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

**Chapter 1 Globalization**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A) Outsourcing

B) International marketing

C) Privatization

D) Globalization

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

A) GATT

B) Group of Ten (G20)

C) Group of Twenty (G20)

D) World Trade Organization

28) The Uruguay Round provided

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

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

C) increased trade barriers.

D) reduced coverage of services and manufactured goods.

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

A) regulating markets.

B) privatizing state-owned enterprises.

C) decreasing competition.

D) reducing foreign investment.

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

A) decreasing interdependence between national economies

B) increasing outsourcing of services

C) differentiating of material culture

D) increasing barriers to cross-border trade

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

A) national differences in tastes and preferences

B) higher production costs in developed nations

C) homogenization of material culture

D) increased outsourcing of goods and services

32) Globalization of markets results in markets becoming

A) more interdependent.

B) less diverse.

C) more protected.

D) less competitive.

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

A) homogenizing markets.

B) vertical integration.

C) outsourcing.

D) horizontal integration.

34) Early outsourcing efforts were primarily confined to

A) health care.

B) service activities.

C) technological research.

D) manufacturing activities.

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

A) transportation costs

B) government deregulations

C) reduction of barriers to trade between countries

D) reduction of barriers to foreign direct investment

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

A) protecting government-owned enterprises.

B) policing the global marketplace.

C) limiting nuclear testing.

D) promoting environment friendly technology.

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

A) International Development Association

B) World Bank

C) International Court of justice

D) World Trade Organization

38) The World Trade Organization promotes

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

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

C) state ownership of major enterprises.

D) the regulation of national economies.

39) What is true about the International Monetary Fund?

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

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

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

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

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

A) World Trade Organization

B) United Nations

C) G20

D) World Bank

41) The G20 was originally established to

A) preserve peace through international cooperation and collective security.

B) maintain order in the international monetary system.

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

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

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

A) tariffs

B) transportation costs

C) capital

D) government

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

A) the WTO

B) the GATT

C) the World Bank

D) the IMF

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

A) the WTO

B) the GATT

C) the World Bank

D) the IMF

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

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

B) Its loans come with no strings attached.

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

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

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

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

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

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

D) the world is becoming poorer.

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

A) International trade

B) Foreign direct investment

C) Inward investment

D) Outsourcing

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

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

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

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

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

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

A) Keynes's Law

B) Say's Law

C) Moore's Law

D) Sullivan Principle

50) Containerization allows

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

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

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

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

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

A) 18 percent.

B) 5.9 percent.

C) 4.8 percent.

D) 1.6 percent.

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

A) growing at the same rate as world GDP.

B) growing faster than world GDP.

C) growing slower than world GDP.

D) declining faster than world GDP.

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

A) communications.

B) transportation.

C) agriculture.

D) energy.

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

A) foreign direct investment (FDI).

B) direct international investment (DII).

C) international trade (IT).

D) foreign direct production (FDP).

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

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

B) the deepening of the global financial crisis.

C) the reduced industrialization in developing nations.

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

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

A) to avoid a highly competitive domestic market

B) to exploit high domestic tariff barriers

C) to provide a hedge against unfavorable currency movements

D) to take advantage of low labor costs

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

A) accumulation of foreign shares.

B) portfolio investments.

C) stock of foreign direct investments.

D) stock market investments.

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

A) a slowdown in global economic activity.

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

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

D) the increasing internationalization of business corporations.

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

A) Brazil

B) Russia

C) India

D) China

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

A) exports its products to multiple countries.

B) has production activities in more than two countries.

C) does most of its business on the Internet.

D) lists its securities on a public exchange.

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

A) the decline of multinational companies in the manufacturing sector

B) the growth of government-owned multinational enterprises

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

D) the growth of mini-multinationals

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

A) embraced communist principles.

B) promoted government ownership of enterprises.

C) experienced increasing debt and inflation.

D) welcomed foreign investment.

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

A) restrictions on competition

B) global financial contagion

C) excessive market regulation

D) differentiation of markets

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

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

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

C) countries are working together to minimize MNE influence.

D) there is greater state involvement in industry.

65) The downside of increased globalization is

A) global financial contagions are less likely.

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

C) one nation may become too powerful.

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

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

A) an increase in debt.

B) hyperinflation.

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

D) protests against foreign investment.

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

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

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

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

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

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

A) a tie between France and the United Kingdom.

B) China.

C) Japan.

D) a tie between Germany and the United Kingdom.

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

A) two

B) three

C) four

D) twenty

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

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

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

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

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

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

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

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

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

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

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

A) initially the pollution levels remain low.

B) after a while, the pollution levels decrease.

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

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

73) NAFTA was passed only after

A) China agreed to establish a higher minimum wage.

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

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

D) Canada committed to establish new limits on FDI.

74) Globalization is criticized because it increases the power of

A) governments to own enterprises.

B) unskilled labor to form labor unions.

C) supranational organizations over nation-states.

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

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

A) removing subsidies given to their agricultural producers.

B) increasing tariff barriers to trade in agriculture.

C) increasing outsourcing of manufacturing processes.

D) reducing defense expenditure.

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

A) job growth in industries under attack from foreign competitors

B) upward pressure on the wage rates of unskilled workers

C) environmental degradation

D) cultural isolationism of global media and MNEs

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

A) sulfur dioxide emissions

B) lead concentrations

C) carbon dioxide emissions

D) water quality standards

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

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

B) for both skilled and unskilled labor have decreased.

C) for both skilled and unskilled labor have increased.

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

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

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

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

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

D) Trade liberalization efforts have not been rolled back.

80) The two largest emitters of carbon dioxide are

A) China and the United States.

B) China and the United Kingdom.

C) Canada and the United States.

D) Mexico and the United States.

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

A) Millennium Development Goals

B) Twenty-First Century Goals

C) Globalization Rejuvenation Goals

D) U.N. Humanistic Goals

82) Which of the following is true of HIPCs?

A) About 100 nations fall in this category.

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

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

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

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

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

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

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

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

84) An international business, unlike a multinational enterprise,

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

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

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

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

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

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

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

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

D) invests in international trade or investment.

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

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

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

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

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

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

A) International managers are more experienced.

B) Countries differ in their cultures and systems.

C) Countries want to do business with their neighbors.

D) Countries want to keep their transactions simple.

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

A) All MNEs are international businesses.

B) Only firms that export products are international businesses.

C) Only firms that invest abroad are international businesses.

D) All international businesses are MNEs.

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

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

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

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

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

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

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

92) Discuss the concept of the globalization of production.

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

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

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

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

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

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

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

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

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

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

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

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

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

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