

FOURTEENTH EDITION

INTERNATIONAL BUSINESS

Competing in the Global Marketplace



TEST BANK

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- 1) Debate the characteristics of globalization. Use an example in your discussion.

- 2) Explain whatever is meant by the globalization of markets. Provide an example. Whatever are the most global markets?

- 3) Debate the concept of the globalization of production.

- 4) Whatever is the World Trade Organization? Whatever is its role in the world economy?

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

6) Whatever is the Uruguay Round? List the measures implemented in the Uruguay Round.

7) Explain the trends in world trade and foreign direct investment since 1960.

8) Explain how the COVID-19 global pandemic has impacted globalization.

9) Debatethe impact of technological change and automation on global markets.

FORM 1

Debatethe 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?

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

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

12) Debate whatever occurred in Seattle in 1999 at the meeting of the WTO and why the events were important to the future of global trade.

13) Falling barriers to international trade destroy manufacturing jobs in wealthy advanced economies. Debate this statement. Do you agree? Why or why not?

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

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

16) _____ refers to the shift toward a more integrated and interdependent world economy.

- A) Outsourcing
- B) International marketing
- C) Privatization
- D) Globalization

17) 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) United Nations
- B) Group of Seven (G7)
- C) Group of Twenty (G20)
- D) World Trade Organization

18) Which factor has contributed to the globalization of markets?

- A) a decrease in foreign direct investment
- B) global convergence of consumer tastes and preferences
- C) an increase in cross-border barriers to trade
- D) the trend to separate a homogeneous market into separate national markets

19) Globalization has resulted in _____

- A) less interdependence between national economies.
- B) an increase in the use of outsourcing.
- C) a collective material culture becoming more diverse.
- D) increasing barriers to cross-border trade.

20) Which factor hinders globalization of consumer goods market?

- A) national and cultural differences in tastes and preferences
- B) increasing incomes in emerging markets
- C) homogenization of material culture
- D) increased outsourcing of goods and services

21) Globalization of markets results in markets becoming

- A) less interdependent.
- B) less diverse.
- C) more protected.
- D) less competitive.

22) 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.

- 23) Early outsourcing efforts were primarily confined to
- A) health care.
 - B) service activities.
 - C) technological research.
 - D) manufacturing activities.
- 24) Whatever 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
- 25) The General Agreement on Tariffs and Trade (GATT) was responsible for
- A) protecting government-owned enterprises.
 - B) promoting free trade and reducing trade barriers.
 - C) limiting nuclear testing.
 - D) promoting environment friendly technology.
- 26) 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

- 27) 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.
- 28) Which statement is correct about the International Monetary Fund (IMF)?
- 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.
- 29) 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
- 30) 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.

- 31) Which item is a factor of production?
- A) tariffs
 - B) transportation costs
 - C) capital
 - D) government
- 32) Which institution 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
- 33) Which institution was established to maintain order in the international monetary system?
- A) the WTO
 - B) the G20
 - C) the World Bank
 - D) the IMF
- 34) Which statement is correct of the International Monetary Fund (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.

35) The volume of world merchandise trade and production 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.

36) _____ occurs After a firm transfers goods or services to consumers in another country.

- A) International trade
- B) Foreign direct investment
- C) Inward investment
- D) Outsourcing

37) The negotiations in the Uruguay Round of GATT led to

- A) an easing of lending restrictions for cash-strapped nation-states.
- B) enhanced protection for patents, trademarks, and copyrights.
- C) increased trade barriers.
- D) reduced coverage of services and manufactured goods.

38) _____ 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

39) Containerization has revolutionized the transportation business by

- A) reducing the time needed to get from one location to another.
- B) simplifying the transportation process and lowering the cost of shipping goods.
- C) providing a means for buyers and sellers to find each other easily in a global economy.
- D) offering enterprises to coordinate and control a globally dispersed production system.

40) 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.

41) Smith Global Industries 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).

42) 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.

43) The relative decline of the United States in the share of world output and world transfers 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 emerging markets and other industrialized

countries.

44) 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 and imposition of trade

barriers

- D) to take advantage of the removal of all trade barriers

45) 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.

46) Which country has been the largest recipient of foreign direct investment and, in 2020, received about \$250 billion in inflows?

- A) Brazil
- B) Russia
- C) India
- D) China

47) Procter & Gamble is a multinational enterprise (MNE), which is a firm that

- A) transfers its products to multiple countries.
- B) owns business operations in more than one country.
- C) does most of its business on the Internet.
- D) lists its securities on a public exchange.

48) Since the 1960s, whatever 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

- 49) 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.
- 50) Whatever is a risk associated with globalization?
- A) restrictions on competition
 - B) global financial contagion
 - C) excessive market regulation
 - D) differentiation of markets
- 51) 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.
- 52) 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.
- 53) 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.

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

- A) may move from being an industrial superpower to a struggling economy.
- B) will likely see a decrease in GDP per capita.
- C) may move from a third-world business giant to an industrial superpower.
- D) will likely give global market share to Western and Japanese enterprises.

55) To be classified as an MNE, a company must have productive activities in at least _____ countries.

- A) two
- B) three
- C) ten
- D) twenty

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

- A) is due to technological changes and automation 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.

57) Several studies published by the Organisation for Economic Co-operation and Development (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.

58) 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 pollution levels remain low.
- B) after a while, pollution levels decrease.
- C) pollution levels also rise in proportion to the economic growth.
- D) there is increasing industrialization, which leads to greater pollution.

59) The trade agreement known as 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.

60) 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.

61) 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.

62) Which factor is viewed by large segments of the population in many countries as a detrimental effect of globalization?

- A) job growth in industries under attack from foreign competitors
- B) upward pressure on the wage rates of unskilled workers
- C) environmental degradation
- D) cultural isolationism of global media and MNEs

63) 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

64) 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.

65) Why has 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.

66) 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.

67) How would economists characterize the relationship between globalization and poverty?

- A) Globalization has improved the lot of the world's poorer nations which has led to an overall decrease in poverty.
- B) Globalization has caused the gap between rich and poor nations to shrink and poverty levels to decline.
- C) Globalization has caused an increase in poverty as well as an increase in the gap between rich and poor nations.
- D) The movement of labor to developed nations because of globalization has contributed significantly to the increase in poverty.

- 68) Which statement is correct of “highly indebted poorer countries” (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 transfer earnings.
- 69) Supporters of debt relief for HIPCs
- A) argue that free trade alone is sufficient to bring HIPCs out of poverty.
 - B) argue that new democratic governments should be forced to honor debts incurred by previous corrupt predecessors.
 - C) are energized by high-profile endorsements from Bono, the Dalai Lama, and Jeffrey Sachs.
 - D) are working against the policies of the IMF and World Bank.
- 70) 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.
- 71) Exotic Collectibles 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.

72) Which statement is correct 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.

73) 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.

74) Which statement is characteristic of an international businesses?

- A) All MNEs are international businesses.
- B) Only firms that transfer products are international businesses.
- C) Only firms that invest abroad are international businesses. D) All international businesses are MNEs.

75) Managing an international business is different from managing a purely domestic business because

- 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.

76) Since Mercury Machine is a medium-size business, it would not benefit from globalization.

- correct
- wrong

77) By sourcing goods and services from around the globe, companies may lower their overall cost structure or improve the quality or functionality of their product offering.

- correct
- wrong

78) Manufacturers of industrial goods and materials are more likely to participate in global markets than producers of consumer products.

- correct
- wrong

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

- correct
- wrong

80) 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.

- correct
- wrong

81) Nations faced with a financial crisis can turn to the World Bank, known as the lender of last resort, to bail it out.

- correct
- wrong

82) One of the UN's central mandates is to make sure nation-states adhere to the rules laid down in trade treaties signed by member states.

- correct
- wrong

83) As part of the negotiations in the General Agreement on Tariffs and Trade, the Uruguay Round, finalized in December 1993, enhanced protection for patents, trademarks, and copyrights.

- correct
- wrong

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

- correct
- wrong

85) Thera-sure Inc., a U.S.-based manufacturer of temperature regulators, sets up a production unit in Korea to take advantage of the lower labor costs there. This is an example of foreign direct investment.

- correct
- wrong

86) The value of foreign direct investment has steadily declined over the past few decades due in part to increased barriers placed on companies wanting to invest overseas.

- correct
- wrong

87) World events such as the COVID-19 global pandemic have forced companies to open operations in many parts of the world rather than invest in local production to try to offset disruptions in global supply chains.

- correct
- wrong

88) One result of the globalization of markets and the resulting growth of world trade, foreign direct investment, and imports is the increasing competition in domestic markets from foreign competitors.

- correct
- wrong

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

- correct
- wrong

90) 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.

- correct
- wrong

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

- correct
- wrong

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

- correct
- wrong

93) 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.

- correct
- wrong

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

- correct
- wrong

95) According to supporters of free trade, as countries become more integrated into global economy and trade, they are more likely to enforce stricter environmental and labor regulations.

- correct
- wrong

96) According to critics of globalization, today's interdependent global economy places more economic power in the hands of national governments.

- correct
- wrong

97) 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.

- correct
- wrong

- 98) A firm needs to become a multinational enterprise to engage in international business.
- correct
 - wrong

- 99) Managing an international business is quite similar to managing a domestic business.
- correct
 - wrong

Answer Key

Test name: Chap 01_14th Edition

17) D 18) C 19) B 20) B 21) A 22) B 23) C 24) D 25) A 26) B 27) D
28) A 29) B 30) B 31) C 32) C 33) C 34) D 35) D 36) A 37) A 38) B
39) C 40) B 41) B 42) A

43) C 44)

D 45) C

46) D

47) D

48) B 49)

D 50) D

51) B 52)

A 53) B

54) C 55)

C 56) A

57) A 58)

D

59) B 60) C 61) C 62) A 63) C 64) C 65) A 66) C 67) A 68) A 69) C 70)

C 71) D 72) D

73) D

74) B

75) A

76) B

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