**Module 01 The Challenging Context of International Business**

**1)** All managers need to have a basic knowledge of international business.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Difficulty : 1 Easy

Companies need employees with diversity of thought and diversity of values, reflecting the increasing importance that globalization has for companies in order to meet the challenge of global competition.

**2)** Only a company that has foreign operations needs to be aware of what is occurring globally in its markets and in its industry.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Difficulty : 1 Easy

Even companies with no foreign operations of any kind need their managers to embody a global perspective, because it will help them not only to be alert for both sales and sourcing opportunities in foreign markets but also to be watchful for new foreign competitors preparing to invade their domestic market.

**3)** The operations of a company outside its home or domestic market are known as foreign business.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Remember  
Difficulty : 1 Easy

Foreign business denotes the operations of a company outside its home or domestic market; many refer to this as business conducted within a foreign country.

**4)** An international company (IC) is a company headquartered in another nation.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

An international company (IC) is a company with operations in multiple nations.

**5)** International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments—domestic, foreign, and international.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments—domestic, foreign, and international.

**6)** As used in the text, the term *environment* means all the forces influencing the life and development of the firm.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Remember  
Difficulty : 1 Easy

As used in the text, the term environment means all the forces influencing the life and development of the firm. The forces themselves can be classified as external or internal.

**7)** External forces are commonly called *uncontrollable forces*, which are the external forces that management has no direct control over, although it can exert influence.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Remember  
Difficulty : 1 Easy

The external forces are commonly called uncontrollable forces, which are the external forces that management has no direct control over, although it can exert influence.

**8)** Lobbyists who advocate for new laws that will affect the production standards of a business are an example of an internal force.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

The internal forces over which management does have some control, such as the factors of production and the activities of the organization, are called the controllable forces. Lobbyists who advocate for new laws are an example of an external force.

**9)** The domestic environment includes all the controllable forces originating in the home country that surround and influence the life and development of the firm.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

The domestic environment includes all the uncontrollable forces originating in the home country that surround and influence the life and development of the firm.

**10)** The international environment refers to all the uncontrollable forces originating outside the home country that surround and influence the firm.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

The foreign environment refers to all the uncontrollable forces originating outside the home country that surround and influence the firm.

**11)** Those who work in the international environment find that decision making is more complex than it is in a purely domestic environment.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Remember  
Difficulty : 1 Easy

Those who work in the international environment find that decision making is more complex than it is in a purely domestic environment.

**12)** When a manager unconsciously imparts his or her own cultural values on a situation without taking into account the possibility that the culture might vary in a foreign environment, that manager is exhibiting a self-reference criterion.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

Unconscious reference to your own cultural values when judging behaviors of others in a new and different environment is known as the self-reference criterion.

**13)** Britain was the world's leading manufacturing country for about 1,800 years, until it was replaced by the United States in the 1800s.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 01-02 Describe the history and future of international business.  
Topic : What is Globalization?

China was the world's leading manufacturing country for about 1,800 years, until it was replaced by Britain about 1840.

**14)** The plague known as the Black Death moved west and affected more people as the international trading system expanded.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-02 Describe the history and future of international business.  
Topic : What is Globalization?

The impact of the emerging international trading system was extensive. Politics, the arts, agriculture, industry, and other sectors of human life were profoundly influenced by the goods and ideas that came with trade. Public health was also affected. An interesting precursor to contemporary concerns about global health epidemics, such as severe acute respiratory syndrome (SARS) and Ebola, was international trade's association with the spread of the plague, known as the Black Death, one of the worst natural disasters in history.

**15)** The 17th and 18th centuries have frequently been termed the *age of industrialism* because this was the period when industrialization was advanced to the masses.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-02 Describe the history and future of international business.  
Topic : What is Globalization?

The 17th and 18th centuries have frequently been termed the age of mercantilism because the power of nations depended directly on the sponsorship and control of merchant capital, which expanded under the direct subsidization and protection of national governments.

**16)** Rapid urbanization of populations combined with industrialization in the emerging markets is quickly shifting the world's economic center of gravity from Europe and the Americas back to Asia.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
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Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 01-02 Describe the history and future of international business.  
Topic : What is Globalization?

Rapid urbanization of populations combined with industrialization in the emerging markets is quickly shifting the world's economic center of gravity from Europe and the Americas back to Asia.

**17)** Transnational corporations consist of several entities each of which has its own independent strategy and policies.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Topic : The Changing Nature of the Global Economy

Transnational corporations are enterprises made up of entities in more than one nation, operating under a decision making system that allows for a common strategy and coherent policies.

**18)** The five major drivers of international business include political, sociocultural, technological, market, and competitive drivers.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Bloom's : Remember  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

The five major kinds of drivers, all based on changes that are leading international firms to the globalization of their operations, include political, technological, market, cost, and competitive drivers. Sociocultural drivers are not part of these identified forces.

**19)** The advent of globalization has had minimal effect on labor standards around the world.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

The impact of globalization on labor standards has become an oft-mentioned concern of workers in the United States, Europe, and elsewhere around the world.

**20)** Opponents of free trade point out that globalization has contributed to a decline in environmental and health conditions.

⊚ true  
 ⊚ false

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

Opponents of free trade point out that globalization has contributed to a decline in environmental and health conditions.

**21)** Big Tire Bikes Inc. is headquartered in Maryland and does business within the United States, as well as within many countries in Europe and South America. This company is an example of a(n)

A) domestic corporation.   
 B) foreign subsidy.  
 C) international affiliate.  
 D) international business.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Apply

An international business is business that is carried out across national borders. This includes trade and manufacturing and the growing service industry.

**22)** Why would companies that don’t have any foreign operations still need to acquire a global perspective?

A) This will help the company provide more efficient domestic services.   
 B) This would help the companies be more aware of new foreign competitors.  
 C) This would help companies manufacture products more efficiently.  
 D) This will help the company create more job opportunities.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

Even companies with no foreign operations should acquire a global perspective because it will help them not only to be alert for both sales and sourcing opportunities in foreign markets but also to be watchful for new foreign competitors preparing to invade their domestic market.

**23)** Jetson Manufacturing has manufacturing operations in the United States, Germany, Indonesia, and Brazil. Jetson Manufacturing is an example of a(n)

A) state-owned corporation.   
 B) distribution center.  
 C) international affiliate.  
 D) international company.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Apply

An international company has operations in multiple nations.

**24)** The increased internationalization of business requires \_\_\_\_\_\_\_\_ to have a basic knowledge of international business.

A) all managers   
 B) managers of multinationals  
 C) managers of transnationals  
 D) managers of purely domestic operations

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Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Difficulty : 1 Easy

All managers need to have a basic knowledge of international business to be able to meet the challenge of global competition. Acquiring this knowledge consists, in part, of learning the special terminology.

**25)** An international business is defined as a(n)

A) business whose activities involve crossing national borders.   
 B) organization with multicountry affiliates.  
 C) organization that attempts to standardize operations worldwide.  
 D) organization engaged in domestic trade.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Difficulty : 1 Easy

International business is business that is carried out across national borders. This definition includes not only international trade and foreign manufacturing but also the growing service industry in areas such as transportation, tourism, advertising, consulting, construction, retailing, wholesaling, and mass communications.

**26)** Foreign business denotes

A) a business with operations in multiple nations.   
 B) business conducted within a foreign country.  
 C) an organization with multicountry affiliates.  
 D) an organization that attempts to standardize operations worldwide.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

Foreign business denotes the operations of a company outside its home or domestic market; many refer to this as business conducted within a foreign country. This term sometimes is used interchangeably with international business by some writers, although that will not be our practice.

**27)** The construction industry has joined the ranks of other industries and now carries out business across national borders. In other words, the construction industry has become a(n)

A) foreign-owned company.   
 B) domestic affiliate.  
 C) international affiliate.  
 D) international business.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

An international business is a business that is carried out across national borders.

**28)** International business differs from domestic business in that a firm operating across borders must deal with the forces associated with which three kinds of environments?

A) geographic, political, economic   
 B) foreign, domestic, international  
 C) initial, secondary, primary  
 D) multicultural, ethnocentric, stereotypical

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

International business differs from domestic business in that a firm operating across borders must deal with the forces of three kinds of environments—domestic, foreign, and international. In contrast, a firm whose business activities are carried out within the borders of one country needs to be concerned essentially with only the domestic environment.

**29)** *Environment* as used in the textbook involves the forces surrounding and influencing the life and development of the firm and is classified as

A) primary and secondary.   
 B) controllable and uncontrollable.  
 C) domestic and foreign.  
 D) representative and democratic.

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Learning Objective : 01-01 Show how international business differs from domestic business.  
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The term environment as used here means all the forces influencing the life and development of the firm. The forces themselves can be classified as external or internal. The external forces are commonly called uncontrollable forces, which are the external forces that management has no direct control over, although it can exert influence. The internal forces over which management does have some control and that management administers to adapt to changes in the uncontrollable forces are called the controllable forces.

**30)** Hamlin Millworks is frustrated with the lobbyists who are currently trying to influence Congress to raise taxes for all corporations in the wood products industry. In the environment of Hamlin Millworks, these lobbyists are an example of

A) a foreign environment.   
 B) controllable forces.  
 C) a domestic environment.  
 D) uncontrollable forces.

**Question Details**AACSB : Reflective Thinking  
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Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Apply

Uncontrollable forces are the external forces over which management has no direct control, although it can exert influence—such as lobbying for a change in a law and heavily promoting a new product that requires a change in a cultural attitude. External forces include competitive, distributive, and political forces, among others, but do not include activities of the organization such as human resources, finance, or production.

**31)** What is an example of an internal force that can affect a company’s environment?

A) economic downturn   
 B) availability of natural resources  
 C) international competitors  
 D) human resources

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

External forces include competitive, technological, legal, labor, and political forces, among others, but do not include activities of the organization such as human resources, finance, or production that are all examples of internal forces.

**32)** What is an example of an external force that can affect a company’s environment?

A) The marketing department decides that online advertising will work best for a new product introduction.   
 B) The manufacturing plant purchases new equipment to automate a process.  
 C) The newly-elected governor decides to raise property taxes.  
 D) A human resource professional meets with staff to discuss hiring temporary help.

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Learning Objective : 01-01 Show how international business differs from domestic business.  
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Uncontrollable forces are the external forces over which management has no direct control, although it can exert influence—such as lobbying for a change in a law and heavily promoting a new product that requires a change in a cultural attitude. External forces include competitive, technological, legal, labor, and political forces, among others, but do not include activities of the organization such as human resources, finance, marketing, or production that are all examples of internal forces.

**33)** Gabriel Industries is located near a port city which allows it to ship products easily overseas to its international customers. The geographic location of the company is an example of a(n)

A) sociocultural commodity.   
 B) labor standard.  
 C) external force.  
 D) internal force.

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Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Apply

External forces are the uncontrollable forces over which management has no direct control, although it can exert influence—such as lobbying for a change in a law and heavily promoting a new product that requires a change in a cultural attitude. External forces include competitive, technological, legal, labor, and political forces, among others, but do not include activities of the organization such as human resources, finance, or production that are all examples of internal forces.

**34)** What is an example of an external force that represents financial factors affecting a business?

A) consumer opinion   
 B) geographic location  
 C) Interest rates  
 D) domestic laws

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Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

There are many types of external forces that affect a company’s environment. Interest rates are an example of a financial factor that acts as an external force on a business.

**35)** Brennan Audio Inc. is struggling in the industry because it doesn’t have the staff with the right skills for the job. Which category of external forces does this represent?

A) labor   
 B) legal  
 C) physical  
 D) technological

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Bloom's : Apply

There are many types of external forces that affect a company’s environment. In this example, the labor force is having an effect because the company doesn’t have the necessary staff.

**36)** When gross national income rates drop significantly, it affects a company’s environment. Which type of external force does this represent?

A) technological   
 B) legal  
 C) physical  
 D) economic

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Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

There are many types of external forces that affect a company’s environment. In this example, an economic force is having an effect.

**37)** The forces over which the management does have some command are called

A) domestic.   
 B) external.  
 C) foreign.  
 D) internal.

**Question Details**AACSB : Reflective Thinking  
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Topic : Why Study International Business  
Bloom's : Remember  
Difficulty : 1 Easy

The internal forces are those over which management does have some control and can manage.

**38)** The domestic environment is composed of all the uncontrollable forces originating in the \_\_\_\_\_\_\_\_ that surround and influence the life and development of the firm.

A) international arena   
 B) host nation  
 C) home country  
 D) foreign country

**Question Details**AACSB : Reflective Thinking  
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Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
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The domestic environment is all the uncontrollable forces originating in the home country that surround and influence the life and development of the firm.

**39)** Which of the environments associated with a company refers to the uncontrollable forces originating outside the home country?

A) domestic   
 B) foreign  
 C) international  
 D) national

**Question Details**AACSB : Reflective Thinking  
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Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

The foreign environment refers to all the uncontrollable forces originating outside the home country that surround and influence the firm.

**40)** The forces in the foreign environment differ from the domestic environment in that they originate

A) concurrently in the home and host country.   
 B) in the firm’s home country.  
 C) in only the host country.  
 D) outside the firm’s home country.

**Question Details**AACSB : Reflective Thinking  
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Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
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The foreign environment refers to all the uncontrollable forces originating outside the home country that surround and influence the firm. The forces in the foreign environment are the same as those in the domestic environment except that they occur outside the firm's home country.

**41)** Foreign environmental forces often operate differently than domestic environmental forces because

A) they typically carry the same value as domestic forces.   
 B) they are easier to assess than domestic forces.  
 C) the two forces do not affect each other.  
 D) the forces are interrelated.

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Even though the kinds of forces in the two environments are identical, their values often differ widely, and at times—though not always—they are completely opposed to each other. Another problem with foreign forces is that they are frequently difficult to assess. As you study the modules in this course, it will be evident that the forces are often interrelated. This in itself is not a novelty, because the same situation confronts a domestic manager. On the foreign scene, however, the kinds of interaction that occur and the outcomes may differ.

**42)** The kinds of forces in the foreign environment are \_\_\_\_\_\_\_\_ those in the domestic environment except that they occur in foreign nations.

A) different from   
 B) the same as  
 C) less demanding than  
 D) more stringent than

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The forces in the foreign environment are the same as those in the domestic environment except that they occur outside the firm's home country. However, they operate differently for several reasons.

**43)** The international environment consists of which group of interactions?

A) The domestic environmental forces and global environmental forces.   
 B) The foreign uncontrollable forces and the domestic uncontrollable forces.  
 C) The domestic environmental forces and the foreign environmental forces, as well as the foreign environmental forces of two countries when an affiliate in one country does business in another country.  
 D) The domestic environmental forces and the foreign environmental forces, as well as the foreign environmental forces of all other countries.

**Question Details**AACSB : Reflective Thinking  
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Topic : Why Study International Business  
Difficulty : 1 Easy

The international environment consists of the interactions between the domestic environmental forces and the foreign environmental forces, as well as interactions between the foreign environmental forces of two countries, such as when an affiliate in one country does business with customers in another.

**44)** Decision making in the international environment is considered \_\_\_\_\_\_\_\_ it is in a purely domestic environment.

A) less complex than   
 B) less demanding than  
 C) more complex than  
 D) exactly the same as

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Those who work in the international environment find that decision making is more complex than it is in a purely domestic environment.

**45)** According to the text, personnel working in a foreign subsidiary are working in the international environment

A) if they work and live in the foreign subsidiary's country.   
 B) if they are responsible for the subsidiary's exports.  
 C) if they are responsible for the management of the foreign subsidiary.  
 D) if they are responsible for manufacturing activities within the foreign subsidiary.

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Learning Objective : 01-01 Show how international business differs from domestic business.  
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Employees at the headquarters of an international company work in the international environment if they work in any way with another nation, whereas those in a foreign subsidiary do not unless they too are engaged in international business through exporting or the management of other affiliates. In other words, a sales manager of the operations of the Chinese electronics firm Xiaomi does not work in the international environment if he or she sells cellular phones only in China.

**46)** Kendall was recently assigned to a management role in his company’s overseas operation. He has been taken off guard several times when his employees responded negatively because they said he didn’t take their culture into consideration when he made decisions. His employees are referring to a

A) self-reference criterion.   
 B) production orientation.  
 C) self-fulfilling prophecy.  
 D) marketing orientation.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Apply

Unconscious reference to your own cultural values when judging behaviors of others in a new and different environment is known as the self-reference criterion.

**47)** Unconscious reference to one's own cultural values when judging behavioral actions of others in a new and different environment is called the self-reference

A) culture.   
 B) values.  
 C) criterion.  
 D) customs.

**Question Details**AACSB : Reflective Thinking  
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Unconscious reference to your own cultural values when judging behaviors of others in a new and different environment is known as the self-reference criterion.

**48)** An international manager has three choices when deciding how to employ a technique used in domestic operations to an international operation: transfer it intact, not use it, or

A) provide it to the competition.   
 B) adapt it to customization.  
 C) produce it in mass quantities.  
 D) adapt it to local conditions.

**Question Details**AACSB : Reflective Thinking  
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Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

In international business, the international manager has three choices in deciding what to do with a concept or a technique employed in domestic operations: (1) transfer it intact, (2) adapt it to local conditions, or (3) not use it overseas.

**49)** Historically, international business as a business practice is considered

A) relatively new.   
 B) to have existed before the Roman Empire.  
 C) to have begun in China.  
 D) a result of the rise of the Ottoman Empire.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-02 Describe the history and future of international business.  
Topic : What is Globalization?

While international business as a discipline is relatively new, as a business practice it is not. Well before the Roman Empire was established, Phoenician and Greek merchants were sending representatives abroad to sell their goods.

**50)** International business really began

A) with the East India Company chartered in 1600.   
 B) when Singer Sewing Machine put up a factory in Scotland in 1868.  
 C) when Phoenician and Greek merchants sent representatives abroad to sell goods.  
 D) when Colt Fire Arms set up a plant in England.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-02 Describe the history and future of international business.  
Topic : What is Globalization?

While international business as a discipline is relatively new, as a business practice it is not. Well before the time of the Roman Empire, Phoenician and Greek merchants were sending representatives abroad to sell their goods.

**51)** What company was the first to issue stock and is often identified as the world’s first multinational corporation?

A) Dutch East India Company   
 B) Ford Motor Company  
 C) Ottoman Empire  
 D) Singer Sewing Machine

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 01-02 Describe the history and future of international business.  
Topic : What is Globalization?

The Dutch East India Company was the first company to issue stock and is frequently identified as the first multinational corporation.

**52)** \_\_\_\_\_\_\_\_ was the world's leading manufacturing country for about 1,800 years, until it was replaced by Britain in about 1840.

A) The United States   
 B) Germany  
 C) India  
 D) China

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-02 Describe the history and future of international business.  
Topic : What is Globalization?

China was the world's leading manufacturing country for about 1,800 years, until it was replaced by Britain in about 1840.

**53)** The rise of the Ottoman Empire before 1300 influenced trade as it

A) eliminated trade between Europe and Asia.   
 B) reduced the cost of Asian trade for Europeans.  
 C) reduced the cost of European trade for Asians.  
 D) promoted a search for sea routes from Europe to Asia.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-02 Describe the history and future of international business.  
Topic : What is Globalization?

The rise of the Ottoman Empire before 1300, ultimately spanning Europe, North Africa, and the Middle East, profoundly influenced the emerging trade routes for people, goods, money, animals, and microorganisms that spanned from England to China, across the Mediterranean and Northern Africa, and through Central Asia and the Indian Ocean region. The powerful central location of the Ottomans within this trading web had the effect of raising the cost of Asian trade for Europeans and thus drove a search for sea routes to Asia, including the expeditions that discovered the Americas.

**54)** The 17th and 18th centuries have frequently been termed the *“Age of Mercantilism”* because

A) the merchant class was created during this time.   
 B) the Americas were discovered.  
 C) individual states were able to support themselves as more merchants were established.  
 D) national power depended on the sponsorship and control of merchant capital.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-02 Describe the history and future of international business.  
Topic : What is Globalization?

The 17th and 18th centuries have frequently been termed the "Age of Mercantilism" because the power of nations depended directly on the sponsorship and control of merchant capital, which expanded under the direct subsidization and protection of national governments.

**55)** Rapid urbanization of populations combined with industrialization in the emerging markets is quickly shifting the world's economic center of gravity from

A) the United States to South America.   
 B) the Americas and Europe to Asia.  
 C) Europe and Asia to Africa.  
 D) China to India.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-02 Describe the history and future of international business.  
Topic : What is Globalization?

While most multinationals are based in the developed nations of the world, recently there has been a surge in the number arising in emerging economies. Indeed, rapid urbanization of populations combined with industrialization in the emerging markets is quickly shifting the world's economic center of gravity from Europe and the Americas back to Asia, where it had been until the start of the industrial revolution in the 1800s.

**56)** Estimates show there are \_\_\_\_\_\_\_\_ transnational corporations with hundreds of thousands of foreign affiliates.

A) about 5,000   
 B) fewer than 12,000  
 C) more than 100,000  
 D) nearly one million

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : The Changing Nature of the Global Economy

It is estimated there are more than 103,000 transnational corporations with nearly 900,000 foreign affiliates.

**57)** State-owned transnationals currently account for \_\_\_\_\_\_\_\_ of all transnational corporations.

A) almost 15 percent   
 B) nearly 100 percent  
 C) about 50 percent  
 D) less than 1 percent

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Topic : The Changing Nature of the Global Economy

While the vast majority of transnationals are privately owned, government ownership also represents an important element among the world's international companies. Although they constitute fewer than 1 percent of all transnational corporations, these state-owned firms account for more than 10 percent of the world's foreign direct investment.

**58)** Due to the expanding importance of foreign-owned firms in local economies, host governments have made their policies toward these companies

A) more strict.   
 B) more liberal.  
 C) extremely conservative.  
 D) inflexible.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Topic : The Changing Nature of the Global Economy

The expanding importance of foreign-owned firms in local economies came to be viewed by a number of governments as a threat to their autonomy. However, there has been a marked liberalization of government policies and attitudes toward foreign investment in both developed and developing nations in recent years.

**59)** When nations and corporations were ranked by GNI and total sales, respectively, for 2016, how many had GNI greater than the total annual sales of Walmart Stores?

A) 73   
 B) 32  
 C) 24  
 D) 59

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Topic : The Changing Nature of the Global Economy

In 2016, only 24 nations had gross national incomes (GNIs) greater than the total annual sales of Walmart Stores, the company with the greatest level of sales in the world.

**60)** Foreign subsidiaries must obey the local laws. If they don't, they could be subject to

A) legal action by the United Nations.   
 B) legal action by the country of the parent company.  
 C) seizure by the host government.  
 D) reciprocal behavior by competitor companies.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Topic : The Changing Nature of the Global Economy

Regardless of the parent firm's size, each subsidiary is a local company that must comply with the laws in the country in which it is located. If it does not, it can be subject to legal action or even government seizure.

**61)** Harrison Manufacturing, based in Toledo, recently purchased a new manufacturing facility and production equipment in Germany that it will use to produce component parts. This purchase is an example of

A) intrastate commerce.   
 B) economies of scale.  
 C) importing and exporting.  
 D) foreign direct investment.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Bloom's : Apply  
Topic : The Changing Nature of the Global Economy

Foreign direct investment refers to direct investments in equipment, structures, and organizations in a foreign country.

**62)** The total level of outward FDI worldwide increased about \_\_\_\_\_\_\_\_ between 1990 and 2018.

A) threefold   
 B) fivefold  
 C) ninefold  
 D) fourteenfold

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Topic : The Changing Nature of the Global Economy

The total level of outward FDI worldwide was $30.8 trillion at the beginning of 2018, which was nearly 14 times larger than what it was in 1990.

**63)** \_\_\_\_\_\_\_\_ refers to the transportation of any domestic good or service to a destination outside a country or region.

A) Importing   
 B) Foreign direct investment  
 C) Exporting  
 D) International business

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Difficulty : 1 Easy  
Topic : The Changing Nature of the Global Economy

Exporting is the transportation of any domestic good or service to a destination outside a country or region.

**64)** \_\_\_\_\_\_\_\_ refers to the transportation of any domestic good or service to a destination inside a country or region, from a foreign origination point.

A) Importing   
 B) Investing  
 C) Exporting  
 D) Divesting

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Difficulty : 1 Easy  
Topic : The Changing Nature of the Global Economy

Importing is the transportation of any good or service into a country or region, from a foreign origination point.

**65)** The level of merchandise exports worldwide were \_\_\_\_\_\_\_\_ larger in 2017 than they were in 1980.

A) four times   
 B) nearly six times  
 C) two times  
 D) nine times

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Topic : The Changing Nature of the Global Economy

Merchandise exports have grown faster than world output in nearly each of the past 60 years. World merchandise exports grew from $2.0 trillion in 1980 to $3.5 trillion in 1990, $6.5 trillion in 2000, $15.3 trillion in 2010, and $17.7 trillion in 2017. This means that exports in 2017 were 9 times larger than they were in 1980.

**66)** Compared to 1980, service exports in 2017 can best be described as

A) decreasing due to more international corporations.   
 B) struggling to flourish based on government restrictions.  
 C) lower than they were in 1980.  
 D) more than thirteen times larger.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Topic : The Changing Nature of the Global Economy

The level of service exports worldwide grew even more during this time, from $396 billion in 1980 to $831 billion in 1990, $1.5 trillion in 2000, $3.9 trillion in 2010, and $5.3 trillion in 2017. This means that services exports in 2017 were more than 13 times larger than they were in 1980.

**67)** What is one of the five major drivers of globalization?

A) political   
 B) social  
 C) cultural  
 D) economic

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Topic : Drivers of Globalization  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

Five major kinds of drivers, all based on change, are leading international firms to internationalize their operations: (1) political, (2) technological, (3) market, (4) cost, and (5) competitive.

**68)** What is identified in the text as being one of the five major drivers of globalization?

A) monetary   
 B) transportation  
 C) cultural  
 D) market

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

Five major kinds of drivers, all based on change, are leading international firms to internationalize their operations: (1) political, (2) technological, (3) market, (4) cost, and (5) competitive.

**69)** Honest Yogurt Company of Denver, Colorado, was relieved when trade barriers on dairy products were lifted in Europe and the company could sell its products there. Which type of driver was affecting the company’s ability to do business in Europe?

A) political   
 B) social  
 C) technological  
 D) market

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Bloom's : Apply  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

The reduction of trade barriers is an example of a political driver affecting international business.

**70)** An example of political drivers of globalization would be

A) privatization of industries.   
 B) increased communication created by advanced communication technologies.  
 C) globalizing product lines to decrease costs of production.  
 D) the introduction of competitor firms.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

There is a trend toward the unification and socialization of the global community. Preferential trading arrangements that group several nations into a single market, such as the North American Free Trade Agreement and the European Union, have presented firms with significant marketing opportunities. Many firms have moved swiftly to gain access to the combined markets of these trading partners, by either exporting to or producing in the area. Two other aspects of this trend are contributing to the globalization of business operations: (1) the progressive reduction of barriers to trade and foreign investment by most governments, which is hastening the opening of new markets by international firms that are both exporting to them and building production facilities in them, and (2) the privatization of much of the industry in formerly communist nations and the opening of their economies to global competition.

**71)** The trend toward unification and socialization of the global community is illustrated by which of the following?

A) progressive increases in barriers to foreign investment by most governments   
 B) preferential trading arrangements that group several nations into a single market  
 C) increased public ownership of much of the industry in formerly communist nations  
 D) expanded barriers to trade by most governments

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

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**72)** Jensen Control Corp. now uses videoconferencing which helps the sales team demonstrate products to prospective international customers while eliminating expensive travel costs. Which of the five drivers of international business does this represent?

A) political   
 B) market  
 C) technological  
 D) competitive

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Bloom's : Apply  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

Advances in computers and communications technology are permitting an increased flow of ideas and information across borders, enabling customers to learn about foreign goods. Internet videoconferencing allows sellers to demonstrate their products to prospective buyers all over the world without the need to travel. It also permits international companies to hold corporate meetings between managers from headquarters and overseas subsidiaries without expensive, time-consuming travel.

**73)** When a government sees that local industry is threatened by imports, it can threaten to erect import barriers to stop or reduce these imports. This is an example of a \_\_\_\_\_\_\_\_ driver of international business activity.

A) technological   
 B) market  
 C) political  
 D) cost

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Bloom's : Apply  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

Even with governmental actions to open their economies to international business, concerns about protecting markets from potential protectionism by host country markets may still remain a motive for a company to increase the level of its international business activity. For example, when a government sees that local industry is threatened by imports, it may erect import barriers to stop or reduce these imports. Even threats to do this can be sufficient to induce the exporter to invest in production facilities in the importing country.

**74)** Relatively inexpensive international communication enables firms to "body shop," that is, transmit computer-oriented tasks worldwide to a cheap but skilled labor force. This is an example of a \_\_\_\_\_\_\_\_ driver of international business activity.

A) political technological   
 B) market  
 C) technological  
 D) cost

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

Advances in computer-based communications are allowing virtual integration, which permits firms to become more physically fragmented as they search the world for lower-cost inputs. For example, good, relatively inexpensive international communication enables large insurance, banking, software, and other firms to "body shop," that is, transmit computer-oriented tasks worldwide to a cheap but skilled labor force. The clients of numerous Indian software companies are in the United States. A few years ago, software teams were required to fly back and forth between the two countries. Now, at the end of the day, customers in the United States email their problems to India. The Indians then work on the solutions and have them back in the United States early the next day. For their work, Indian software engineers often receive only 15 to 20 percent as much pay as do their U.S. counterparts.

**75)** Sanjay is the director of operations for Fresh Farm Produce Corp. and is now able to sell his product to the international market thanks to a new computer system that is specifically designed for businesses in the fresh food industry. Which driver helped Sanjay’s company internationalize?

A) technological   
 B) cost  
 C) market  
 D) political

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Bloom's : Apply  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

Technological drivers include advances in computers and communication technology that permit an increased flow of ideas and information across borders.

**76)** When a supplier to an original equipment manufacturer (e.g., a battery manufacturer supplying an automobile producer) follows its major customer to a new country, it is an example of a \_\_\_\_\_\_\_\_ driver of international business activity.

A) political technological   
 B) market  
 C) technological  
 D) cost

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Bloom's : Apply  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

Suppliers to original equipment manufacturers (battery manufacturers supplying automobile producers) often follow their large customers, reflecting a market driver for internationalization. These suppliers have an added advantage in that they are moving into new markets with a guaranteed customer base.

**77)** Harman Advertising Agency, based in Toronto, decided to establish an operation in France because it was concerned that its competition would try to take over their clients in Europe, which represents 65 percent of their business. Which type of driver is responsible for this decision to go international?

A) political   
 B) technological  
 C) cost  
 D) market

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Bloom's : Apply  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

A company that establishes a foreign operation to maintain the majority of its business is being affected by a market driver.

**78)** A company that decides to go abroad as a way to increase economies of scale is basing this decision on which driver of international business activity?

A) cost   
 B) political  
 C) competitive  
 D) market

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Bloom's : Apply  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

In this situation, a cost driver is affecting the decision to conduct international business.

**79)** A business that decides to increase sales by entering the international market may do so in order to create economy of scale. This would be an example of which driver of internationalization?

A) political   
 B) market  
 C) competitive  
 D) cost

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

Whether by exporting or producing overseas, companies can frequently lower the cost of goods sold and realize the lower costs associated with economies of scale. This reflects the cost driver of internationalization.

**80)** What is an example of the competitive driver of international business activity?

A) a manufacturing company that lobbies its home country government for protection against imports   
 B) a company that expands its local manufacturing facility in a foreign country in order to qualify for tax rebates  
 C) a company that searches for markets with rising gross domestic product per capita and population growth  
 D) a company that enters a foreign market to distract companies with similar products or services

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Bloom's : Apply  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

While many of these alternatives may have some element related to the competitiveness of a company, a company that enters a foreign competitor's home market to distract them would be the best example of a company responding to a competitive driver as the basis for internationalizing its business activities.

**81)** The automobile manufacturer decided it had to enter the European market because if it didn’t, then all of the other car companies that were already there would get the business. Which driver is indicating internationalization for the manufacturer?

A) political   
 B) market  
 C) cost  
 D) competitive

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

Since competition continues to increase in intensity, companies are having to respond to this and determine if they should enter the international market.

**82)** The tendency toward an international integration of goods, technology, information, labor, and capital, or the process of making this integration happen, is called

A) internationalization.   
 B) international business.  
 C) economic globalization.  
 D) multinationalization.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

Economic globalization is the tendency toward an international integration and interdependency of goods, technology, information, labor, and capital, or the process of making this integration happen.

**83)** Who is credited with being the first person to coin the term “globalization?”

A) John Keynes   
 B) Theodore Levitt  
 C) Sigmund Freud  
 D) James Wolfensohn

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

Theodore Levitt is credited with being the first person to coin the term “globalization.”

**84)** The term *globalization* was first coined in a *Harvard Business Review* article in which the author maintained that

A) new technologies were creating opportunities for creating mass customization of products.   
 B) governments would be threatened by the emergence of global companies and would limit their development.  
 C) the future belonged to global companies that sold the same things the same way, everywhere.  
 D) increased differentiation of products would mean that costs of production would become a steadily declining proportion of the selling price.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

The term globalization was first coined by Theodore Levitt in a Harvard Business Review article in which he maintained that new technologies had "proletarianized" communication, transport, and travel, creating worldwide markets for standardized consumer products at lower prices. He maintained that the future belonged to global corporations that did not cater to local differences in taste but, instead, adopted strategies that operated "as if the entire world (or major regions of it) were a single entity; [such an organization] sells the same things in the same way everywhere."

**85)** The argument that free trade is the best strategy for advancing the world's economic development is considered

A) one of the most contentious issues associated with economic globalization.   
 B) one that has very little support in research studies.  
 C) a proposition with which almost all economists agree.  
 D) the basis for much protectionist legislation in emerging markets.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

That free trade is the best strategy for advancing the world's economic development is one of the few propositions on which almost all economists agree, not only because it is theoretically compelling but also because it has been demonstrated in practice.

**86)** What was Theodore Levitt referring to when he said that the future belonged to corporations that operated “as if the entire world were a single entity; [such an organization] sells the same things in the same way everywhere”?

A) accommodation   
 B) globalization  
 C) standardization  
 D) customization

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

Levitt was referring to globalization when he made this statement.

**87)** Data have shown a clear and definitive link between

A) protectionist legislation and enhanced economic welfare of a country.   
 B) liberalization of trade and reduced disparity in personal income.  
 C) government subsidies and the development of globally competitive industries.  
 D) liberalization of trade and economic growth.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

Data have shown a clear and definitive link between liberalization of trade and economic growth. On a wide range of measures—poverty, education, health, and life expectancy—more people have become better off at a faster pace in the past 60 years than at any other time in history. Evidence is strong regarding the dramatic decline in both the proportion and the absolute number of destitute people.

**88)** One argument against globalization is that it creates a decline in

A) socioeconomic development.   
 B) better jobs.  
 C) professional development.  
 D) environmental conditions.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

One of the arguments against globalization is that it fosters a decline in environmental and health conditions.

**89)** According to supporters of the globalization of trade and investment, free trade

A) creates more and better jobs.   
 B) benefits all nations and workers.  
 C) does not cause the loss of high-paying jobs.  
 D) preserves the individuality of different cultures.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

Expanded trade is also linked with the creation of more and better jobs. Between 1992 and 2018—a period of immense technological change and growth in trade—around 40 million more nonfarm jobs were created than were destroyed in the United States, an increase of over 40 percent.

**90)** Many opponents of globalization believe that the gap between rich and poor has

A) decreased.   
 B) not been affected.  
 C) disappeared.  
 D) increased.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

Many opponents of globalization have claimed that there is a huge gap between the world’s rich and poor and that globalization has caused that gap to increase.

**91)** What is an argument presented by opponents of globalization?

A) A report by the Labor Secretariat for the North American Free Trade Agreement (NAFTA) reported that more than half of firms surveyed used threats to close U.S. operations as a tool to fight union-organizing efforts.   
 B) Although labor standards in developing countries are usually lower than in industrialized countries, they are rising.  
 C) Multinationals investing in host nations pay higher wages, create new jobs at a faster rate, and spend more on R&D than do local firms.  
 D) Developing countries may feel that lower-cost labor constitutes their competitive advantage and that if they are forced to implement more stringent labor standards, it may damage their prospects for improved economic development.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

All of these arguments have generally been presented as counterarguments to the opponents of globalization, except the report by the Labor Secretariat for the North American Free Trade Agreement (NAFTA) reported that more than half of firms surveyed used threats to close U.S. operations as a tool to fight union-organizing efforts.

**92)** According to opponents of the globalization of trade and investment,

A) free trade benefits all nations and workers.   
 B) globalization has caused a dramatic decline in both the proportion and the absolute number of destitute people in the world.  
 C) globalization has contributed to a decline in environmental and health conditions.  
 D) globalization enhances preservation of the uniqueness of different cultures.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

While many of the antiglobalizers concede that globalization "increases the size of the pie," they also claim that it has been accompanied by a broad array of injurious social implications. Among their concerns are (1) that globalization has produced uneven results across nations and people, (2) that globalization has had deleterious effects on labor and labor standards, and (3) that globalization has contributed to a decline in environmental and health conditions.

**93)** According to opponents of the globalization of trade and investment

A) globalization has contributed to an improvement in environmental and health conditions.   
 B) globalization benefits all nations and workers.  
 C) globalization has produced uneven results across nations and people.  
 D) citizens from more globally integrated countries have lower levels of civil liberties and lower economic prosperity.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

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**94)** An opponent of globalization would agree that

A) globally integrated countries spend more on public education, especially in developing countries.   
 B) globalization has had harmful effects on labor and labor standards.  
 C) countries that have rejected globalization are among the most advanced nations of the world.  
 D) globalization has increased the proportion of people in developing countries who live on $1.25 per day or less.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

While many of the antiglobalizers concede that globalization "increases the size of the pie," they also claim that it has been accompanied by a broad array of injurious social implications. Among their concerns are (1) that globalization has produced uneven results across nations and people, (2) that globalization has had deleterious effects on labor and labor standards, and (3) that globalization has contributed to a decline in environmental and health conditions.

**95)** What is one argument in support of globalization?

A) Environmental issues are lessened through globalization.   
 B) Globalization enhances access to health care for participants.  
 C) Free trade enhances socioeconomic development.  
 D) The process of globalization has enhanced the equalization of countries in terms of political and social economy.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

One of the few things on which economists agree when it comes to globalization is that free trade is the best strategy for advancing the world’s economic development.

**96)** The operations of a company outside its home or domestic market are known as \_\_\_\_\_\_\_\_ business.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Remember  
Difficulty : 1 Easy

The operations of a company outside its home or domestic market are known as foreign business.

**97)** A(n) \_\_\_\_\_\_\_\_ company is a company with operations in multiple nations.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Remember  
Difficulty : 1 Easy

An international company is a company with operations in multiple nations.

**98)** As used in the text, the term \_\_\_\_\_\_\_\_ means all the forces influencing the life and development of the firm.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Remember  
Difficulty : 1 Easy

As used in the text, the term environment means all the forces influencing the life and development of the firm.

**99)** The internal forces over which management does have some control, such as the factors of production and the activities of the organization, are called the \_\_\_\_\_\_\_\_ forces.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

The internal forces over which management does have some control, such as the factors of production and the activities of the organization, are called the controllable forces.

**100)** The \_\_\_\_\_\_\_\_ environment is all the uncontrollable forces originating in the home country that surround and influence the life and development of the firm.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

The domestic environment is all the uncontrollable forces originating in the home country that surround and influence the life and development of the firm.

**101)** The \_\_\_\_\_\_\_\_ environment refers to all the uncontrollable forces originating outside the home country that surround and influence the firm.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

The foreign environment refers to all the uncontrollable forces originating outside the home country that surround and influence the firm.

**102)** When an affiliate in one country does business with customers in another, it is operating in the \_\_\_\_\_\_\_\_ environment.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

When an affiliate in one country does business with customers in another, it is operating in the international environment.

**103)** If Xiaomi's China operations export smartphones to another country such as India, then the sales manager is affected by forces of both the domestic environment of China and the foreign environment of India and therefore is working in the \_\_\_\_\_\_\_\_ environment.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

In other words, a sales manager of the operations of the Chinese electronics firm Xiaomi does not work in the international environment if he or she sells cellular phones only in China. If Xiaomi's China operations export smartphones to another country such as India, then the sales manager is affected by forces of both the domestic environment of China and the foreign environment of India and therefore is working in the international environment.

**104)** Unconscious reference to your own cultural values when judging behaviors of others in a new and different environment is known as the \_\_\_\_\_\_\_\_ criterion.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business  
Bloom's : Remember  
Difficulty : 1 Easy

Unconscious reference to your own cultural values when judging behaviors of others in a new and different environment is known as the self-reference criterion.

**105)** China was the world's leading manufacturing country for about 1,800 years, until it was replaced by \_\_\_\_\_\_\_\_ around 1840.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Remember  
Difficulty : 1 Easy  
Learning Objective : 01-02 Describe the history and future of international business.  
Topic : What is Globalization?

China was the world's leading manufacturing country for about 1,800 years, until it was replaced by Britain about 1840.

**106)** A \_\_\_\_\_\_\_\_ corporation is an enterprise made up of entities in more than one nation, operating under a decision making system that allows a common strategy and coherent policies.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Topic : The Changing Nature of the Global Economy

A transnational corporation is an enterprise made up of entities in more than one nation, operating under a decision making system that allows a common strategy and coherent policies.

**107)** \_\_\_\_\_\_\_\_ refers to direct investments in equipment, structures, and organizations in a foreign country at a level sufficient to obtain significant management control.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Topic : The Changing Nature of the Global Economy

Foreign direct investment refers to direct investments in equipment, structures, and organizations in a foreign country at a level sufficient to obtain significant management control; does not include mere foreign investment in stock markets.

**108)** \_\_\_\_\_\_\_\_ is the transportation of any domestic good or service to a destination outside a country or region.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : The Changing Nature of the Global Economy

Exporting is the transportation of any domestic good or service to a destination outside a country or region.

**109)** \_\_\_\_\_\_\_\_ is the transportation of any good or service into a country or region, from a foreign origination point.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : The Changing Nature of the Global Economy

Importing is the transportation of any good or service into a country or region, from a foreign origination point.

**110)** Although merchandise exports have grown faster than world output in nearly every year since 1980, the level of \_\_\_\_\_\_\_\_ exports worldwide has grown even more rapidly during this time.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-03 Discuss the dramatic internationalization of business.  
Topic : Drivers of Globalization

Merchandise exports have grown faster than world output in nearly each of the past 60 years. World merchandise exports grew from $2.0 trillion in 1980 to $3.5 trillion in 1990, $6.5 trillion in 2000, $15.3 trillion in 2010, and $18.8 trillion in 2013. This means that exports in 2013 were nearly 10 times larger than they were in 1980, and 2013 exports were 23 percent larger than only three years earlier, in 2010. The level of service exports worldwide grew even more during this time, from $396 billion in 1980 to $831 billion in 1990, $1.5 trillion in 2000, $3.9 trillion in 2010, and $4.7 trillion in 2013. This means that services exports in 2013 were about 12 times larger than they were in 2010.

**111)** According to the text, preferential trading agreements are examples of \_\_\_\_\_\_\_\_ drivers of globalization.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

According to the text, preferential trading agreements are examples of political drivers of globalization.

**112)** Advances in computers, including the Internet and network computing, are examples of \_\_\_\_\_\_\_\_ drivers contributing to the globalization of business operations.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

Advances in computers and communications technology are permitting an increased flow of ideas and information across borders, enabling customers to learn about foreign goods. The Internet and network computing enable small companies to compete globally because they make possible the rapid flow of information regardless of the physical location of the buyer and seller. These illustrate technological drivers for globalization.

**113)** A \_\_\_\_\_\_\_\_ driving force for globalization is the fact that companies are defending their home markets from competitors by entering the competitors' home markets to distract them.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

A competitive driving force for globalization is the fact that companies are defending their home markets from competitors by entering the competitors' home markets to distract them.

**114)** The tendency toward an international integration of goods, technology, information, labor, and capital, or the process of making this integration happen, is referred to as \_\_\_\_\_\_\_\_.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

Economic globalization is the tendency toward an international integration of goods, technology, information, labor, and capital, or the process of making this integration happen.

**115)** Theodore Levitt was the first person to coin the term \_\_\_\_\_\_\_\_.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Remember  
Difficulty : 1 Easy  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

The term “globalization” was first coined by Theodore Levitt in a Harvard Business Review article in which he maintained that new technologies had “proletarianized” communication, transport, and travel, creating worldwide markets for standardized consumer products at lower prices.

**116)** Discuss the three environments in which an international company operates.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Learning Objective : 01-01 Show how international business differs from domestic business.  
Topic : Why Study International Business

**117)** Identify and discuss the five major kinds of drivers that are leading international firms to the globalization of their operations.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : Drivers of Globalization  
Learning Objective : 01-04 Identify the kinds of drivers that are leading firms to internationalize their operations.

**118)** Discuss the arguments supporting and opposing globalization of trade and investment.

**Question Details**AACSB : Reflective Thinking  
Accessibility : Keyboard Navigation  
Bloom's : Understand  
Difficulty : 2 Medium  
Topic : What is Globalization?  
Learning Objective : 01-05 Compare the key arguments for and against the globalization of business.

**Answer Key**Test name: Geringer\_IB\_2e\_Module01\_Word

1) TRUE

2) FALSE

3) TRUE

4) FALSE

5) TRUE

6) TRUE

7) TRUE

8) FALSE

9) FALSE

10) FALSE

11) TRUE

12) TRUE

13) FALSE

14) TRUE

15) FALSE

16) TRUE

17) FALSE

18) FALSE

19) FALSE

20) TRUE

21) D

22) B

23) D

24) A

25) A

26) B

27) D

28) B

29) B

30) D

31) D

32) C

33) C

34) C

35) A

36) D

37) D

38) C

39) B

40) D

41) D

42) B

43) C

44) C

45) B

46) A

47) C

48) D

49) A

50) C

51) A

52) D

53) D

54) D

55) B

56) C

57) D

58) B

59) C

60) C

61) D

62) D

63) C

64) A

65) D

66) D

67) A

68) D

69) A

70) A

71) B

72) C

73) C

74) C

75) A

76) B

77) D

78) A

79) D

80) D

81) D

82) C

83) B

84) C

85) C

86) C

87) D

88) D

89) A

90) D

91) A

92) C

93) C

94) B

95) C

96) foreign

97) international

98) environment

99) controllable

100) domestic

101) foreign

102) international

103) international

104) self-reference

105) Britain

106) transnational

107) Foreign direct investment

108) Exporting

109) Importing

110) service

111) political

112) technological

113) competitive

114) economic globalization

115) globalization

116) Answers will vary, but should address each of the three kinds of environments that firms operating across borders must deal with: domestic, foreign, and international. The domestic environment involves all of the uncontrollable forces originating in the home country that surround and influence the firm's life and development. The foreign environment involves all of the uncontrollable forces originating outside the home country that surround and influence the firm. The international environment involves the interaction between domestic and foreign environmental forces, or between sets of foreign environmental forces.

117) Answers will vary, but should address each of the five major kinds of drivers: political, technological, market, cost, and competitive.

118) Answers will vary, but arguments supporting globalization should include discussion about how free trade enhances socioeconomic development and about how free trade promotes more and better jobs. Arguments opposing globalization of trade and investment should include discussion of how globalization has produced uneven results across nations and people, has had deleterious effects on labor and labor standards, and has contributed to a decline in environmental and health conditions.