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Global Marketing, 10e **(Green/Keegan)**
Chapter 2 The Global Economic Environment

1) The world economy has changed profoundly since the end of the World War II. Perhaps the most fundamental changes that took place include all of the following *except:*
A) global competitors have steadily displaced local competitors.
B) the integration of the world economy has increased significantly.
C) economic integration is particularly striking in the European Union.
D) protectionism and nationalism have rapidly increased economic integration.
E) integration of the world economy is visible in NAFTA (North American Free Trade Agreement).
Answer: D
Difficulty: 2: Moderate
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

2) The Gross Domestic Product (GDP), a measure of a nation's economic activity, is calculated by all of the following factors *except:*
A) consumer spending.
B) investment spending.
C) government purchases.
D) industry purchases.
E) net exports.
Answer: D
Difficulty: 3: Challenging
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

3) To achieve success, executives and marketers must take into account all of the following new realities *except:*
A) capital movements have replaced trade as the driving force of the world economy.
B) production has become "uncoupled" from employment.
C) the 100-year struggle between capitalism and socialism is largely over.
D) individual country economies play a major role in the world economy.
E) the growth of e-commerce diminishes the importance of national barriers.
Answer: D
Difficulty: 3: Challenging
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

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4) Economic integration was at 10 percent at the beginning of the twentieth century; today, it is approximately 50 percent.
Answer: TRUE
Difficulty: 1: Easy
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

5) The world economy has changed profoundly as evident by the fact that the global competitors have steadily displaced or absorbed local competitors.
Answer: TRUE
Difficulty: 1: Easy
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

6) The struggle between capitalism and socialism that began in 1917 is over.
Answer: TRUE
Difficulty: 1: Easy
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

7) The world's largest automakers have, for the most part, evolved into local companies.
Answer: FALSE
Difficulty: 1: Easy
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Application of knowledge

8) The world economic environment is changing very rapidly and has become increasingly competitive. In order to achieve success, based on author William Greider's analysis, what are the realities that executives and marketers should take into account in such a dynamic environment?
Answer: (a) Capital movements have replaced trade as the driving force of the world economy; (b) Production has become "uncoupled" from employment; (c) The world economy dominates the scene; individual country economies play a subordinate role; (d) The struggle between capitalism and socialism is largely over; and (e) The growth of e-commerce diminishes the importance of national barriers and forces companies to reevaluate their business models.
Difficulty: 2: Moderate
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Analytical thinking

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9) Traditionally economists identified four main types of economic systems. However, due to globalization it is harder to categorize the systems this narrowly. What will be more robust descriptive criteria that can be used for classification?
Answer: (a) Type of economy; (b) Type of government; (c) Trade and capital flows; (d) The commanding heights; (e) Services provided by the state and funded through taxes; (f) Institutions; and (g) Markets.
Difficulty: 2: Moderate
Chapter LO: 2.1: Identify and briefly explain the major changes in the world economy that have occurred during the past 100 years.
AACSB: Analytical thinking

10) Traditionally economists identified main types of economic systems, which include all of the following *except:*
A) market capitalism.
B) market socialism.
C) centrally planned socialism.
D) centrally planned capitalism.
E) centrally planned nationalism.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

11) Market capitalism is an economic system in which:
A) individuals and firms allocate resources that are privately owned.
B) the state has broad powers to serve the public interest as it sees fit.
C) market resource allocation is commanded by both private and state ownership.
D) there is no correlation between economic freedom and a nation's economy.
E) market-oriented economies function in an identical manner.
Answer: A
Difficulty: 3: Challenging
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

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12) Key characteristics of the Anglo-Saxon model market system consists of private ownership and:
A) "social partners" orientation.
B) inflexible employment policies.
C) a free enterprise economy.
D) a mix of state ownership.
E) a generous social safety net.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

13) For decades, the economies of China, the former Soviet Union, and India functioned according to the tenets of:
A) market capitalism.
B) market socialism.
C) centrally planned socialism.
D) centrally planned capitalism.
E) market capitalism and socialistic capitalism.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

14) The Swedish government has significant holdings in key business sectors and has a hybrid economic system that incorporates:
A) market capitalism and centrally planned socialism.
B) centrally planned socialism and market socialism.
C) centrally planned socialism and capitalism.
D) market socialism and market capitalism.
E) market capitalism and socialistic capitalism.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
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15) The Washington, D.C.-based Heritage Foundation survey consists of over 180 countries ranked by degree of economic freedom. The key economic variables considered for this ranking include all of the following *except:*
A) taxation policy.
B) government consumption of economic output.
C) percent foreign ownership.
D) banking policy.
E) wage and price control.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

16) The only two countries where Coca-Cola is not available through authorized channels are:
A) India and China.
B) North Korea and South Korea.
C) Cuba and North Korea.
D) Cuba and Venezuela.
E) Singapore and Indonesia.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

17) Singapore banned the import, manufacture, and sales of chewing gum in the country since wads of gum were making a mess on sidewalks, buses, and subway trains. Violators are subject to severe penalties, and before buying a pack consumers must register their names and addresses. This, according to author William Greider, demonstrates that Singapore's government:
A) is harshly autocratic.
B) deprives the nation's citizens of free speech.
C) deprives a free press and free assembly.
D) requires consumers to register their addresses before buying gum.
E) all of the above
Answer: E
Difficulty: 3: Challenging
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
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18) Today, market capitalism is widely practiced around the world, most notably in North America and the European Union.
Answer: TRUE
Difficulty: 1: Easy
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

19) In centrally planned socialism economic systems, the state allocates resources, whereas production resources are privately owned.
Answer: FALSE
Difficulty: 1: Easy
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

20) In Sweden, where the government controls two-thirds of all expenditures, resource allocation is more "market" oriented than "command" oriented.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

21) According to the 2017 Index of Economic Freedom compiled by the Heritage Foundation, Singapore is ranked as having the highest degree of economic freedom.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

22) A low correlation exists between the degree of economic freedom and the extent to which a nation's mixed economy is market oriented.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

23) In reality, market capitalism and centrally planned socialism do not exist in "pure" form.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

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24) In Singapore, gum is available at pharmacies; before buying a pack, however, consumers must register their names and addresses.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Application of knowledge

25) What are the distinguishing features between centrally planned socialism and centrally planned capitalism? Give examples of two or more countries which follow these systems.
Answer: In Centrally Planned Socialism, the state has broad powers to serve the public interest as it sees fit. Ownership of entire industries as well as individual enterprises belongs to the government. The elements of the marketing mix are not used as strategic variables. In Centrally Planned Capitalism, economic system command resource allocation is utilized extensively in an overall environment of private resource ownership. In Sweden, the government controls two-thirds of all expenditures, and the resource allocation is more "command" oriented than "market" oriented. This would be an example of centrally planned socialism although it can have elements of capitalism. China is an example of centrally planned socialism.
Difficulty: 2: Moderate
Chapter LO: 2.2: Compare and contrast the main types of economic systems that are found in different regions of the world.
AACSB: Analytical thinking

26) The big emerging markets (BEMs), include:
A) Japan.
B) Sweden.
C) Vietnam.
D) Pakistan.
E) Brazil.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

27) Low-income countries have a GNI per capita of $1,005 or less. The general characteristics shared by countries at this income level include all of the following *except:*
A) less engaged in farming.
B) high birth rates.
C) heavy reliance on foreign aid.
D) political unrest.
E) high agricultural population.
Answer: A
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
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28) With per capita income of less than $700, Ethiopians enjoyed more than a decade of double-digit economic expansion due to all of the following reasons, *except*:
A) foreign investment from China helped in building several industrial parks.
B) garment workers were trained in Hong Kong by J Crew and Burberry.
C) Ethiopia provides duty-free access to the key U.S. markets.
D) the country has a sufficient available workforce with low wage levels.
E) the country is sufficiently near a seaport for exports.
Answer: B
Difficulty: 3: Challenging
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

29) With a 2016 GNI per capital of $1,680, India has transitioned out from the former category and now is classified as a(n):
A) low-income country.
B) upper-middle-income country.
C) lower-middle-income country.
D) upper-income country.
E) lower-upper-income country.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

30) Smaller countries like Tajikistan and Uzbekistan are lumped into a regional group known as "the Stans." Incomes in these countries are low, there is considerable economic hardship, and the potential for disruption is high. Are these countries problem cases or opportunities for potential economic growth?
Answer: These countries represent an obvious risk-reward trade-off. Some companies have taken the plunge, but many others are still assessing whether they ought to join the pioneers. For example, Uzbekistan is one indication of a risky business environment in a lower-middle-income country. Perhaps that explains why there are no Western fast-food chains in Uzbekistan — no Starbucks, no McDonalds's. However, the good news is that in the last few years, Uzbekistan has transitioned from "repressed" in the index to "mostly unfree." Also, as a nation whose cities once were important trade hubs on the Silk Road, there are market opportunities. As an example, GM is the top car company in Uzbekistan, and is one of GM's 10 largest markets worldwide. Thus countries in this category are risky but have good potential for economic growth and global marketing.
Difficulty: 3: Challenging
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Analytical thinking

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31) Upper-middle-income countries, also known as industrializing or developing countries are those with GNI per capita ranging from:
A) $1,006 to $3,955.
B) $3,956 to $12,235.
C) $12,236 or higher.
D) less than $1,005.
E) none of the above
Answer: B
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

32) The general characteristics shared by low-income countries *do not* include:
A) high birth rates.
B) low literacy rates.
C) concentration in Africa south of the Sahara.
D) heavy reliance on foreign aid.
E) lack of genuine market opportunities.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

33) All of the following facts pertain to Brazil *except*:
A) it is the largest country in Latin America.
B) it boasts the richest reserves of natural resources in the hemisphere.
C) its top trading partner is China, which has an insatiable appetite for iron ore.
D) its GNI grew steadily between 2003 and 2013.
E) it lacks logistics software; horse-drawn carts are still a common sight on many roads.
Answer: E
Difficulty: 2: Moderate
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34) All of the following facts pertain to China *except*:
A) China is in the upper-middle-income category.
B) for years China's economic growth has been built on exports and low-wage manufacturing.
C) Beijing is shifting from an external focus to an internal one in order to deal with infrastructure, bribery, and corruption.
D) Beijing has launched a new industrial strategy dubbed "Made in China 2025."
E) China has received the "market economy" status by the World Trade Organization (WTO).
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

35) Prahalad and Hammond have identified several assumptions and misconceptions about the "bottom of the pyramid" (BOP) that need to be corrected. All of the following mistaken assumptions are correct *except*:
A) the poor are too concerned with fulfilling basic needs to "waste" money on nonessential goods.
B) the goods sold in developing markets are so expensive that there is no room for a new market entrant to make a profit.
C) the poor have no money.
D) people in BOP markets cannot use advanced technology.
E) global companies that target BOP markets will be criticized for exploiting the poor.
Answer: B
Difficulty: 3: Challenging
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

36) French Champagne producers have been compelled to seek growth elsewhere. Which of the following statements is *not* accurate? In 2016, Champagne producers shipped:
A) two bottles per person in France.
B) one bottle per person in Switzerland.
C) one-half bottle per person in Great Britain.
D) 0.07 bottle per person in the United States.
E) one bottle per person in India.
Answer: E
Difficulty: 2: Moderate
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37) The United Nations designates 50 countries in the bottom ranks of the low-income category named as:
A) low-income countries.
B) lower-middle-income countries.
C) BRIC countries.
D) developing countries.
E) LDCs (least-developed countries).
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

38) Upper-middle-income countries are also known as:
A) industrializing countries.
B) BRIC countries.
C) stabilized countries.
D) manufacturing countries.
E) agricultural countries.
Answer: A
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

39) Upper-middle-income countries that achieve the highest rates of economic growth are sometimes referred to collectively as:
A) LDCs.
B) BEMs.
C) BRICs.
D) NIEs.
E) BOPs.
Answer: D
Difficulty: 2: Moderate
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40) Which one of the following nations falls in the lower-middle-income category?
A) Burundi
B) Bangladesh
C) India
D) Venezuela
E) none of the above
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

41) Nike produces only a small portion of its output in China, but when the firm refers to China as a "2-billion-foot market," it is referring to the fact that:
A) the Chinese children had no shoes.
B) the Chinese shoe market is very competitive.
C) China can develop its own shoe market.
D) it will take a long time for China to develop a future market.
E) China is a potential future market.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

42) According to the authors of the *Harvard Business Review* article, "Serving the World's Poor, Profitably," which of the following is a mistaken assumption that global companies might have about the BOP (bottom of the pyramid)?
A) The poor have no money.
B) The poor are too concerned with fulfilling basic needs to "waste" money on nonessential goods.
C) People in BOP markets will be criticized for exploiting the poor.
D) People in BOP markets cannot use advanced technology.
E) All of the above are mistaken assumptions discussed by the authors.
Answer: E
Difficulty: 2: Moderate
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43) Pursuing alternative sources of energy, such as wind and solar power, is important due to the fact that:
A) people in developing countries are more conscious about the environment.
B) global marketers are more interested in publicizing environmental issues.
C) it is easy to develop solar power in many parts of the world.
D) heavy reliance on fossil fuels contributes to global warming.
E) people worldwide can afford to buy power generated from wind and solar.
Answer: D
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

44) Which two companies are sourcing product components from small-scale enterprises, which in turn are helping preserve old-growth forests as well as economic opportunities in Brazil?
A) Ford Motor Company and Armani
B) Daimler AG and Hermes
C) General Motors and Hugo Boss
D) Volkswagen and Coach
E) Coca-Cola and Nestlé
Answer: B
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

45) Product and market opportunities in a postindustrial society are more heavily dependent upon new products and innovations than in industrial societies. An example of this would be:
A) Nestlé marketing Bono brand cookies in Brazil.
B) Coca-Cola Company developing a beverage Vintago in low-income countries.
C) new e-commerce markets for interactive forms of electronic communication.
D) Hermes creating handbags called Amazonia.
E) India's Suzlon Energy using wind-driven turbines.
Answer: C
Difficulty: 3: Challenging
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46) Which country was upgraded from "emerging" to "developed" status by the Financial Times Stock Exchange (FTSE) in 2009?
A) United States
B) South Korea
C) Britain
D) Italy
E) Malaysia
Answer: B
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

47) The Organization for Economic Cooperation and Development (OECD) is described as the:
A) organization of 35 nations.
B) rich-man's club.
C) pluralistic democracies.
D) economic think tank.
E) All of the above statements are applicable.
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

48) Most of the world's income is located in all of the following countries *except*:
A) Japan.
B) United States.
C) Canada.
D) Greater China.
E) Western Europe.
Answer: C
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
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49) The Organization for Economic Cooperation and Development (OECD) has become more focused on global issues, social policy, and labor market regulations as seen by:
A) addressing the vexing problem of bribery.
B) requiring members to cooperate when pursuing bribery allegations.
C) helping members candidly assess their own economic policies.
D) member nations working together in committees to review social policies.
E) all of the above
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

50) Amazon cannot sell its own goods in India.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

51) The World Bank has developed a four-category classification system for stages of marketing development, which uses a country's population as a base.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

52) Approximately 25 percent of the world population is included in the low-income countries category as per the World Bank classification system.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

53) Two of the smaller countries from the former Soviet Union, Tajikistan and Uzbekistan, fall into the lower-middle-income categories.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Diverse and multicultural work environment

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54) Myanmar, a low-income country in Southeast Asia with a population of 52 million people, can be considered an emerging market.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Diverse and multicultural work environment

55) Myanmar people are very similar to Japanese in some ways.
Answer: TRUE
Difficulty: 1: Easy
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Diverse and multicultural work environment

56) With a 2016 GNI per capita of $1,680, India has transitioned out of the low-income category and is now classified as an upper-middle-income country.
Answer: FALSE
Difficulty: 1: Easy
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

57) Grocery distribution companies in Brazil use logistics software to route their trucks; meanwhile, horse-drawn carts are still a common sight on many roads.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

58) China is the first BRICS nation in the upper-middle-income category with a GNI per capita income of $8,260 in 2016.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

59) Brazil, China, and India are classified as upper-middle income countries, also known as industrialized or developing countries.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

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60) The 35 nations that belong to the OECD, who believe in market-allocation economic systems and pluralistic democracy, are also addressed as an "economic think tank" or the "rich man's club."
Answer: TRUE
Difficulty: 3: Challenging
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

61) The CEO of Otis Elevators says they measure elevator populations in countries as units installed per thousand people. According to this, China is about one-half an elevator per thousand people.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Application of knowledge

62) What are some challenges facing the BRIC framework? Explain with examples from a corporation.
Answer: Goldman Sachs, the firm that developed the original BRIC framework more than a decade ago, has identified a new country grouping called Next-11 (N11). Five of the N11 countries are considered NIEs: three lower-middle-income countries (Egypt, Indonesia, and the Philippines) and two upper-middle-income countries (Mexico and Turkey). Among these five countries, Egypt, Indonesia, and the Philippines have posted positive GDP growth over the past several years.
Difficulty: 3: Challenging
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Analytical thinking

63) The newly independent countries of the former Soviet Union present an interesting situation: income is declining, and there is considerable economic hardship. The potential for disruption is certainly high. Are these disruptions problem cases, or are they attractive opportunities with good potential for moving out of the low-income category?
Answer: These countries are good example of risk-reward trade-off. Many companies have taken the plunge, but many others are still assessing whether to take risk. Belarus and Turkmenistan are rated quite low in the rankings in terms of economic freedom. Russia itself has slipped within the upper-middle-income category. However, there are still some former Soviet-dominated countries which have opportunities for economic growth. It much depends on the actions taken by the Soviet republic. For example, the launching of a military action in Georgia creates a ripple effect and causes economic and political instability.
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Analytical thinking

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64) Authors Prahalad and Hammond have identified several assumptions and misconceptions about the "bottom of the pyramid" (BOP). Explain these assumptions, giving examples.
Answer: (1) The poor have no money. In Bangladesh villagers spend considerable sums to use village phones operated by local entrepreneurs; (2) the poor are too concerned with fulfilling basic needs to "waste" money on nonessential goods. Consumers who are too poor to purchase a house do buy luxury goods such as televisions and cell phones; (3) the goods sold in developing markets are so inexpensive that there is no room for a new market entrant to make a profit. Since the poor often pay higher prices for many goods, there is an opportunity for efficient competitors to realize attractive margins by offering quality and low prices; (4) people in BOP markets cannot use advanced technology. Residents of rural areas can and do quickly learn to use cell phones and PCs; and (5) global companies that target BOP markets will be criticized for exploiting the poor. A global company offering basic goods and services that improve a country's standard of living can earn a reasonable return while benefiting society.
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Analytical thinking

65) What are some of the challenges faced by marketers in relation to the newly formed smaller countries? Explain giving examples.
Answer: There are several challenges faced by marketers in newly formed countries. For example, some of the smaller countries from the former Soviet Union, including Tajikistan and Uzbekistan, fall into the low- and lower-middle income categories. Sometimes referred to collectively as "the Stans," they present marketers with an interesting challenge. Incomes are low, there is considerable economic hardship, and the potential for disruption is certainly high. Are they problem cases, or are they attractive opportunities with good potential for economic growth? These countries present an interesting risk–reward trade-off; some companies have taken the plunge, but many others are still assessing whether to take the risk.
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
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66) Some people believe that marketing is relevant only in affluent, industrialized countries, whereas others believe that the role of marketing is to identify people's needs and wants worldwide, irrespective of the economy. Giving examples of companies involved in energy conservation and technology, support the latter argument.
Answer: People everywhere need affordable and safe drinking water. Recognizing this fact, Nestlé launched Pure Life bottled water in Pakistan. The Coca-Cola Company recently began to address dietary and health needs of low-income countries by developing a beverage, Vitango, which has several nutritional and health benefits. Technology is another area which can benefit countries all over the world. Intel's World Ahead is developing a $550 computer that is powered by a car battery. Hewlett-Packard engineers are working to develop solar-powered communication devices that can link remote areas to the Internet.
Difficulty: 2: Moderate
Chapter LO: 2.3: Explain the categories of economic development used by the World Bank, and identify the key emerging country markets at each stage of development.
AACSB: Analytical thinking

67) The "balance of payments" is a record of all economic transactions between the residents of a country and the rest of the world. It is divided into the current and capital accounts. Current accounts include all of the following *except:*
A) balance on goods.
B) portfolio investments.
C) balance on services.
D) goods imports.
E) goods exports.
Answer: B
Difficulty: 2: Moderate
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Application of knowledge

68) Measuring elevator populations in countries measured as units installed per thousand people gives an estimate of the market for elevators. That China has about one-half an elevator per thousand people is indicative of:
A) low product saturation level.
B) high product saturation level.
C) high population level.
D) high technological level.
E) low technological level.
Answer: A
Difficulty: 2: Moderate
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Application of knowledge

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69) The United States' growing trade deficit reflects a number of factors, which *exclude:*
A) increased imports from China.
B) a seemingly insatiable consumer demand for imported goods.
C) the enormous cost of military operations in the Middle East.
D) the services trade surplus.
E) record goods sales to developing countries.
Answer: D
Difficulty: 2: Moderate
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Application of knowledge

70) The "balance of payments" is a record of all economic transactions between the residents of a country and the developed countries of the world.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Analytical thinking

71) A country with a positive current account balance has a trade deficit; that is, the outflow of money to pay for imports exceeds the inflow of money for sales of exports.
Answer: FALSE
Difficulty: 2: Moderate
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Analytical thinking

72) The important fact to recognize about the overall balance of payments is that it is always in balance, although imbalances do occur in subsets of the overall balance.
Answer: TRUE
Difficulty: 3: Challenging
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Analytical thinking

73) The foreign exchange market consists literally of a buyer's and a seller's market where currencies are traded for both spot and future delivery on a continuous basis. The *forward* market is for immediate delivery and the *spot* market is for future delivery.
Answer: FALSE
Difficulty: 3: Challenging
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
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74) When a company conducts business across boundaries in countries with different currencies, it is thrust into the turbulent world of exchange risk.
Answer: TRUE
Difficulty: 2: Moderate
Chapter LO: 2.4: Discuss the significance of balance of payments statistics for the world's major economies.
AACSB: Application of knowledge

75) The fastest-growing sector of world trade includes:
A) travel and entertainment.
B) accounting and legal services.
C) royalties and license fees.
D) engineering services.
E) all of the above
Answer: E
Difficulty: 2: Moderate
Chapter LO: 2.5: Identify world leaders in merchandise and services trade, and explain how currency exchange rates impact a company's opportunities in different parts of the world.
AACSB: Analytical thinking

76) One of the major issues in trade relations between the high- and lower-income countries is trade in:
A) automobiles.
B) computers.
C) textiles.
D) services.
E) shoes.
Answer: D
Difficulty: 2: Moderate
Chapter LO: 2.5: Identify world leaders in merchandise and services trade, and explain how currency exchange rates impact a company's opportunities in different parts of the world.
AACSB: Analytical thinking

77) To the extent that a country sells more goods and services abroad than it buys, there will be:
A) a greater demand for its currency.
B) a surplus production of goods and services.
C) a scarcity of goods and services within the country.
D) a need for revaluation of its currency.
E) time for fluctuating its currency.
Answer: A
Difficulty: 2: Moderate
Chapter LO: 2.5: Identify world leaders in merchandise and services trade, and explain how currency exchange rates impact a company's opportunities in different parts of the world.
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78) The top global merchandise exporter is:
A) China.
B) Germany.
C) the United States.
D) Japan.
E) Korea.
Answer: A
Difficulty: 1: Easy
Chapter LO: 2.5: Identify world leaders in merchandise and services trade, and explain how currency exchange rates impact a company's opportunities in different parts of the world.
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