 - D. massive waves of immigrants seeking jobs
 - E. the shift away from production to consumption

19. Under the umbrella of GATT there have been eight rounds of negotiations among member states. The _____ was the most recent round of negotiations.
- A. Uruguay Round
 - B. Malaysian Symposium
 - C. German Round
 - D. New Zealand Symposium
 - E. Cancun Round
20. Which of the following was not an outcome of the Uruguay Round of the GATT?
- A. reduced trade barriers
 - B. extended GATT to cover services as well as manufactured goods
 - C. established the World Trade Organization
 - D. provided extended protection for patents, trademarks, and copyrights
 - E. reduced agricultural subsidies
21. If the Doha talks are ever completed, the biggest gain will come from what?
- A. trademarks
 - B. agriculture
 - C. intellectual property
 - D. consumer goods
 - E. manufactured goods
22. The acronym GATT stands for:
- A. Global Agreement on Taxation and Tariffs
 - B. Global Association of Technology and Trade
 - C. General Agreement on Taxation and Trademarks
 - D. General Agreement on Tariffs and Trade
 - E. General Accord of Transportation and Trade
23. The agency established at the 1993 Uruguay Round to police the international trading system is the _____.
- A. Global Trade Enforcement Administration
 - B. World Tariff and Trade Bureau
 - C. International Trade Enforcement Agency
 - D. World Trade Organization
 - E. The European bank of Reconstruction and Development

24. Suppose Petro Canada, an international oil company, had a complaint about a trade issue. The _____, a governing body established at the Uruguay Round in 1993 to police the international trading system, is an organization that Petro Canada could take its complaint to.
- A. World Trade Organization
 - B. International Trade Monitoring Bureau
 - C. World Tariff and Trade Agency
 - D. International Trade Monitoring Agency
 - E. The United Nations
25. The acronym WTO stands for:
- A. Western Trade Organization
 - B. World Tax Organization
 - C. World Trade Organization
 - D. World Tariff Organization
 - E. World Trade Operations
26. In the past decades, many countries, in addition to reducing trade barriers, have done what?
- A. decreased production
 - B. increased wages
 - C. removed restrictions to FDI
 - D. increased tariffs
 - E. joined the United Nations
27. Since 1992, most of the world's changes to FDI have done what?
- A. blocked FDI
 - B. created a more favourable environment for FDI
 - C. had no impact on FDI
 - D. decreased production
 - E. decreased wealth
28. Since 1950, world trade has grown faster than what?
- A. world wage rates
 - B. world population growth
 - C. world income
 - D. world output
 - E. world housing production

29. Many of the changes that countries have made pertaining to foreign direct investment regulations have:
- A. made it harder for foreign companies to enter their markets
 - B. made it easier for foreign companies to enter their markets
 - C. had no effect on the ease upon which foreign companies can enter their markets
 - D. made it easier to foreign producers of raw materials to enter their markets but more difficult for foreign producers of finished products to enter their markets
 - E. prevented the expropriation of business assets by a foreign government
30. Which of the following statements is consistent with data from the World Trade Organization?
- A. the volume of world trade has grown faster than the volume of world output since the 1950s.
 - B. the volume of world trade has grown slower than the volume of world output since the 1950s.
 - C. the volume of world trade and the volume of world output have grown at approximately the same rate since the 1950s.
 - D. the volume of world trade and the volume of world output have remained constant since the 1950s.
 - E. the volume of world trade is inversely related to the growth of world output.
31. According to your text, between 1950 to 2000, as world trade expanded by 20 times, world output grew by about _____.
- A. 12 percent
 - B. 1 percent
 - C. 25 percent
 - D. 6 ½ times
 - E. 20 times
32. The average yearly outflow of FDI increased from about \$25 billion in 1975 to a record of _____ in 2007, though it has fallen more recently.
- A. \$500 billion
 - B. \$73 billion
 - C. \$1 trillion
 - D. \$2 trillion
 - E. \$11 trillion
33. The steep drop in world trade occurred when?
- A. 1950-1951.
 - B. 1955-1956.
 - C. 1995-1996.
 - D. 2005-2006.
 - E. 2008-2009.

34. Between 1992 and 2010, the total flow of FDI from all countries increase by about _____.
- A. 2 times
 - B. 3 times
 - C. 6 times
 - D. 7 times
 - E. 9 times
35. The globalization of markets, the growth of world trade, and the increase in FDI has had what effect? _____.
- A. a decrease in production
 - B. a decrease in world trade
 - C. companies find their home markets under attack from foreign competitors
 - D. companies are reducing their profits
 - E. companies are during to protectionist measures
36. Evidence suggests that FDI is playing a(n):
- A. decreasing role in the world economy
 - B. increasing role in the world economy for services but a decreasing role in the world economy for manufactured goods
 - C. increasing role in the world economy for manufactured goods but a decreasing role in the world economy for services
 - D. increasing role in the world economy
 - E. a limited role in the world economy
37. According to our textbook, the growing integration of the world economy is:
- A. increasing the intensity of competition within the home market of a company in a wide range of manufacturing and service industries
 - B. decreasing the intensity of global competition in manufacturing industries, and increasing the intensity of domestic competition in services
 - C. increasing the intensity of global competition in manufacturing industries, and decreasing the intensity of domestic competition in services
 - D. narrowing the scope of global competition in a wide range of service, commodity, and manufacturing industries
 - E. Widening the opportunities for competing with manufacturing companies within their home market and narrowing the opportunities for competing with service companies in their home market.

38. Which of the following is a major cause for lowering the trade barriers of markets and production?
- A. Technological change
 - B. Increased labour mobility
 - C. Elastic demand
 - D. Corporate greed
 - E. Consumer demand
39. According to our textbook, the single most important technological innovation has been the development of the _____.
- A. telegraph
 - B. microprocessor
 - C. ocean container
 - D. airplane
 - E. telephone
40. _____ is the theory that predicts that the number of transistors on a computer chip doubles every 24 months.
- A. Brennan's Theorem
 - B. Bailey's Law
 - C. Moore's Law
 - D. Ivan's Law
 - E. Global Micro Accelerant (GMA) Law
41. According to your textbook, between 1930 and 1990, the cost of a three-minute phone call between New York and London fell from \$244.65 to \$3.32. This decrease can be mainly contributed to
- A. open communication between governments.
 - B. the advent of the microprocessor.
 - C. continuing efforts to globalize.
 - D. high corporate ethical standards.
 - E. the deregulation of the telecommunications industry.
42. As of 2014 the number of Internet users around the world exceeds what?
- A. 5 million
 - B. 100 million
 - C. 1 billion
 - D. 3 billion
 - E. 5 billion

43. According to our textbook, e-commerce retail sales are expected to reach _____ by 2018 in the United states alone.
- A. \$1 billion
 - B. \$50 billion
 - C. \$500 billion
 - D. \$750 billion
 - E. \$1 trillion
44. The Web is viewed as a global what?
- A. equalizer
 - B. way of decreasing production
 - C. force for decreasing FDI
 - D. way of reaching businesses at the expense of consumer
 - E. way for government to market to its population
45. _____ was not mentioned in our textbook as major innovation in transportation technology.
- A. Commercial jet aircraft
 - B. Super freighters
 - C. E-commerce
 - D. The introduction of containerization
 - E. Both containerization and e-commerce were not mentioned
46. Due to containerization, the transportation costs associated with the globalization of production have:
- A. remained the same
 - B. increased dramatically
 - C. declined
 - D. increased slightly
 - E. reduced insurance costs
47. As a result of a variety of innovations, the real costs of information processing and communication have _____ over the past two decades.
- A. fallen slightly
 - B. increased slightly
 - C. remained constant
 - D. fallen dramatically
 - E. had no impact on the cost of international business

48. Although the characteristics of the global economy have changed dramatically over the past 50 years, as late as the 1960s all of the following demographic characteristics were true except:
- A. the U.S. dominated the world economy
 - B. small, U.S. entrepreneurial firms dominated the international business scene
 - C. the U.S. dominated the world foreign direct investment picture
 - D. the U.S. was the world's largest industrial power
 - E. the U.S. dominated world trade
49. Which country was the world's most dominant industry power was in the early 1960s?
- A. Japan
 - B. The United Kingdom
 - C. Germany
 - D. The United States
 - E. Canada
50. In 1960, the U.S. accounted for about _____ of world output as measured by GDP.
- A. 10.0%
 - B. 23.0%
 - C. 30.0%
 - D. 38.3%
 - E. 54.0%
51. In recent years, all of the following countries have seen their relative share of world output fall except:
- A. United States
 - B. France
 - C. Germany
 - D. China
 - E. United Kingdom
52. In 2013, the U.S.'s largest trade partner when it comes to exports from the United States was _____.
- A. United Kingdom
 - B. Mexico
 - C. China
 - D. Canada
 - E. South Korea

53. If we look into the future, most forecasts now predict a _____ in world output accounted for by developing nations such as China, India, Indonesia, and South Korea, and a _____ in the share enjoyed by rich industrialized countries such as Britain, Japan, and the United States.
- A. rapid rise; rapid decline
 - B. slight rise; slight decline
 - C. rapid decline; rapid rise
 - D. rapid rise; slight decline
 - E. stay the same; slight decline
54. The relative decline of the developed countries' share of world output _____.
- A. will reduce the living standards of the citizens of developed countries.
 - B. will increase competition for scarce resources and create political instability.
 - C. reflects the growing economic and industrial strength of developing countries.
 - D. will decrease prices but also reduce wages in Canada
 - E. will decrease job opportunities in Canada
55. Which of the following is an example of a developing nation?
- A. Thailand
 - B. Britain
 - C. Japan
 - D. United States
 - E. Canada
56. According to your text, the World Bank estimates that today's developing nations may account for more than _____ percent of world economic activity by 2020.
- A. 35
 - B. 50
 - C. 55
 - D. 65
 - E. 60
57. _____ is not considered to be a "developing" nation.
- A. Brazil
 - B. India
 - C. China
 - D. Japan
 - E. Mexico

58. The foreign direct investment by non-U.S. firms was motivated primarily by the following two factors:
- A. the desire to disperse production activities to optimal locations; and the desire to build a direct presence in major foreign markets
 - B. the desire to disperse production activities to optimal locations; and the desire to influence foreign exchange rates
 - C. the desire to influence foreign exchange rates; and the desire to influence political developments in foreign countries
 - D. the desire to build a direct presence in major foreign markets; and the desire to influence political developments in foreign countries
 - E. the desire to reduce dependence on the United States and to increase direct access to markets
59. In the 1960s, what was then seen as an economic threat to Europe?
- A. The dominance of U.S. firms
 - B. Technological innovations
 - C. Low-cost transportation
 - D. Low-cost global communication networks
 - E. Reduction in trade barriers
60. Throughout the 1990s, the amount of investment directed at both developed and developing nations did what?
- A. stayed the same
 - B. decreased
 - C. increased
 - D. was highly variable
 - E. decreased, then increased
61. Among developing nations, the largest recipient of foreign direct investment has been which country?
- A. China
 - B. India
 - C. Japan
 - D. Canada
 - E. the United States

62. Since the 1960s, what has been a notable trend regarding multinational enterprises?

- A. the decline of the multinational enterprise
- B. the decline of the Canadian multinational enterprise
- C. the rise of non-U.S. multinationals
- D. the decline of the Japanese multinational enterprise
- E. the rise of U.S. multinationals

63. What kind of enterprise is a business that has productive activities in two or more countries?

- A. cross-cultural
- B. multinational
- C. varied-national
- D. diverse-national
- E. multi-domestic

64. Recently there has been _____ in the number of smaller firms that are multinationals.

- A. a significant growth
- B. no change
- C. a significant decline
- D. some growth
- E. some decline

65. General Electric Corporation has productive activities in a number of countries. As a result, it would be appropriate to refer to General Electric as a _____ corporation.

- A. transnational
- B. diverse-national
- C. cross-national
- D. multinational
- E. global

66. Iceculture Inc., of Ontario employs 40 people and exports around the world. It would be considered

- A. a multinational company.
- B. a transnational company.
- C. a cross-border national company.
- D. a mini-multinational.
- E. a U.S. dominated company.

67. Since the 1960s, there have been two notable trends in the demographics of the multinational enterprise. These two trends have been:
- A. the rise of non-U.S. multinationals and the disappearance of mini-multinationals
 - B. the decline of non-U.S. multinationals and the decline of mini-multinationals
 - C. the decline of non-U.S. multinationals and the growth of mini-multinationals
 - D. the rise of non-U.S. multinationals and the growth of mini-multinationals
 - E. the rise of U.S. multinationals and the growth of mini-multinationals
68. The economies of most of the former Communist countries can best be described as:
- A. in poor condition with high risk associated with doing business there
 - B. steady growth, especially since 2009
 - C. dominated by multinationals
 - D. robust and growing stronger
 - E. closed to many international businesses due to high tariffs
69. Disturbing signs of growing unrest and totalitarian tendencies continue to be seen in many _____ states.
- A. Western European
 - B. European
 - C. Northern European
 - D. Eastern European
 - E. South American states
70. If China continues to grow at its current rate, by 2020 the average income per capita will be about \$13,000, roughly equivalent to what country today?
- A. Canada
 - B. United States
 - C. Spain
 - D. India
 - E. Latin America
71. Which of the following statements is not true regarding the majority of Latin American countries?
- A. governments are selling state-owned enterprises to private investors
 - B. foreign investment is welcome
 - C. debt and inflation are down
 - D. neither democracy nor free market reforms have seemed to take hold
 - E. None of these answers is correct

72. The last quarter of the 20th century experienced _____ in the global economy.
- A. increased stability
 - B. slow-moving
 - C. virtually no changes
 - D. rapid changes
 - E. great concerns over potential disruptions
73. Economists argue that increased international trade and cross-border investments will result in _____ prices for goods and services.
- A. higher
 - B. stable
 - C. lower
 - D. unstable
 - E. variable
74. _____ is not a benefit of globalization.
- A. Lowering prices for goods
 - B. Raising the incomes of consumers
 - C. Slowing economic growth
 - D. Helping to create jobs in all countries that choose to participate
 - E. More leisure time
75. Economists, politicians, and business leaders believe that the _____ to international trade and investment is the engine driving the global economy toward greater prosperity.
- A. falling barriers
 - B. cross-border investments
 - C. U.N. policies
 - D. trading barriers
 - E. NAFTA
76. One frequently voiced concern about globalization is that it destroys manufacturing jobs in wealthy advanced economies such as Canada. The basic thrust of the critics' argument is:
- A. developing nations will recruit employees from the more advanced economies, thereby depleting their labour pools
 - B. globalization increases the pace of the shift from a world economy based on manufactured goods to a world economy based on services
 - C. falling trade barriers allows firms to move their manufacturing activities offshore to countries where wage rates are much lower
 - D. the governments of developing countries will heavily subsidize their primary industries, making competing products produced in advanced economies less attractive
 - E. Canadian workers are overpaid and the true value of a manufacturing job is much lower

77. Outsourcing has even extended to the Canadian _____ industry.

- A. auto
- B. mineral extraction
- C. services
- D. home construction
- E. lumber

78. Critics use the following argument to suggest that globalization is a contributing factor to an increase in pollution.

- A. globalization results in an increase in the amount of activity that takes place in companies that do not have adequate pollution controls
- B. globalization results in increased commerce between countries, which results in an increase in the amount of transportation activity (e.g. trains, barges, air cargo, trucks, etc.)
- C. firms that operate in countries that have adequate pollution regulations have a tendency to move their manufacturing operations to countries that have less stringent or no pollution controls to avoid the cost of regulation
- D. globalization results in increased production, which has the undesirable side-effect of increased pollution
- E. people in developing countries are used to coping with more pollution

79. What does NAFTA stand for?

- A. North American Free Trade Agreement
- B. North Atlantic Free Trade Agency
- C. North American Federation of Trade Advocates
- D. National Alliance for Technology Advancement
- E. North American Federal Treaty Association

80. Many critics of globalization argue that outsourcing leads to increased use of _____ labour practices in developing countries.

- A. exploitive
- B. fair
- C. underground
- D. neo-colonialist
- E. non-competitive

81. What is the primary purpose of the World Trade Organization?
- A. arbitrate of trade disputes
 - B. act as a "watchdog" for countries that lower their pollution standards in an effort to attract more foreign manufacturing activity
 - C. set tariffs for countries that signed the GATT agreement
 - D. monitor the implementation of trade agreements such as NAFTA
 - E. reduce the number of job losses in member countries
82. Supranational organizations such as the WTO are criticized for
- A. interfering in the regulation of prices of a country's natural resources.
 - B. ruling in favour of rich western countries at the expense of poor developing countries.
 - C. focusing on economics and not on democracy and environmental responsibility.
 - D. limiting its actions to what the WTO member states agree to.
 - E. encouraging economic stagnation in poor countries so that rich countries can grow faster.
83. Managing an international business is different from managing a purely domestic business for all of the following reasons except:
- A. countries are different
 - B. international transactions involve converting money into different currencies
 - C. the range of problems confronted by a manager in an international business are narrower than those confronted by a manager in a domestic business
 - D. an international business must find ways to work within the limits imposed by government intervention in the international trade and investment system
 - E. different languages have to be learned
84. The world's poorest nations have also faced _____.
- A. standardization
 - B. alignment
 - C. global simplification
 - D. economic stagnation
 - E. consumerization
85. The Tim Hortons case study is an example of what?
- A. how easily Canadian firms can enter the US market
 - B. the similarity of Canadian and US consumer tastes
 - C. Canadian firms buying up US firms
 - D. protests against globalization
 - E. the difficulty of Canadian firms expanding internationally

86. The global economy is moving progressively towards a world in which national economies are relatively isolated from each other.

True False

87. The volume of goods, services and investment crossing national borders expanded faster than did world output every year during the last two decades of the 20th century.

True False

88. Because of the global presence of widely accepted products like McDonalds, Coca-Cola, and Apple's iPod, national markets are disappearing.

True False

89. To benefit from the globalization of markets, a company has to be a multinational firm.

True False

90. Currently most global markets are for industrial goods and materials that serve a universal need the world over.

True False

91. Currently most global markets are markets for consumer goods.

True False

92. Although many companies have lowered their overall cost structure and have improved the quality of their products by dispersing their production activities to locations around the world, this activity is confined primarily to large firms.

True False

93. Currently most global markets are markets for consumer goods.

True False

94. Sourcing goods and services from locations around the globe is known as the globalization of markets.

True False

95. General Agreement on Tariffs and Trade is what the acronym GATT stands for.

True False

96. As markets globalize and an increasing proportion of business activity transcends national borders, there is a need for institutions to help manage, regulate and police the global market place.

True False

97. The International Monetary Fund and the World Bank were both created in 1944 by 44 nations that met at Bretton Woods, New Hampshire.
- True False
98. The International Monetary Fund (IMF) is often seen as the leader of last resort to nation states whose economies are in economic turmoil.
- True False
99. In addition to reducing trade barriers, many countries have also been progressively removing restrictions on barriers to foreign direct investment.
- True False
100. The advanced nations of the East committed themselves after World War II to removing barriers to the free flow of goods, services, and capital between nations.
- True False
101. There is very little evidence that suggests that the lowering of trade barriers has facilitated the globalization of production.
- True False
102. The volume of world output has grown faster than the volume of world trade since the 1950s, according to data from the World Trade Organization.
- True False
103. Surprisingly, despite the importance of technology in our everyday lives, technological change has played only a minor role in the globalization of markets.
- True False
104. Most forecasts now predict a rapid rise in world output accounted for by developing nations such as China, India, and South Korea, and a rapid decline in the share enjoyed by rich industrialized countries such as Canada, Britain and the United States.
- True False
105. Many of tomorrow's economic opportunities may be found in the developing nations of the world.
- True False
106. In the 1960s global business activity was dominated by large Japanese multinational corporations.
- True False

107. Although most international trade and investment is still conducted by large firms, small to medium sized firms are increasingly involved in international trade and investment.

True False

108. An MNE is any firm that invests outside of its home country.

True False

109. Between 1995 and 2000 most countries in Eastern Europe saw their Communist governments collapse.

True False

110. 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.

True False

111. Economists argue that increased international trade and cross-border investments will result in higher prices for goods and services, although there are many benefits to globalization.

True False

112. It is commonly believed that globalization stimulates economic growth, creates jobs, and raises income levels.

True False

113. The financial crisis in Thailand shows one of the risks of globalization.

True False

114. Some Canadian firms have outsourced jobs to developing countries.

True False

115. Describe the concept of globalization. What are the major opportunities and challenges that globalization has created for business organization?

116. Describe the two main facets of globalization. Explain how each of these components of globalization has helped create the shift towards a more integrated world economy.

117. Describe the meaning of the term "trade barriers"? What measures have been taken by the world community to reduce the impact of trade barriers on international trade?

118. Describe the impact of the development of the World Wide Web on global commerce.

119. Define the term "foreign direct investment (FDI)." How does the term "foreign direct investment" differ from the term "international trade?"

120. Discuss the primary advantages and disadvantages of globalization. Do you believe the advantages outweigh the disadvantages? How can the effects of the disadvantages of globalization be reduced?

121. Country competitiveness is not something that is permanent or fixed. The dominant features of the global economy are the rapid changes relative economic and competitive status of different countries. Canada is not immune to these changes. We have seen our total share of the global economy decrease and the loss of many industries. The anti-globalization movement has been active in Canada. In particular they have been critical of multinational corporate power and argued against global and regional agreements on economic growth and the lowering of trade barriers. Others feel that globalization is inevitable and contributes to the well being of people around the world.

- a. Consider the overall impact of globalization on Canada from the perspective of a software developer-has it been positive or negative? Explain your answer.
- b. What kinds of strategies could a Canadian developer of software employ to reduce the negative impacts and take advantage of the positive aspects? Explain your answer.

122. Why is international trade important to Canada?

123. You manage a company that produces and sells cameras that work under water. The camera bodies are made in China, in a facility your company owns, and which employs about 500 people. The electronics for the camera are bought from a supplier in South Korea. The lens and optics are made in your own facility in Japan, which employs about 300 people. The final product is also assembled and packaged at this facility in Japan. Your company currently employs about 350 people in Canada (head office functions, advertising, legal, and sales). You are a successful company, in business for many years, and you hope to expand your sales around the globe. What is this type of company called?

124. You manage a company that produces and sells cameras that work under water. The camera bodies are made in China, in a facility your company owns, and which employs about 500 people. The electronics for the camera are bought from a supplier in South Korea. The lens and optics are made in your own facility in Japan, which employs about 300 people. The final product is also assembled and packaged at this facility in Japan. Your company currently employs about 350 people in Canada (head office functions, advertising, legal, and sales). You are a successful company, in business for many years, and you hope to expand your sales around the globe. What are some other examples of this type of firm?

125. You manage a company that produces and sells cameras that work under water. The camera bodies are made in China, in a facility your company owns, and which employs about 500 people. The electronics for the camera are bought from a supplier in South Korea. The lens and optics are made in your own facility in Japan, which employs about 300 people. The final product is also assembled and packaged at this facility in Japan. Your company currently employs about 350 people in Canada (head office functions, advertising, legal, and sales). You are a successful company, in business for many years, and you hope to expand your sales around the globe. What have been the two most notable trends in these type of enterprises since the 1960s?

126. You manage a company that produces and sells cameras that work under water. The camera bodies are made in China, in a facility your company owns, and which employs about 500 people. The electronics for the camera are bought from a supplier in South Korea. The lens and optics are made in your own facility in Japan, which employs about 300 people. The final product is also assembled and packaged at this facility in Japan. Your company currently employs about 350 people in Canada (head office functions, advertising, legal, and sales). You are a successful company, in business for many years, and you hope to expand your sales around the globe. What are the future prospects of smaller firms that operate as your firm does internationally. Why?

Chapter 1 Key

1. According to the opening case, the most important reason to assemble iPhones in China was due to:
- A. lower labour costs in China
 - B. foreign exchange rates
 - C. consumer preferences for foreign items
 - D.** the ability to scale production up and down
 - E. tariffs and trade barriers

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #1*

2. The trend toward a more integrated and interdependent global economic system that has been in place for many years is commonly referred to as:
- A. market standardization
 - B. cross-border integration
 - C.** globalization
 - D. consumerism
 - E. nationalization

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #2*

3. Sourcing goods and services from locations around the globe is known as _____.
- A. melding of markets
 - B. integration of markets
 - C. deregulation
 - D.** globalization of production
 - E. globalization of markets

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #3*

4. The globalization of _____ 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 labour, energy, land, and capital).

- A. information technology
- B. process design
- C. markets
- D.** production
- E. R&D

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #4*

5. The factors of production include:

- A. information technology
- B. process design
- C. markets
- D.** labour
- E. research and development

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #5*

6. The _____ was created in 1944 by 44 nations that met in Breton Woods, New Hampshire.

- A. International bank
- B. World Monetary Fund
- C. World Trade Organization
- D.** International Monetary Fund
- E. United Nations

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #6*

7. The _____ is 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.

- A.** International Monetary Fund
- B. International bank
- C. United Nations
- D. Canada's Export Development Corporation
- E. Bank of Canada

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #7*

8. Who is responsible for policing the world trading system?

- A. International Monetary Fund
- B. The World Bank
- C.** The World Trade Organization
- D. Canada's Export Development Corporation
- E. Bank of Canada

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #8*

9. What was created at the same time as the International Monetary Fund?

- A.** World Bank
- B. GATT
- C. United Nations
- D. Canada's Export Development Corporation
- E. Bank of Canada

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #9*

10. Although this organization is perhaps best known for its peacekeeping role, one of its central mandates is the promotion of higher standards of living, full employment, and conditions of economic and social progress and development. What is it called?

- A. World Bank
- B. GATT
- C.** United Nations
- D. Canada's Export Development Corporation
- E. Bank of Canada

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #10*

11. _____ are the two macro factors that seem to underlie the trend toward greater globalization.

- A. The increase in global economic stability, and the slowdown in technological change
- B. The increase in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II, and global economic stability
- C. The decline in barriers to the free flow of goods, services, and capital that has occurred in the past 10 years, and the slowdown in technological change
- D.** The decline in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II, and technological change
- E. Technological Change and the convergence of global product preferences

*Accessibility: Keyboard Navigation
Difficulty: Hard*

12. Firm X exports a number of products to users in other countries. This practice is referred to as _____.

- A. world exchange
- B. international trade**
- C. cross-national barter
- D. situational commerce
- E. multinational diversification

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #12*

13. XYZ, Inc. is an auto parts distributing warehouse that exports many of its products to consumers in other countries. XYZ Inc. can be described as engaging in:

- A. international trade.**
- B. cross-border investments.
- C. product development.
- D. trading barriers.
- E. international procurement.

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #13*

14. Which of the following refers to the exporting of goods or services to consumers in another country?

- A. situational commerce
- B. world exchange
- C. international trade**
- D. cross-national barter
- E. foreign investment

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #14*

15. Although Inco is a Canadian company, it has invested substantial business resources in activities outside Canada. This practice is referred to as:

- A. transnational commerce
- B. foreign direct investment**
- C. international trade
- D. organizational diversification
- E. outsourcing

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #15*

16. The investing of resources in business activities outside a firm's home country is referred to as:
- A. international trade
 - B. domestic direct investment
 - C. transnational barter
 - D. foreign direct investment**
 - E. outsourcing

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #16*

17. The _____ is a treaty designed to remove barriers to the free flow of goods, services, and capital between nations.
- A. Global Agreement on Tariffs and Commerce
 - B. United Nations Treaty on Trade
 - C. General Agreement on Tariffs and Trade**
 - D. Multi-National Agreement on Tariffs and Commerce
 - E. The ILO

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #17*

18. After World War II, the West committed to removing trade barriers between nations because of what experience?
- A. the loss of production from the war
 - B. retaliatory trade policies leading to the Depression**
 - C. the General Agreement on Tariffs and Trade
 - D. massive waves of immigrants seeking jobs
 - E. the shift away from production to consumption

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #18*

19. Under the umbrella of GATT there have been eight rounds of negotiations among member states. The _____ was the most recent round of negotiations.
- A. Uruguay Round**
 - B. Malaysian Symposium
 - C. German Round
 - D. New Zealand Symposium
 - E. Cancun Round

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #19*

20. Which of the following was not an outcome of the Uruguay Round of the GATT?

- A. reduced trade barriers
- B. extended GATT to cover services as well as manufactured goods
- C. established the World Trade Organization
- D. provided extended protection for patents, trademarks, and copyrights
- E. reduced agricultural subsidies**

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #20*

21. If the Doha talks are ever completed, the biggest gain will come from what?

- A. trademarks
- B. agriculture**
- C. intellectual property
- D. consumer goods
- E. manufactured goods

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #21*

22. The acronym GATT stands for:

- A. Global Agreement on Taxation and Tariffs
- B. Global Association of Technology and Trade
- C. General Agreement on Taxation and Trademarks
- D. General Agreement on Tariffs and Trade**
- E. General Accord of Transportation and Trade

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #22*

23. The agency established at the 1993 Uruguay Round to police the international trading system is the _____.

- A. Global Trade Enforcement Administration
- B. World Tariff and Trade Bureau
- C. International Trade Enforcement Agency
- D. World Trade Organization**
- E. The European bank of Reconstruction and Development

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #23*

24. Suppose Petro Canada, an international oil company, had a complaint about a trade issue. The _____, a governing body established at the Uruguay Round in 1993 to police the international trading system, is an organization that Petro Canada could take its complaint to.

- A.** World Trade Organization
- B. International Trade Monitoring Bureau
- C. World Tariff and Trade Agency
- D. International Trade Monitoring Agency
- E. The United Nations

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #24*

25. The acronym WTO stands for:

- A. Western Trade Organization
- B. World Tax Organization
- C.** World Trade Organization
- D. World Tariff Organization
- E. World Trade Operations

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #25*

26. In the past decades, many countries, in addition to reducing trade barriers, have done what?

- A. decreased production
- B. increased wages
- C.** removed restrictions to FDI
- D. increased tariffs
- E. joined the United Nations

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #26*

27. Since 1992, most of the world's changes to FDI have done what?

- A. blocked FDI
- B.** created a more favourable environment for FDI
- C. had no impact on FDI
- D. decreased production
- E. decreased wealth

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #27*

28. Since 1950, world trade has grown faster than what?

- A. world wage rates
- B. world population growth
- C. world income
- D.** world output
- E. world housing production

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #28*

29. Many of the changes that countries have made pertaining to foreign direct investment regulations have:

- A. made it harder for foreign companies to enter their markets
- B.** made it easier for foreign companies to enter their markets
- C. had no effect on the ease upon which foreign companies can enter their markets
- D. made it easier to foreign producers of raw materials to enter their markets but more difficult for foreign producers of finished products to enter their markets
- E. prevented the expropriation of business assets by a foreign government

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #29*

30. Which of the following statements is consistent with data from the World Trade Organization?

- A.** the volume of world trade has grown faster than the volume of world output since the 1950s.
- B. the volume of world trade has grown slower than the volume of world output since the 1950s.
- C. the volume of world trade and the volume of world output have grown at approximately the same rate since the 1950s.
- D. the volume of world trade and the volume of world output have remained constant since the 1950s.
- E. the volume of world trade is inversely related to the growth of world output.

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #30*

31. According to your text, between 1950 to 2000, as world trade expanded by 20 times, world output grew by about _____.

- A. 12 percent
- B. 1 percent
- C. 25 percent
- D.** 6 ½ times
- E. 20 times

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32. The average yearly outflow of FDI increased from about \$25 billion in 1975 to a record of _____ in 2007, though it has fallen more recently.

- A. \$500 billion
- B. \$73 billion
- C. \$1 trillion
- D. \$2 trillion**
- E. \$11 trillion

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Difficulty: Hard
Hill - Chapter 01 #32

33. The steep drop in world trade occurred when?

- A. 1950-1951.
- B. 1955-1956.
- C. 1995-1996.
- D. 2005-2006.
- E. 2008-2009.**

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Difficulty: Medium
Hill - Chapter 01 #33

34. Between 1992 and 2010, the total flow of FDI from all countries increase by about _____.

- A. 2 times
- B. 3 times
- C. 6 times
- D. 7 times
- E. 9 times**

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Difficulty: Hard
Hill - Chapter 01 #34

35. The globalization of markets, the growth of world trade, and the increase in FDI has had what effect? _____.

- A. a decrease in production
- B. a decrease in world trade
- C. companies find their home markets under attack from foreign competitors**
- D. companies are reducing their profits
- E. companies are during to protectionist measures

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Difficulty: Hard
Hill - Chapter 01 #35

36. Evidence suggests that FDI is playing a(n):
- A. decreasing role in the world economy
 - B. increasing role in the world economy for services but a decreasing role in the world economy for manufactured goods
 - C. increasing role in the world economy for manufactured goods but a decreasing role in the world economy for services
 - D.** increasing role in the world economy
 - E. a limited role in the world economy

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #36*

37. According to our textbook, the growing integration of the world economy is:

- A.** increasing the intensity of competition within the home market of a company in a wide range of manufacturing and service industries
- B. decreasing the intensity of global competition in manufacturing industries, and increasing the intensity of domestic competition in services
- C. increasing the intensity of global competition in manufacturing industries, and decreasing the intensity of domestic competition in services
- D. narrowing the scope of global competition in a wide range of service, commodity, and manufacturing industries
- E. Widening the opportunities for competing with manufacturing companies within their home market and narrowing the opportunities for competing with service companies in their home market.

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #37*

38. Which of the following is a major cause for lowering the trade barriers of markets and production?

- A.** Technological change
- B. Increased labour mobility
- C. Elastic demand
- D. Corporate greed
- E. Consumer demand

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #38*

39. According to our textbook, the single most important technological innovation has been the development of the _____.

- A. telegraph
- B.** microprocessor
- C. ocean container
- D. airplane
- E. telephone

Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #39

40. _____ is the theory that predicts that the number of transistors on a computer chip doubles every 24 months.

- A. Brennan's Theorem
- B. Bailey's Law
- C.** Moore's Law
- D. Ivan's Law
- E. Global Micro Accelerant (GMA) Law

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Difficulty: Medium
Hill - Chapter 01 #40

41. According to your textbook, between 1930 and 1990, the cost of a three-minute phone call between New York and London fell from \$244.65 to \$3.32. This decrease can be mainly contributed to

- A. open communication between governments.
- B.** the advent of the microprocessor.
- C. continuing efforts to globalize.
- D. high corporate ethical standards.
- E. the deregulation of the telecommunications industry.

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Difficulty: Hard
Hill - Chapter 01 #41

42. As of 2014 the number of Internet users around the world exceeds what?

- A. 5 million
- B. 100 million
- C. 1 billion
- D.** 3 billion
- E. 5 billion

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Difficulty: Hard
Hill - Chapter 01 #42

43. According to our textbook, e-commerce retail sales are expected to reach _____ by 2018 in the United states alone.
- A. \$1 billion
 - B. \$50 billion
 - C. \$500 billion**
 - D. \$750 billion
 - E. \$1 trillion

Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #43

44. The Web is viewed as a global what?
- A. equalizer**
 - B. way of decreasing production
 - C. force for decreasing FDI
 - D. way of reaching businesses at the expense of consumer
 - E. way for government to market to its population

Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #44

45. _____ was not mentioned in our textbook as major innovation in transportation technology.
- A. Commercial jet aircraft
 - B. Super freighters
 - C. E-commerce**
 - D. The introduction of containerization
 - E. Both containerization and e-commerce were not mentioned

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Difficulty: Medium
Hill - Chapter 01 #45

46. Due to containerization, the transportation costs associated with the globalization of production have:
- A. remained the same
 - B. increased dramatically
 - C. declined**
 - D. increased slightly
 - E. reduced insurance costs

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Difficulty: Easy
Hill - Chapter 01 #46

47. As a result of a variety of innovations, the real costs of information processing and communication have _____ over the past two decades.

- A. fallen slightly
- B. increased slightly
- C. remained constant
- D. fallen dramatically**
- E. had no impact on the cost of international business

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Difficulty: Easy
Hill - Chapter 01 #47

48. Although the characteristics of the global economy have changed dramatically over the past 50 years, as late as the 1960s all of the following demographic characteristics were true except:

- A. the U.S. dominated the world economy
- B. small, U.S. entrepreneurial firms dominated the international business scene**
- C. the U.S. dominated the world foreign direct investment picture
- D. the U.S. was the world's largest industrial power
- E. the U.S. dominated world trade

Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #48

49. Which country was the world's most dominant industry power was in the early 1960s?

- A. Japan
- B. The United Kingdom
- C. Germany
- D. The United States**
- E. Canada

Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #49

50. In 1960, the U.S. accounted for about _____ of world output as measured by GDP.

- A. 10.0%
- B. 23.0%
- C. 30.0%
- D. 38.3%**
- E. 54.0%

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Difficulty: Hard
Hill - Chapter 01 #50

51. In recent years, all of the following countries have seen their relative share of world output fall except:

- A. United States
- B. France
- C. Germany
- D. China**
- E. United Kingdom

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #51*

52. In 2013, the U.S.'s largest trade partner when it comes to exports from the United States was _____.

- A. United Kingdom
- B. Mexico
- C. China
- D. Canada**
- E. South Korea

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #52*

53. If we look into the future, most forecasts now predict a _____ in world output accounted for by developing nations such as China, India, Indonesia, and South Korea, and a _____ in the share enjoyed by rich industrialized countries such as Britain, Japan, and the United States.

- A. rapid rise; rapid decline**
- B. slight rise; slight decline
- C. rapid decline; rapid rise
- D. rapid rise; slight decline
- E. stay the same; slight decline

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #53*

54. The relative decline of the developed countries' share of world output _____.

- A. will reduce the living standards of the citizens of developed countries.
- B. will increase competition for scarce resources and create political instability.
- C. reflects the growing economic and industrial strength of developing countries.**
- D. will decrease prices but also reduce wages in Canada
- E. will decrease job opportunities in Canada

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #54*

55. Which of the following is an example of a developing nation?

- A.** Thailand
- B. Britain
- C. Japan
- D. United States
- E. Canada

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #55*

56. According to your text, the World Bank estimates that today's developing nations may account for more than _____ percent of world economic activity by 2020.

- A. 35
- B. 50
- C. 55
- D. 65
- E.** 60

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #56*

57. _____ is not considered to be a "developing" nation.

- A. Brazil
- B. India
- C. China
- D.** Japan
- E. Mexico

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #57*

58. The foreign direct investment by non-U.S. firms was motivated primarily by the following two factors:

- A.** the desire to disperse production activities to optimal locations; and the desire to build a direct presence in major foreign markets
- B. the desire to disperse production activities to optimal locations; and the desire to influence foreign exchange rates
- C. the desire to influence foreign exchange rates; and the desire to influence political developments in foreign countries
- D. the desire to build a direct presence in major foreign markets; and the desire to influence political developments in foreign countries
- E. the desire to reduce dependence on the United States and to increase direct access to markets

Accessibility: Keyboard Navigation

59. In the 1960s, what was then seen as an economic threat to Europe?

- A.** The dominance of U.S. firms
- B. Technological innovations
- C. Low-cost transportation
- D. Low-cost global communication networks
- E. Reduction in trade barriers

Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #59

60. Throughout the 1990s, the amount of investment directed at both developed and developing nations did what?

- A. stayed the same
- B. decreased
- C.** increased
- D. was highly variable
- E. decreased, then increased

Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #60

61. Among developing nations, the largest recipient of foreign direct investment has been which country?

- A.** China
- B. India
- C. Japan
- D. Canada
- E. the United States

Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #61

62. Since the 1960s, what has been a notable trend regarding multinational enterprises?

- A. the decline of the multinational enterprise
- B. the decline of the Canadian multinational enterprise
- C.** the rise of non-U.S. multinationals
- D. the decline of the Japanese multinational enterprise
- E. the rise of U.S. multinationals

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Difficulty: Medium
Hill - Chapter 01 #62

63. What kind of enterprise is a business that has productive activities in two or more countries?

- A. cross-cultural
- B. multinational**
- C. varied-national
- D. diverse-national
- E. multi-domestic

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #63*

64. Recently there has been _____ in the number of smaller firms that are multinationals.

- A. a significant growth**
- B. no change
- C. a significant decline
- D. some growth
- E. some decline

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #64*

65. General Electric Corporation has productive activities in a number of countries. As a result, it would be appropriate to refer to General Electric as a _____ corporation.

- A. transnational
- B. diverse-national
- C. cross-national
- D. multinational**
- E. global

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #65*

66. Iceculture Inc., of Ontario employs 40 people and exports around the world. It would be considered

- A. a multinational company.
- B. a transnational company.
- C. a cross-border national company.
- D. a mini-multinational.**
- E. a U.S. dominated company.

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #66*

67. Since the 1960s, there have been two notable trends in the demographics of the multinational enterprise. These two trends have been:

- A. the rise of non-U.S. multinationals and the disappearance of mini-multinationals
- B. the decline of non-U.S. multinationals and the decline of mini-multinationals
- C. the decline of non-U.S. multinationals and the growth of mini-multinationals
- D.** the rise of non-U.S. multinationals and the growth of mini-multinationals
- E. the rise of U.S. multinationals and the growth of mini-multinationals

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #67*

68. The economies of most of the former Communist countries can best be described as:

- A.** in poor condition with high risk associated with doing business there
- B. steady growth, especially since 2009
- C. dominated by multinationals
- D. robust and growing stronger
- E. closed to many international businesses due to high tariffs

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #68*

69. Disturbing signs of growing unrest and totalitarian tendencies continue to be seen in many _____ states.

- A. Western European
- B. European
- C. Northern European
- D.** Eastern European
- E. South American states

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #69*

70. If China continues to grow at its current rate, by 2020 the average income per capita will be about \$13,000, roughly equivalent to what country today?

- A. Canada
- B. United States
- C.** Spain
- D. India
- E. Latin America

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #70*

71. Which of the following statements is not true regarding the majority of Latin American countries?
- A. governments are selling state-owned enterprises to private investors
 - B. foreign investment is welcome
 - C. debt and inflation are down
 - D.** neither democracy nor free market reforms have seemed to take hold
 - E. None of these answers is correct

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #71*

72. The last quarter of the 20th century experienced _____ in the global economy.
- A. increased stability
 - B. slow-moving
 - C. virtually no changes
 - D.** rapid changes
 - E. great concerns over potential disruptions

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #72*

73. Economists argue that increased international trade and cross-border investments will result in _____ prices for goods and services.
- A. higher
 - B. stable
 - C.** lower
 - D. unstable
 - E. variable

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #73*

74. _____ is not a benefit of globalization.
- A. Lowering prices for goods
 - B. Raising the incomes of consumers
 - C.** Slowing economic growth
 - D. Helping to create jobs in all countries that choose to participate
 - E. More leisure time

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #74*

75. Economists, politicians, and business leaders believe that the _____ to international trade and investment is the engine driving the global economy toward greater prosperity.

- A.** falling barriers
- B. cross-border investments
- C. U.N. policies
- D. trading barriers
- E. NAFTA

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #75*

76. One frequently voiced concern about globalization is that it destroys manufacturing jobs in wealthy advanced economies such as Canada. The basic thrust of the critics' argument is:

- A. developing nations will recruit employees from the more advanced economies, thereby depleting their labour pools
- B. globalization increases the pace of the shift from a world economy based on manufactured goods to a world economy based on services
- C.** falling trade barriers allows firms to move their manufacturing activities offshore to countries where wage rates are much lower
- D. the governments of developing countries will heavily subsidize their primary industries, making competing products produced in advanced economies less attractive
- E. Canadian workers are overpaid and the true value of a manufacturing job is much lower

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #76*

77. Outsourcing has even extended to the Canadian _____ industry.

- A. auto
- B. mineral extraction
- C.** services
- D. home construction
- E. lumber

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #77*

78. Critics use the following argument to suggest that globalization is a contributing factor to an increase in pollution.
- A. globalization results in an increase in the amount of activity that takes place in companies that do not have adequate pollution controls
 - B. globalization results in increased commerce between countries, which results in an increase in the amount of transportation activity (e.g. trains, barges, air cargo, trucks, etc.)
 - C.** firms that operate in countries that have adequate pollution regulations have a tendency to move their manufacturing operations to countries that have less stringent or no pollution controls to avoid the cost of regulation
 - D. globalization results in increased production, which has the undesirable side-effect of increased pollution
 - E. people in developing countries are used to coping with more pollution

Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #78

79. What does NAFTA stand for?

- A.** North American Free Trade Agreement
- B. North Atlantic Free Trade Agency
- C. North American Federation of Trade Advocates
- D. National Alliance for Technology Advancement
- E. North American Federal Treaty Association

Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #79

80. Many critics of globalization argue that outsourcing leads to increased use of _____ labour practices in developing countries.

- A.** exploitive
- B. fair
- C. underground
- D. neo-colonialist
- E. non-competitive

Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #80

81. What is the primary purpose of the World Trade Organization?

- A. arbitrate of trade disputes
- B. act as a "watchdog" for countries that lower their pollution standards in an effort to attract more foreign manufacturing activity
- C. set tariffs for countries that signed the GATT agreement
- D. monitor the implementation of trade agreements such as NAFTA
- E. reduce the number of job losses in member countries

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #81*

82. Supranational organizations such as the WTO are criticized for

- A. interfering in the regulation of prices of a country's natural resources.
- B. ruling in favour of rich western countries at the expense of poor developing countries.
- C. focusing on economics and not on democracy and environmental responsibility.
- D. limiting its actions to what the WTO member states agree to.
- E. encouraging economic stagnation in poor countries so that rich countries can grow faster.

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #82*

83. Managing an international business is different from managing a purely domestic business for all of the following reasons except:

- A. countries are different
- B. international transactions involve converting money into different currencies
- C. the range of problems confronted by a manager in an international business are narrower than those confronted by a manager in a domestic business
- D. an international business must find ways to work within the limits imposed by government intervention in the international trade and investment system
- E. different languages have to be learned

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #83*

84. The world's poorest nations have also faced _____.

- A. standardization
- B. alignment
- C. global simplification
- D. economic stagnation
- E. consumerization

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #84*

85. The Tim Hortons case study is an example of what?
- A. how easily Canadian firms can enter the US market
 - B. the similarity of Canadian and US consumer tastes
 - C. Canadian firms buying up US firms
 - D. protests against globalization
 - E.** the difficulty of Canadian firms expanding internationally

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #85*

86. The global economy is moving progressively towards a world in which national economies are relatively isolated from each other.

FALSE

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #86*

87. The volume of goods, services and investment crossing national borders expanded faster than did world output every year during the last two decades of the 20th century.

TRUE

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #87*

88. Because of the global presence of widely accepted products like McDonalds, Coca-Cola, and Apple's iPod, national markets are disappearing.

TRUE

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #88*

89. To benefit from the globalization of markets, a company has to be a multinational firm.

FALSE

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #89*

90. Currently most global markets are for industrial goods and materials that serve a universal need the world over.

TRUE

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #90*

91. Currently most global markets are markets for consumer goods.

FALSE

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #91*

92. Although many companies have lowered their overall cost structure and have improved the quality of their products by dispersing their production activities to locations around the world, this activity is confined primarily to large firms.

FALSE

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #92*

93. Currently most global markets are markets for consumer goods.

FALSE

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #93*

94. Sourcing goods and services from locations around the globe is known as the globalization of markets.

FALSE

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #94*

95. General Agreement on Tariffs and Trade is what the acronym GATT stands for.

TRUE

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #95*

96. As markets globalize and an increasing proportion of business activity transcends national borders, there is a need for institutions to help manage, regulate and police the global market place.

TRUE

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #96*

97. The International Monetary Fund and the World Bank were both created in 1944 by 44 nations that met at Bretton Woods, New Hampshire.

TRUE

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #97*

98. The International Monetary Fund (IMF) is often seen as the leader of last resort to nation states whose economies are in economic turmoil.

TRUE

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #98*

99. In addition to reducing trade barriers, many countries have also been progressively removing restrictions on barriers to foreign direct investment.

TRUE

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #99*

100. The advanced nations of the East committed themselves after World War II to removing barriers to the free flow of goods, services, and capital between nations.

FALSE

*Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #100*

101. There is very little evidence that suggests that the lowering of trade barriers has facilitated the globalization of production.

FALSE

*Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #101*

102. The volume of world output has grown faster than the volume of world trade since the 1950s, according to data from the World Trade Organization.

FALSE

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #102*

103. Surprisingly, despite the importance of technology in our everyday lives, technological change has played only a minor role in the globalization of markets.

FALSE

*Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #103*

104. Most forecasts now predict a rapid rise in world output accounted for by developing nations such as China, India, and South Korea, and a rapid decline in the share enjoyed by rich industrialized countries such as Canada, Britain and the United States.

TRUE

Accessibility: Keyboard Navigation

105. Many of tomorrow's economic opportunities may be found in the developing nations of the world.

TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #105

106. In the 1960s global business activity was dominated by large Japanese multinational corporations.

FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #106

107. Although most international trade and investment is still conducted by large firms, small to medium sized firms are increasingly involved in international trade and investment.

TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #107

108. An MNE is any firm that invests outside of its home country.

FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #108

109. Between 1995 and 2000 most countries in Eastern Europe saw their Communist governments collapse.

FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #109

110. 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.

TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #110

111. Economists argue that increased international trade and cross-border investments will result in higher prices for goods and services, although there are many benefits to globalization.

FALSE

Accessibility: Keyboard Navigation

112. It is commonly believed that globalization stimulates economic growth, creates jobs, and raises income levels.

TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium
Hill - Chapter 01 #112

113. The financial crisis in Thailand shows one of the risks of globalization.

TRUE

Accessibility: Keyboard Navigation
Difficulty: Hard
Hill - Chapter 01 #113

114. Some Canadian firms have outsourced jobs to developing countries.

TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy
Hill - Chapter 01 #114

115. Describe the concept of globalization. What are the major opportunities and challenges that globalization has created for business organization?

Globalization refers to a fundamental shift that is occurring in the world economy. The world is progressively moving away from a structure in which national economies are relatively isolated from each other, towards a structure in which national economies are merging into one huge interdependent global economic system. This trend is commonly referred to as globalization. The trend towards globalization is creating many opportunities for businesses to expand their revenues, drive down their costs, and boost their profits. For example, many Canadian firms are now exporting to previously closed foreign markets. By doing so, these firms are simultaneously expanding their sales and driving down their costs through additional economies of scale. Globalization has also created challenges for business organizations. For example, managers now have to grapple with a wide range of globalization related issues. Examples of these issues include: should we export, should we build a plant in a foreign country, should we modify our products to suite the tastes of each of our foreign customers, and how do we respond to foreign competition? These questions often do not have easy answers, but are very important to the future competitiveness of business organizations.

116. Describe the two main facets of globalization. Explain how each of these components of globalization has helped create the shift towards a more integrated world economy.

The two main components of globalization are the globalization of markets and the globalization of production. The globalization of markets refers to the fact that in many industries historically distinct and separate national markets are merging into one huge global marketplace. The globalization of production refers to the tendency among many firms to source goods and services from different locations around the world in an attempt to take advantage of national differences in the cost and quality of factors of production (such as labour, energy, and capital). Both of these components of globalization have helped create the shift towards a more integrated world economy. The globalization of markets has created a "global" interest in many products, such as Coca-Cola, the Apple iPhones, and Levi jeans. This "sharing of interest" in products across national borders has facilitated the trend towards a more integrated world economy. The globalization of production has resulted in a substantial increase in the number of business relationships between companies from different countries. This increase in the number and intensity of interrelationships between companies from different countries has also facilitated the trend towards a more integrated world economy.

Difficulty: Medium
Hill - Chapter 01 #116

117. Describe the meaning of the term "trade barriers"? What measures have been taken by the world community to reduce the impact of trade barriers on international trade?

Trade barriers are the regulations, tariffs, and other activities that are put in place by governments for the purpose of protecting their domestic industries from "foreign competition." For example, a country may impose a stiff tariff on the import of foreign produced automobiles. That makes it very difficult (i.e., creates a substantial barrier) for foreign produced cars to be sold in their country. The world community has taken a number of measures to not only lessen the impact of trade barriers on international trade, but to remove trade barriers altogether. The General Agreement on Tariffs and Trade (GATT) has been an ongoing effort to remove and reduce trade barriers worldwide. Under the umbrella of GATT, there have been eight rounds of negotiations among member states, designed to lower and/or reduce all forms of trade barriers. To provide the GATT treaty some teeth, the recently completed Uruguay Round of GATT established the World Trade Organization (WTO) which polices the international trading system. Although the WTO cannot compel a nation to comply with the GATT treaty, it can recommend that other member nations impose sanctions on the offending party. Other business organizations, governments, trade groups, and not-for-profit organizations are working hard to reduce and remove trade barriers. The Doha and Cancun rounds have focused on the question of agricultural subsidies used by developed countries to support their farmers. These agricultural subsidies have made it almost impossible for developing country farmers to compete.

Difficulty: Hard
Hill - Chapter 01 #117

118. Describe the impact of the development of the World Wide Web on global commerce.

Viewed globally, the Web is emerging as the great equalizer. There is no geography on the Web and costs to provide extensive information and product offerings are low when compared to other more traditional means of doing business. It is a powerful dislocating force that rolls back some constraints of location, scale, and time zones. The Web allows businesses, both small and large, to expand their global presence at a lower cost than ever before.

Difficulty: Easy
Hill - Chapter 01 #118

119. Define the term "foreign direct investment (FDI)." How does the term "foreign direct investment" differ from the term "international trade?"

Foreign direct investment occurs when a firm invests resources in business activities outside its home country. For example, a Canadian firm may invest in a production facility in Italy. International trade occurs when a firm exports goods or services to consumers in another country. The difference between the terms is that the term "international trade" does not necessarily mean that a firm is investing resources in business activities outside its home country the firm could be simply exporting domestically produced products to a foreign country.

Difficulty: Medium
Hill - Chapter 01 #119

120. Discuss the primary advantages and disadvantages of globalization. Do you believe the advantages outweigh the disadvantages? How can the effects of the disadvantages of globalization be reduced?

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. Conversely, critics argue that globalization destroys manufacturing jobs in wealthy countries and contributes to pollution. In regard to destroying manufacturing jobs, the basic thrust of the critics' argument is that falling trade barriers allow firms in industrialized countries to move their manufacturing activities offshore to countries where wage rates are much lower. This activity, if it occurs, has the undesirable side-effect of eliminating manufacturing jobs in the industrialized country. In regard to pollution, the critics of globalization 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. This activity increases worldwide pollution. The final section of the question is designed to encourage classroom discussion and/or to encourage students to "think" about how these undesirable side-effects of globalization can be reduced.

Difficulty: Medium
Hill - Chapter 01 #120

121. Country competitiveness is not something that is permanent or fixed. The dominant features of the global economy are the rapid changes relative economic and competitive status of different countries. Canada is not immune to these changes. We have seen our total share of the global economy decrease and the loss of many industries. The anti-globalization movement has been active in Canada. In particular they have been critical of multinational corporate power and argued against global and regional agreements on economic growth and the lowering of trade barriers. Others feel that globalization is inevitable and contributes to the well being of people around the world.

- a. Consider the overall impact of globalization on Canada from the perspective of a software developer-has it been positive or negative? Explain your answer.
- b. What kinds of strategies could a Canadian developer of software employ to reduce the negative impacts and take advantage of the positive aspects? Explain your answer.

There are many advantages of globalization. From a broad perspective, globalization creates economic activity (which stimulates economic growth), creates jobs, raises income levels, and provides consumers with more choices in regard to the products and services that are available to them. From the perspective of an individual firm, globalization has the potential to increase revenues (through expanded market potential), drive down costs (through additional economies of scale), and boost profits. Conversely, critics argue that globalization destroys manufacturing jobs in wealthy countries and contributes to pollution. In regard to destroying manufacturing jobs, the basic thrust of the critics' argument is that falling trade barriers allow firms in industrialized countries to move their manufacturing activities offshore to countries where wage rates are much lower. This activity, if it occurs, has the undesirable side-effect of eliminating manufacturing jobs in the industrialized country. In regard to pollution, the critics of globalization 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. This activity increases worldwide pollution. The final section of the question is designed to encourage classroom discussion and/or to encourage students to "think" about how these undesirable side-effects of globalization can be reduced.

*Difficulty: Hard
Hill - Chapter 01 #121*

122. Why is international trade important to Canada?

Canada's exports contribute about 40% of our GDP. We have a trade surplus overall meaning we are exporting more than we are importing. Many jobs and FDI are dependent upon international trade. Canada needs international trade in order to maintain its standard of living. However, Canada's standard of living has been decreasing relative to the United States and unless Canada begins to increase their productivity and international sales, the standard of living will continue to decrease.

*Difficulty: Medium
Hill - Chapter 01 #122*

123. You manage a company that produces and sells cameras that work under water. The camera bodies are made in China, in a facility your company owns, and which employs about 500 people. The electronics for the camera are bought from a supplier in South Korea. The lens and optics are made in your own facility in Japan, which employs about 300 people. The final product is also assembled and packaged at this facility in Japan. Your company currently employs about 350 people in Canada (head office functions, advertising, legal, and sales). You are a successful company, in business for many years, and you hope to expand your sales around the globe.

What is this type of company called?

It is a multinational enterprise. A multinational enterprise is any business that has productive activities in two or more countries.

Difficulty: Easy
Hill - Chapter 01 #123

124. You manage a company that produces and sells cameras that work under water. The camera bodies are made in China, in a facility your company owns, and which employs about 500 people. The electronics for the camera are bought from a supplier in South Korea. The lens and optics are made in your own facility in Japan, which employs about 300 people. The final product is also assembled and packaged at this facility in Japan. Your company currently employs about 350 people in Canada (head office functions, advertising, legal, and sales). You are a successful company, in business for many years, and you hope to expand your sales around the globe.

What are some other examples of this type of firm?

There are many multinational enterprises, including General Motors, Sony, General Electric, Exxon, and Toyota.

Difficulty: Easy
Hill - Chapter 01 #124

125. You manage a company that produces and sells cameras that work under water. The camera bodies are made in China, in a facility your company owns, and which employs about 500 people. The electronics for the camera are bought from a supplier in South Korea. The lens and optics are made in your own facility in Japan, which employs about 300 people. The final product is also assembled and packaged at this facility in Japan. Your company currently employs about 350 people in Canada (head office functions, advertising, legal, and sales). You are a successful company, in business for many years, and you hope to expand your sales around the globe.

What have been the two most notable trends in these type of enterprises since the 1960s?

The two most notable trends in multinational enterprises since the 1960s have been (1) the rise of non-U.S. multinationals; and (2) the growth of mini-multinationals. Mini-multinationals are small and medium-sized international firms. The role of these firms is likely to gain momentum in the future.

Difficulty: Easy
Hill - Chapter 01 #125

126. You manage a company that produces and sells cameras that work under water. The camera bodies are made in China, in a facility your company owns, and which employs about 500 people. The electronics for the camera are bought from a supplier in South Korea. The lens and optics are made in your own facility in Japan, which employs about 300 people. The final product is also assembled and packaged at this facility in Japan. Your company currently employs about 350 people in Canada (head office functions, advertising, legal, and sales). You are a successful company, in business for many years, and you hope to expand your sales around the globe.

What are the future prospects of smaller firms that operate as your firm does internationally. Why?

Many small and medium-sized companies are becoming increasingly involved in international trade, in a variety of different contexts. As these companies expand their international activities, they will increasingly take their place as mini-multinationals on the world stage.

Difficulty: Easy
Hill - Chapter 01 #126

Chapter 1 Summary

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