**Chapter 01**

**Globalization and International Linkages**

**True/False Questions**

1. Internationalization is the vision of creating one world unit, a single market entity.

Answer: False

Feedback: Internationalization is the process of a business crossing national and cultural borders, while globalization is the vision of creating one world unit, a single market entity.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

2. In the context of the changing global demographics, elderly populations spend money on housing and other capitally financed purchases.

Answer: False

Feedback: While elderly populations spend money on health care services, younger populations spend income on housing and other capitally financed purchases.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

3. North American Free Trade Agreement (NAFTA) members are better integrated as a single market than the European Union (EU) or the allied Asian countries.

Answer: False

Feedback: Even though long-standing cultural differences remain, and the European Union has recently experienced some substantial challenges, the European Union is more integrated as a single market than NAFTA, CAFTA, or the allied Asian countries.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

4. General Electric (GE) has strategically leveraged social media to improve its long-term brand image.

Answer: True

Feedback: General Electric (GE) has strategically leveraged social media to improve its long-term brand image. By interacting daily with customers across a variety of social networks, the 100-year-old company aims to transform the way that its brand is perceived while simultaneously building a new generation of consumers.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: An Interconnected World

5. An increase in the ease of travel between countries is an important development that has occurred because of the North American Free Trade Agreement (NAFTA).

Answer: True

Feedback: An increase in the ease of travel between countries is an important development that has occurred because of the North American Free Trade Agreement (NAFTA). Other important developments include the elimination of tariffs as well as import and export quotas, the opening of government procurement markets to companies in Canada and Mexico, an increase in the opportunity to make investments in each other’s country, and the removal of restrictions on agricultural products, auto parts, and energy goods.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

6. According to a Goldman Sachs global economics team report, it is estimated that the economies of Brazil, Russia, India, and China, which it collectively coined as the "BRIC" nations, will surpass the collective economies of the G7 nations by 2032.

Answer: True

Feedback: According to a Goldman Sachs global economics team report, it is estimated that the economies of Brazil, Russia, India, and China, which it collectively coined as the "BRIC" nations, will surpass the collective economies of the G7 nations by 2032.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

7. Foreign direct investment has been falling alarmingly since the global recession of 2009 in most regions of the world.

Answer: False

Feedback: Foreign direct investment (FDI)—the term used to indicate the amount invested in property, plant, and equipment in another country—has been growing at a slow but steady rate in the years since the global recession of 2009.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

8. In a command economy, a general balance between supply and demand sustains prices, while an imbalance creates a price fluctuation.

Answer: False

Feedback: In a command economy, the government has explicit control over the price and supply of a good or service. The particular goods and services offered are not necessarily in response to consumers' stated needs but are determined by the theoretical advancement of society.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-02 REVIEW the major trends in global and regional integration.

Level of Difficulty: 1 Easy

Topic: Global Economic Systems

9. Monopolies are a danger to the market economy system because they tend to stifle economic growth.

Answer: True

Feedback: Monopolies are a danger to the market economy system because they tend to stifle economic growth and consumer choice with their power to determine supply. Factors such as efficiency of production and quality and pricing of goods can be chosen arbitrarily by monopolies, leaving consumers without a choice and at the mercy of big businesses.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-02 REVIEW the major trends in global and regional integration.

Level of Difficulty: 1 Easy

Topic: Global Economic Systems

10. In the context of the emerging markets of Asia, India is attractive to multinationals, especially U.S. and British firms.

Answer: True

Feedback: India is attractive to multinationals, especially U.S. and British firms. Many Indian people speak English, are very well educated, and are known for advanced information technology expertise.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

11. The United States has considerable foreign direct investment in Germany, more than in any other country.

Answer: False

Feedback: The United States has considerable foreign direct investment in Canada, more than in any other country. Canada is the United States' largest trading partner, a position it has held for many years.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

12. Despite being unable to take full advantage of globalization, there is still hope in the future for Africa because the potential of African countries remains virtually untapped.

Answer: True

Feedback: Despite being unable to take full advantage of globalization, there is still hope in the future for Africa because the potential of African countries remains virtually untapped. Not only are there considerable natural resources, but the diversity itself also can be used to advantage.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

13. One of the factors that contributed to the early success of the Japanese economy is the presence of chaebols.

Answer: False

Feedback: One of the factors that contributed to the early success of the Japanese economy is the Ministry of International Trade and Industry (MITI). This is a governmental agency that identifies and ranks national commercial pursuits and guides the distribution of national resources to meet these goals.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

14. About 46 percent of employees in both the United States and Russia would prefer a work schedule that fluctuates between work and leisure, mirroring a pattern of recurring sabbaticals.

Answer: True

Feedback: About 46 percent of employees in both the United States and Russia would prefer a work schedule that fluctuates between work and leisure, mirroring a pattern of recurring sabbaticals. This similarity can be taken into account by a U.S. firm when considering opening a business in Russia.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

15. The ultimate objective of the European Union (EU) is to eliminate all trade barriers among member countries.

Answer: True

Feedback: The ultimate objective of the European Union is to eliminate all trade barriers among member countries (like between the states in the United States).

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

16. The economy of Argentina outweighs that of any other South American country with an economic output comparable to that of France and has become a worldwide presence.

Answer: False

Feedback: The Brazilian economy outweighs that of any other South American country with an economic output comparable to that of France and has become a worldwide presence. Given Brazil's large and relatively well-educated population, ample natural resources, existing industrial base, and strategic geographic position, longer-term prospects are still potentially positive.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

17. The Brazilian economy outweighs that of any other South American country with an economic output comparable to that of France.

Answer: True

Feedback: The Brazilian economy outweighs that of any other South American country with an economic output comparable to that of France. Longer-term prospects are still potentially positive because of its large and relatively well-educated population, ample natural resources, existing industrial base, and strategic geographic position.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

18. China remains a major risk for investors because they are required to maintain a delicate balance between the country's communist and capitalist systems.

Answer: True

Feedback: China remains a major risk for investors. The one country, two systems (communism and capitalism) balance is a delicate one to maintain, and foreign businesses are often caught in the middle.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

19. Hungary's economy was the only economy in the EU to continue to grow during the global recession of 2008–2009.

Answer: False

Feedback: Poland's economy was the only economy in the European Union to continue to grow during the global recession of 2008–2009. In 2015, Poland's GDP grew by around 4 percent. Although the relatively swift transition to a market economy has been very difficult for the Polish people, with very high inflation initially, continuing unemployment, and the decline of public services, Poland's economy has done relatively well.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

20. Singapore has emerged as an urban planner's ideal model and the leader and financial center of Southeast Asia.

Answer: True

Feedback: Singapore has emerged as an urban planner's ideal model and the leader and financial center of Southeast Asia. It is a major success story, and its solid foundation leaves only the question of how to continue expanding in the face of increasing international competition.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

**Multiple Choice Questions**

21. \_\_\_\_\_ is the process of applying management concepts and techniques in a multinational environment and adapting management practices to different economic, political, and cultural environments.

A. Strategic management

B. Internationalization

C. Globalization

D. International management

Answer: D

Feedback: International management is the process of applying management concepts and techniques in a multinational environment and adapting management practices to different economic, political, and cultural contexts.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Introduction

22. To qualify as a multinational corporation (MNC), a firm must meet all of the following criteria except:

A. operations in more than one country.

B. international sales.

C. a mix of nationalities among managers and owners.

D. sales of at least one million dollars per year.

Answer: D

Feedback: An MNC is a firm that has operations in more than one country, international sales, and a mix of nationalities among managers and owners.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Introduction

23. Critics of globalization believe that:

A. the offshoring of business services jobs to lower-wage countries inherently creates greater opportunities at home.

B. growing trade deficits and slow wage growth are damaging economies.

C. when production moves to countries to take advantage of less-regulated environments, an upward pressure is created on wages and working conditions.

D. the main winners of globalization are the low-wage workers.

Answer: B

Feedback: In the context of globalization, critics believe that growing trade deficits and slow wage growth are damaging economies. They also believe that globalization may be moving too fast for some emerging markets, which could result in economic collapse.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Globalization and Internationalization

24. The subcontracting or contracting out of activities to external organizations that had previously been performed by a firm is called \_\_\_\_\_.

A. homesourcing

B. insourcing

C. offshoring

D. outsourcing

Answer: D

Feedback: Outsourcing is the subcontracting or contracting out of activities to external organizations that had previously been performed by a firm.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Globalization and Internationalization

25. \_\_\_\_\_ is the process by which companies undertake some activities at offshore locations instead of in their countries of origin.

A. Homesourcing

B. Insourcing

C. Offshoring

D. Globalization

Answer: C

Feedback: Offshoring is the process by which companies undertake some activities at offshore locations instead of in their countries of origin.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

26. The \_\_\_\_\_ is the global organization of countries that oversees rules and regulations for international trade and investment, including agriculture, intellectual property, services, competition, and subsidies.

A. WTO

B. NAFTA

C. WIPO

D. ITO

Answer: A

Feedback: The WTO is the global organization of countries that oversees rules and regulations for international trade and investment, including agriculture, intellectual property, services, competition, and subsidies.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

27. The \_\_\_\_\_ is a free-trade agreement among the United States, Canada, and Mexico that has removed most barriers to trade and investment.

A. AFTA

B. EFTA

C. CAFTA

D. NAFTA

Answer: D

Feedback: The United States, Canada, and Mexico make up the North American Free Trade Agreement (NAFTA), which in essence has removed all barriers to trade among these countries and created a huge North American market.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

28. Identify a true statement about the Development Round in which the members of the World Trade Organization (WTO) met and launched a round of negotiations at Doha, Qatar in November 2011.

A. The WTO members agreed upon the opening of government procurement markets to companies in the developed nations.

B. There was a lack of consensus among WTO members regarding agricultural subsidies.

C. There was a lack of consensus among WTO members regarding unbalanced population pyramids.

D. The WTO members agreed upon the issues of competition.

Answer: B

Feedback: During the Development Round in which the members of the World Trade Organization (WTO) met, in November 2011, and successfully launched a new round of negotiations at Doha, Qatar, there was a lack of consensus among WTO members regarding agricultural subsidies and the issues of competition and government procurement.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

29. The United States, Canada, and Mexico make up the \_\_\_\_\_, which in essence has removed all barriers to trade among these countries and created a huge North American market.

A. General Agreement on Tariffs and Trade

B. North American Common Market

C. North American Free Trade Agreement

D. North American Trade Union

Answer: C

Feedback: The United States, Canada, and Mexico make up the North American Free Trade Agreement (NAFTA), which in essence has removed all barriers to trade among these countries and created a huge North American market.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

30. Agreements like NAFTA and CAFTA:

A. not only reduce barriers to trade but also require additional domestic legal and business reforms in developing nations to protect property rights.

B. do not include supplemental commitments like the FTAA does on labor and the environment to encourage countries to upgrade their working conditions and environmental protections.

C. rely exclusively on MNCs exporting or setting up operations locally rather than buying out a domestic firm.

D. provide firms with enough security so they cannot go out of business, which simply encourages a lack of efficiency or incentive to monitor costs.

Answer: A

Feedback: Agreements like NAFTA and CAFTA not only reduce barriers to trade but also require additional domestic legal and business reforms in developing nations to protect property rights.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Globalization and Internationalization

31. In the context of the changing global demographics, identify a change that will be seen in developed nations.

A. Developed Asian nations will be able to easily replace the retiring, aging population.

B. In Japan, the number of nonworkers will be nearly equal to that of workers by 2050.

C. In South Korea, the immigration policy will ease by 2050.

D. In Germany, there will be a removal of restrictions on agricultural products, auto parts, and energy goods.

Answer: B

Feedback: Demographic changes are projected to occur globally, and the most dramatic impact will be seen in the developed nations. In Japan, the number of nonworkers will be nearly equal to that of workers by 2050. Both Japan and South Korea will face a loss of over 25 percent of their working-class population.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Globalization and Internationalization

32. According to some critics, agreements like North American Free Trade Agreement (NAFTA) and Central American Free Trade Agreement (CAFTA):

A. have been successful in ensuring environmental standards.

B. have been successful in preventing the decline of the global working-age population.

C. do not go far enough in ensuring worker rights.

D. do not go far enough in protecting property rights.

Answer: C

Feedback: According to some critics, agreements like North American Free Trade Agreement (NAFTA) and Central American Free Trade Agreement (CAFTA) do not go far enough in ensuring worker rights. They also believe that the agreements do not go far enough in ensuring environmental standards.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Globalization and Internationalization

33. The Asian economic block, made up of Indonesia, Malaysia, the Philippines, Singapore, Brunei, Thailand, Cambodia, Myanmar, and Vietnam, is referred to as the:

A. Association of Southeast Asian Nations (ASEAN).

B. Southeast Asia Free Trade Agreement (SWAFTA).

C. Southeast Asia Common Market.

D. Asian Economic Union.

Answer: A

Feedback: The Association of Southeast Asian Nations (ASEAN) is made up of Indonesia, Malaysia, the Philippines, Singapore, Brunei, Thailand, and, in recent years, Cambodia, Myanmar, and Vietnam.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

34. A method that adjusts GDP to account for different prices in countries is called:

A. cumulative distribution function.

B. nominal GDP.

C. current currency exchange rate.

D. purchasing power parity.

Answer: D

Feedback: Purchasing power parity (PPP) is a method that adjusts GDP to account for different prices in countries.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

35. Unlike the Group of Seven (G7) economies, the Emerging Seven (E7) economies are:

A. primarily located in North America and Europe.

B. located throughout Latin America and Asia.

C. mature economies in which economic growth is slow.

D. incentivizing citizens to have more children.

Answer: B

Feedback: Unlike the Group of Seven (G7) economies, the Emerging Seven (E7) economies are located throughout Latin America and Asia. In March 2006, the term E7 was coined by PricewaterhouseCoopers (PwC) to describe seven major emerging economies of Brazil, China, India, Indonesia, Mexico, Russia, and Turkey that are expected to expand significantly in the coming decades.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Globalization and Internationalization

36. Which of the following statements is true according to the reports that were released in 2004 and 2011 by the Goldman Sachs global economics team?

A. The economies of Russia and Brazil would remain unaffected by the low prices for oil and other commodities in the years 2015 and 2016.

B. The BRIC (Brazil, Russia, India, and China) economies' share of world growth could rise significantly from 2003 to 2025.

C. The economies of Indonesia, Mexico, and Turkey could expand significantly in the coming decades.

D. The E7 (Brazil, China, India, Indonesia, Mexico, Russia, and Turkey) economies would mature and slow down in terms of market exchange rates.

Answer: B

Feedback: According to the reports that were released in 2004 and 2011 by the Goldman Sachs global economics team, the BRIC (Brazil, Russia, India, and China) economies' share of world growth could rise significantly from 2003 to 2025. It could rise from 20 percent in 2003 to more than 40 percent in 2025. The reports also predicted that the BRIC's total weight in the world economy would rise from approximately 10 percent in 2004 to more than 20 percent in 2025.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Globalization and Internationalization

37. \_\_\_\_\_ is the term used to indicate the amount invested in property, plant, and equipment in another country.

A. Exporting

B. Foreign direct investment

C. Importing

D. Trade imperfection

Answer: B

Feedback: Foreign direct investment (FDI) is the term used to indicate the amount invested in property, plant, and equipment in another country.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

38. According to the World Trade Organization, in 2014 merchandise exports:

A. reached a record high.

B. declined for the first time since 1983.

C. remained fairly consistent.

D. decreased by almost 50 percent.

Answer: A

Feedback: According to the World Trade Organization, in 2014 merchandise exports reached a record high $18.2 trillion, and commercial services exports have rebounded to $4.2 trillion.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Globalization and Internationalization

39. In 2009, global FDI \_\_\_\_\_.

A. nearly doubled

B. nearly tripled

C. dropped substantially

D. remained fairly constant

Answer: C

Feedback: In 2009, global FDI dropped significantly by almost 50 percent to $896 billion. It rebounded to $1.5 trillion by 2013.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Globalization and Internationalization

40. By 2017, foreign direct investment (FDI) is estimated to:

A. surpass the all-time high set a decade earlier in 2007.

B. reach an all-time low due to political instability and uncertain markets.

C. experience a significant drop similar to the global recession of 2009.

D. experience an insignificant rise due to a slow rate of increase of merchandise exports.

Answer: A

Feedback: By 2017, foreign direct investment (FDI) is estimated to surpass the all-time high set a decade earlier in 2007. Despite dropping almost 50 percent in 2009 to $896 billion, global FDI rebounded to $1.5 trillion by 2013.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Globalization and Internationalization

41. In the context of the shifting balance of economic power in the global economy, which of the following factors has helped boost incomes and wealth in the African continent between 2000 and 2015?

A. A one-child policy

B. An increase in the price of agricultural products

C. An increase in the size of the elderly population

D. An easy immigration process for workers

Answer: B

Feedback: In the context of the shifting balance of economic power in the global economy, an increase in the price of agricultural products has helped boost incomes and wealth in the African continent between 2000 and 2015. Also, increases in the price of commodities, such as oil, gas, and mineral and mining products have helped boost incomes and wealth in the continent.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Globalization and Internationalization

42. The Trans-Pacific Partnership (TPP) is a trade agreement among 12 Pacific Rim countries, including:

A. Peru, the United States, and Vietnam.

B. Great Britain, New Zealand, and China.

C. India, Canada, and Australia.

D. Singapore, Russia, and Chile.

Answer: A

Feedback: The Trans-Pacific Partnership (TPP) is a trade agreement among 12 Pacific Rim countries, including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

43. Which of the following economies is projected to become the largest by 2050 using market exchange rates?

A. China

B. India

C. Australia

D. Brazil

Answer: A

Feedback: The economy of China is projected to become the largest by 2050 using market exchange rates. China would surge past the United States and Japan as the largest world economic power by 2050.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 1 Easy

Topic: Globalization and Internationalization

44. A \_\_\_\_\_ is comparable to a monopoly in the sense that an organization, in this case the government, has explicit control over the price and supply of a good or service.

A. command economy

B. market economy

C. mixed economy

D. socialist economy

Answer: A

Feedback: A command economy is comparable to a monopoly in the sense that an organization, in this case the government, has explicit control over the price and supply of a good or service.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-02 REVIEW the major trends in global and regional integration.

Level of Difficulty: 1 Easy

Topic: Global Economic Systems

45. Identify a characteristic of a market economy.

A. The state reserves the right to monitor the production and distribution of goods and services.

B. Private enterprises reserve the right to own property.

C. Monopolies boost economic growth.

D. Competition is discouraged because it hinders penetration into niche markets.

Answer: B

Feedback: A market economy exists when private enterprise reserves the right to own property and monitor the production and distribution of goods and services while the state simply supports competition and efficient practices. Management is particularly effective here since private ownership provides local evaluation and understanding, opposed to a nationally standardized archetype.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-02 REVIEW the major trends in global and regional integration.

Level of Difficulty: 2 Medium

Topic: Global Economic Systems

46. Unlike a market economy, a command economy is characterized by:

A. private ownership of businesses.

B. an appropriate response to consumers' stated needs and desires.

C. insufficient security provided by government subsidies.

D. an ignorance of demographic information by management.

Answer: D

Feedback: Unlike a market economy, a command economy is characterized by an ignorance of demographic information by management. In a market economy, individuals within the community disclose wants, needs, and desires to which businesses may appropriately respond.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-02 REVIEW the major trends in global and regional integration.

Level of Difficulty: 2 Medium

Topic: Global Economic Systems

47. A \_\_\_\_\_ exists when private enterprise reserves the right to own property and monitor the production and distribution of goods and services while the state simply supports competition and efficient practices.

A. command economy

B. market economy

C. mixed economy

D. socialist economy

Answer: B

Feedback: A market economy exists when private enterprise reserves the right to own property and monitor the production and distribution of goods and services while the state simply supports competition and efficient practices.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-02 REVIEW the major trends in global and regional integration.

Level of Difficulty: 1 Easy

Topic: Global Economic Systems

48. The challenge for the future of the European Union is to:

A. have common custom duties.

B. have unified industrial and commercial policies.

C. be able to manufacture high-quality, low-cost goods.

D. absorb its eastern neighbors.

Answer: D

Feedback: The challenge for the future of the European Union is to absorb its eastern neighbors, the former communist-bloc countries. This could result in a giant, single European market. In fact, a unified Europe could become the largest economic market in terms of purchasing power in the world.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions

49. \_\_\_\_\_ is the United States' largest trading partner, a position it has held for many years.

A. England

B. Canada

C. Japan

D. Mexico

Answer: B

Feedback: Canada is the United States' largest trading partner, a position it has held for many years.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

50. After becoming part of the North American Free Trade Agreement (NAFTA) in 1994, Mexico:

A. exhibited significant economic stability.

B. was able to take advantage of the U.S. market.

C. experienced a tremendous increase in transportation costs.

D. experienced a significant increase in labor costs.

Answer: B

Feedback: After becoming part of NAFTA in 1994, Mexico was able to take advantage of the U.S. market. Mexican businesses are producing goods for the U.S. market that were previously purchased by the United States from Asia.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions

51. In the context of established economies, the United States has considerable foreign direct investment in \_\_\_\_\_.

A. the Netherlands

B. Mexico

C. the United Kingdom

D. Canada

Answer: D

Feedback: In the context of established economies, the United States has considerable foreign direct investment in Canada.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

52. Which of the following statements is true of the economic system of North America?

A. The free-market-based economy of this region allows considerable freedom in decision-making processes of private firms.

B. The command economy of this region allows for high flexibility with decisions and low barriers for other countries to establish business.

C. The free-market-based economy of this region results in low trade barriers when attempting to move into other countries.

D. The command economy of this region allows competition to strive while the government can extend assistance to individuals or companies.

Answer: A

Feedback: The free-market-based economy of North America allows considerable freedom in decision-making processes of private firms.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions

53. By the early 1990s \_\_\_\_\_ had recovered from its economic problems of the previous decade and had become the strongest economy in Latin America.

A. Brazil

B. Argentina

C. Mexico

D. Chile

Answer: C

Feedback: By the early 1990s Mexico had recovered from its economic problems of the previous decade and had become the strongest economy in Latin America.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

54. U.S. firms maintain particularly dominant global positions in all of the following industries except:

A. telecommunications.

B. biotechnology.

C. media.

D. textiles.

Answer: D

Feedback: U.S. firms maintain particularly dominant global positions in technology-intensive industries, including computing (hardware and services), telecommunications, media, and biotechnology.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

55. A factory, the majority of which are located in Mexican border towns, that imports materials and equipment on a duty- and tariff-free basis for assembly or manufacturing and re-export is referred to as \_\_\_\_\_.

A. a vertically integrated corporation

B. a keiretsu

C. a maquiladora

D. a governmental agency

Answer: C

Feedback: A factory, the majority of which are located in Mexican border towns, that imports materials and equipment on a duty- and tariff-free basis for assembly or manufacturing and re-export is referred to as a maquiladora.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

56. In the context of established economies, which of the following observations about NAFTA is incorrect?

A. Mexican businesses are able to take advantage of the U.S. market by producing goods for that market that were previously purchased from Asia.

B. Mexican firms are now able to produce products at highly competitive prices thanks to lower-cost labor and proximity to the American market.

C. Mexican firms can now export goods into the European community only by paying a heavy tariff.

D. Mexico's trade with Asia is on the rise, which is important to the country as it wants to reduce its overreliance on the U.S. market.

Answer: C

Feedback: Mexican firms, taking advantage of a new arrangement that the government has negotiated with the EU, can also now export goods into the European community without having to pay a tariff.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions

57. A major development in South America is:

A. the implementation of a single currency and a regional central bank.

B. the growth of intercountry trade, spurred on by the progress toward free-market policies.

C. the privatization of traditionally nationalized industries.

D. the elimination of all trade barriers among member countries.

Answer: B

Feedback: Despite the ups and downs, a major development in South America is the growth of intercountry trade, spurred on by the progress toward free-market policies.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions

58. A survey of businesspeople from Argentina, Brazil, Chile, Columbia, and Venezuela found that the \_\_\_\_\_ market, on average, was more important for their economic well-being than any other market.

A. Mexican

B. Japanese

C. U.S.

D. European Union

Answer: C

Feedback: A survey of businesspeople from Argentina, Brazil, Chile, Colombia, and Venezuela found that the U.S. market, on average, was more important for them than any other market.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

59. The ultimate objective of the European Union is to:

A. develop separate custom duties for member countries.

B. eliminate all trade barriers among member countries.

C. have a single government that represents all European Union countries.

D. increase imports into European Union countries.

Answer: B

Feedback: The ultimate objective of the European Union is to eliminate all trade barriers among member countries (like between the states in the United States).

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions

60. In the context of established economies, the European Union:

A. has largely achieved the reality of a single currency and a regional central bank.

B. has eliminated all trade barriers among member countries.

C. subjects member nations to quotas on the manufacture and shipment of high-quality, low-cost goods.

D. imposes duties on member nations for the manufacture and shipment of high-quality, low-cost goods.

Answer: A

Feedback: In the context of established economies, the European Union's goal of a single currency and a regional central bank has finally largely become a reality.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions

61. In the context of emerging and developing economies in Central and Eastern Europe, which of the following is a pervasive challenge in Russia?

A. Privatization

B. Dismantling of Russian price controls

C. Lack of public security

D. Expansion of the middle class

Answer: C

Feedback: In the context of emerging and developing economies in Central and Eastern Europe, lack of public security is a pervasive challenge in Russia. Persistent crime and corruption also attribute to its pervasive set of challenges.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions

62. Russia, \_\_\_\_\_ receive the most media coverage and are among the largest of the former communist countries.

A. Romania, Poland, and Bulgaria

B. Czech Republic, Bulgaria, and Poland

C. Hungary, Romania, and Albania

D. Poland, Hungary, and the Czech Republic

Answer: D

Feedback: The Czech Republic, Hungary, and Poland receive the most media coverage and are among the largest of the former communist countries.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

63. Which of the following statements is true about the economy of Poland?

A. The consensus decision-making system of Poland turns out to be too time-consuming in the new speed-based economy.

B. During the 1970s and 1980s, Poland's economic success had been without precedent.

C. Poland is among the largest of the former communist countries that receive the least media coverage.

D. Poland's economy was the only economy in the European Union to grow during the global recession of 2008–2009.

Answer: D

Feedback: Poland's economy has done relatively well. Its economy was the only economy in the European Union to continue to grow during the global recession of 2008–2009.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions

64. A \_\_\_\_\_ can be defined as an organizational arrangement in Japan in which a large, often vertically integrated group of companies cooperate and work closely with each other to provide goods and services to end users.

A. vertically integrated corporation

B. keiretsu

C. maquiladora

D. chaebol

Answer: B

Feedback: A keiretsu can be defined as an organizational arrangement in Japan in which a large, often vertically integrated group of companies cooperate and work closely with each other to provide goods and services to end users. Its members may be bound together by cross-ownership, long-term business dealings, interlocking directorates, and social ties.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

65. Ministry of International Trade and Industry (MITI) is a \_\_\_\_\_ government agency that identifies and ranks national commercial pursuits and guides the distribution of national resources to meet these goals.

A. Chinese

B. Japanese

C. South Korean

D. Philippine

Answer: B

Feedback: Ministry of International Trade and Industry (MITI) is a Japanese governmental agency that identifies and ranks national commercial pursuits and guides the distribution of national resources to meet these goals.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

66. In the context of established economies, despite setbacks, \_\_\_\_\_ remains a formidable international competitor and is well poised in all three major economic regions: the Pacific Rim, North America, and Europe.

A. Japan

B. Chile

C. China

D. Argentina

Answer: A

Feedback: In the context of established economies, despite setbacks, Japan remains a formidable international competitor and is well poised in all three major economic regions: the Pacific Rim, North America, and Europe.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

67. In addition to Japan and China, the important economies in Asia are:

A. South Korea, Hong Kong, Singapore, and Taiwan.

B. Indonesia, South Korea, Japan, and Taiwan.

C. Thailand, South Korea, Indonesia, and Hong Kong.

D. Singapore, South Korea, Indonesia, and Thailand.

Answer: A

Feedback: In addition to Japan and China, the important economies in Asia are South Korea, Hong Kong, Singapore, and Taiwan.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

68. In the context of emerging and developing economies, identify a true statement about China.

A. Multinational corporations find it extremely easy to do business in and with China because of the undervaluation of the Chinese currency.

B. China's policy toward its foreign investors is rigid yet predictable.

C. Trade relations between China and developed countries and regions have significantly improved after the revaluation of the Chinese currency.

D. Foreign businesses need to maintain a delicate balance between the communist and the capitalist systems in China.

Answer: D

Feedback: Foreign businesses need to maintain a delicate balance between the communist and the capitalist systems in China. Most MNCs find it very difficult to do business in and with China.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions

69. In \_\_\_\_\_, chaebols are very large, family-held conglomerates that have considerable political and economic power.

A. Thailand

B. Japan

C. South Korea

D. China

Answer: C

Feedback: In South Korea, chaebols are very large, family-held Korean conglomerates that have considerable political and economic power.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

70. In the context of emerging and developing economies, identify a true statement about India.

A. The overwhelmingly diverse people of India mostly speak tribal languages and dialects.

B. Its political instability is pervasive, which generates substantial risks for foreign investors.

C. Indians are known for their advanced information technology expertise.

D. Indian government is unable to provide funds for economic development.

Answer: C

Feedback: Indians are known for their advanced information technology expertise. This is one of the reasons that make India attractive to multinationals, especially U.S. and British firms.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions

71. Which of the following countries was not among the world's 10 most competitive nations in 2015?

A. Germany

B. Singapore

C. Mexico

D. Norway

Answer: C

Feedback: In the year 2015, the 10 most competitive nations were the United States, Switzerland, China–Hong Kong, Sweden, Singapore, Norway, Canada, Luxembourg, Germany, and Denmark.

AACSB: Analytic

Bloom's: Remember

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 1 Easy

Topic: Economic Performance and Issues of Major Regions

**Essay Questions**

72. What is a multinational corporation? Why would a company want to be a multinational corporation?

Answer: A multinational corporation is a firm that has operations in more than one country, international sales, and a nationality mix of managers and owners. Firms pursue international markets to increase their sales and net income. In recent years such well-known American MNCs as Apple, Chevron, Johnson & Johnson, Coca-Cola, Ford Motor Company, ExxonMobil, Caterpillar, Walmart, Microsoft, and Google have all earned more annual revenue in the international arena than they have in the United States.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Introduction

73. List the important economic developments that have occurred because of the North American Free Trade Agreement (NAFTA).

Answer: The United States, Canada, and Mexico make up the North American Free Trade Agreement (NAFTA), which in essence has removed all barriers to trade among these countries and created a huge North American market. A number of economic developments have occurred because of this agreement and are designed to promote commerce in the region. Some of the more important developments include (1) the elimination of tariffs as well as import and export quotas; (2) the opening of government procurement markets to companies in the other two nations; (3) an increase in the opportunity to make investments in each other's country; (4) an increase in the ease of travel between countries; and (5) the removal of restrictions on agricultural products, auto parts, and energy goods.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-01 ASSESS the implications of globalization for countries, industries, firms, and communities.

Level of Difficulty: 2 Medium

Topic: Globalization and Internationalization

74. In the context of global economic systems, explain a market economy.

Answer: A market economy exists when private enterprise reserves the right to own property and monitor the production and distribution of goods and services while the state simply supports competition and efficient practices. Management is particularly effective here since private ownership provides local evaluation and understanding, opposed to a nationally standardized archetype. This model contains the least restriction as the allocation of resources is roughly determined by the law of demand. Since the interaction of the community and firms guides the system, organizations must be as versatile as the individual consumer. Competition is fervently encouraged to promote innovation, economic growth, high quality, and efficiency. The government may prohibit such things as monopolies or restrictive business practices in order to maintain the integrity of the economy.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-02 REVIEW the major trends in global and regional integration.

Level of Difficulty: 2 Medium

Topic: Global Economic Systems

75. Describe how the European Union (EU) has made significant progress over the past decade in becoming a unified market.

Answer: The European Union (EU) has made significant progress over the past decade in becoming a unified market. In 2003 it consisted of 15 nations: Austria, Belgium, Denmark, Finland, France, Germany, Great Britain, Greece, the Netherlands, Ireland, Italy, Luxembourg, Portugal, Spain, and Sweden. In May 2004, 10 additional countries joined the EU: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. In January 2007, Romania and Bulgaria acceded to the EU, and in July 2013, Croatia became the 28th and newest member of the EU. Not only have most trade barriers between the members been removed, but a subset of European countries has adopted a unified currency called the euro.

As a result, it is now possible for customers to compare prices between most countries and for business firms to lower their costs by conducting business in one uniform currency. Even though long-standing cultural differences remain, and the European Union has recently experienced some substantial challenges, the European Union is more integrated as a single market than NAFTA, CAFTA, or the allied Asian countries.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions

76. Discuss the factors that contributed to Japan's phenomenal economic success.

Answer: During the 1970s and 1980s, Japan's economic success had been without precedent. The country had a huge positive trade balance, the yen was strong, and the Japanese became recognized as the world leaders in manufacturing and consumer goods. Analysts ascribe Japan's phenomenal success to a number of factors. Some areas that have received a lot of attention are the Japanese cultural values supporting a strong work ethic and group/team effort, consensus decision making, the motivational effects of guaranteed lifetime employment, and the overall commitment that Japanese workers have to their organizations. However, at least some of these assumptions about the Japanese workforce have turned out to be more myth than reality and some of the former strengths have become weaknesses in the new economy. Some of the early success of the Japanese economy can be attributed to the Ministry of International Trade and Industry (MITI). Another major reason for Japanese success may be the use of keiretsus. Being able to draw from the resources of the other parts of the keiretsu, a Japanese MNC often can get things done more quickly and profitably than its international competitors.

Despite setbacks, Japan remains a formidable international competitor and is well poised in all three major economic regions: the Pacific Rim, North America, and Europe.

AACSB: Analytic

Bloom's: Understand

Learning Objective: 01-03 EXAMINE the changing balance of global economic power and trade and investment flows among countries.

Level of Difficulty: 2 Medium

Topic: Economic Performance and Issues of Major Regions