Test Bank for International Business The New Realities 5th Cavusgil

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***International Business: The New Realities, 5e* (Cavusgil)**
Chapter 2 Globalization of Markets and the Internationalization of the Firm

1) Which of the following is characteristic of globalization of markets?
A) lack of skilled labor
B) conservatism
C) declining trade barriers
D) diminishing gap between the rich and the poor
Answer: C
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

2) The first phase of globalization was characterized by the _____.
A) rise of steel production
B) rise of SMEs
C) dominance of MNEs in the agricultural industry
D) growth of railroads
Answer: D
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

3) The _____ phase of globalization began around 1900 and was associated with the rise of electricity and steel production.
A) first
B) second
C) third
D) fourth
Answer: B
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

4) The third phase of globalization was triggered by _____.
A) the end of World War II
B) the invention of electricity
C) the end of World War I
D) the Great Depression
Answer: A
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

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5) Which of the following reflects the major contribution of GATT to globalization?
A) It instituted strict controls on international currencies.
B) It simplified patent and copyright laws.
C) It reduced barriers to international trade and investment.
D) It eliminated the divide between the rich and the poor.
Answer: C
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

6) The fourth phase of globalization is characterized by _____.
A) the rise of railroads and ocean transport
B) the reduction of barriers to trade by Western industrialized countries
C) the initiation of the Marshall Plan to reconstruct Europe
D) the enormous growth of cross-border trade and investment
Answer: D
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

Internationalization Conference (Scenario)
At a conference on business internationalization strategies, representatives of three different businesses meet to discuss a joint venture between their companies. Business A is located in a country that internationalized during the second phase of globalization. Business B is based in a country that internationalized during the third phase of globalization. Business C is located in an emerging market country.

7) The representative from Business A is most likely from _____.
A) China
B) United Kingdom
C) Mexico
D) Brazil
Answer: B
Diff: 2: Moderate
Skill: Application
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Analytical Thinking

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8) The representative from Business B is most likely from _____.
A) Panama
B) Hungary
C) Uganda
D) Japan
Answer: D
Diff: 2: Moderate
Skill: Application
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Analytical Thinking

9) The representative from Business C is most likely from _____.
A) Italy
B) Brazil
C) the United States
D) France
Answer: B
Diff: 2: Moderate
Skill: Application
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Analytical Thinking

10) Over time, the GATT evolved into the _____.
A) World Bank
B) International Monetary Fund
C) World Trade Organization
D) World Intellectual Property Organization
Answer: C
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

11) Early multinationals from the third phase of globalization originated in _____.
A) Japan
B) China
C) India
D) Brazil
Answer: A
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
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12) The fourth phase of globalization _____.
A) is characterized by the rise of electricity and steel production
B) is characterized by the rise of MNEs from Japan
C) witnessed the Bretton Woods Conference of twenty-three nations in 1947 that led to the General Agreement on Tariffs and Trade
D) facilitated the globalization of the service sector in such areas as banking and retailing
Answer: D
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

13) As market globalization intensifies, _____.
A) the gap between the rich and the poor shrinks rapidly
B) the distance between consumers worldwide expands
C) individual firms respond to the challenges and new advantages that it brings
D) firms internationalize solely as a reaction to it
Answer: C
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

14) Which of the following is a driver of globalization?
A) greater emphasis on proactive internationalization
B) internationalization of firm's value chain
C) integration of world financial markets
D) globalization of services
Answer: C
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

15) Which of the following is a societal consequence of market globalization?
A) greater emphasis on proactive internationalization
B) internationalization of firm's value chain
C) new risks and instant rivalry from foreign competitors
D) offshoring and the flight of jobs
Answer: D
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Analytical Thinking

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16) Firms that are more successful at global competition display each of the following qualities EXCEPT _____.
A) identifying foreign market opportunities aggressively
B) approaching internationalization from a reactive standpoint
C) actively pursuing partnerships with foreign firms
D) focusing intensively on building organizational capacities
Answer: B
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

Global Operations Report (Scenario)
As Vice President of Global Expansion for Pax Telecom, Deva Mikiri is tasked with preparing a comprehensive report on the company's global operations over the past 20 years. Deva assigns three strategists to collaborate on the History portion of the report, which details the rationale behind Pax's decisions to expand operations in particular areas. Rashid Ahl focuses on early expansion to China, which occurred after China began to make its market more accessible to foreign companies. Markus Teller focuses on Pax's expansion to Eastern Europe, which was motivated by increased industry privatization in key countries. Lavonne Jackson focuses on expansion to Japan, which happened when the company's commercial bank expanded its service network to Asia.

17) To which of the following drivers of market globalization is Markus most likely to attribute his company's expansion to Eastern Europe?
A) advances in technology
B) integration of world financial markets
C) market liberalization
D) industrialization
Answer: C
Diff: 2: Moderate
Skill: Application
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Analytical Thinking

18) Nationalization refers to the gradual integration and growing interdependence of national economies.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

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19) The initial phase of globalization was triggered by the introduction of the railroads and ocean transport.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

20) The Great Depression marked the beginning of the second phase of globalization.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

21) The third phase of globalization was triggered by the development of personal computers, the Internet, and Web browsers.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

22) Firms expand abroad mainly as a reaction to market globalization.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

23) Firms often internationalize proactively in order to pursue new markets, find lower-cost inputs, or obtain other advantages.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

24) Offshoring and the flight of jobs are prime drivers of market globalization.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
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25) Globalization of production activities and services is a dimension of market globalization.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

26) Describe the role of GATT and the WTO in reducing barriers to trade and investment worldwide, and explain how this reduction has led to the integration and interdependence of national economies.
Answer: The Bretton Woods Conference of 23 nations in 1947 led to the General Agreement on Tariffs and Trade (GATT) and a series of negotiations that, over time, reduced barriers to international trade and investment. Participating governments recognized that liberalized trade would stimulate industrialization, modernization, and better living standards. The GATT eventually transformed into the World Trade Organization, a multilateral governing body that grew to include 149 member nations. The WTO aims to regulate and ensure fairness and efficiency in global trade and investment. Global cooperation in the postwar era gave birth to other international organizations such as the International Monetary Fund and the World Bank.

Internationally active firms devise multi-country operations through trade, investment, geographic dispersal of company resources, and integration and coordination of value-chain activities. Governments have facilitated this integration by lowering barriers to international trade and investment, harmonizing their monetary and fiscal policies within regional economic integration blocs (also known as trade blocs), and developing supranational institutions—the World Bank, International Monetary Fund, World Trade Organization, and others—that seek further reductions in trade and investment barriers.
Diff: 2: Moderate
Skill: Synthesis; Critical Thinking
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

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27) Describe the fourth phase of globalization. What is contagion?
Answer: The fourth phase of globalization began in the early 1980s. This phase featured enormous growth in cross-border trade and investment. It was triggered by the development of personal computers, the Internet, and Web browsers. It was also characterized by the collapse of the Soviet Union and the market liberalization of Central and Eastern Europe. Impressive industrialization and modernization in East Asian economies followed. International prosperity began to develop in the emerging markets including Brazil, India, and Mexico.

Contagion refers to the tendency of a financial or monetary crisis in one country to spread rapidly to other countries, due to the ongoing integration of national economies. Starting in 2008, the world economy experienced a severe financial crisis and global recession, the worst in decades. The crisis began in the United States and, like a contagious disease, spread around the world.
Diff: 2: Moderate
Skill: Synthesis
Objective: 2-1: Understand market globalization as an organizing framework
AACSB: Application of Knowledge

28) Financial market integration makes it easier for internationally active firms to _____.
A) nationalize manufacturing industries
B) minimize offshoring
C) increase tariffs on the import of automobiles and industrial machinery
D) engage in foreign currency transactions
Answer: D
Diff: 1: Easy
Skill: Concept
Objective: 2-1, 2-2: Understand market globalization as an organizing framework, Learn the driving forces of globalization
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Global Operations Report (Scenario)
As Vice President of Global Expansion for Pax Telecom, Deva Mikiri is tasked with preparing a comprehensive report on the company's global operations over the past 20 years. Deva assigns three strategists to collaborate on the History portion of the report, which details the rationale behind Pax's decisions to expand operations in particular areas. Rashid Ahl focuses on early expansion to China, which occurred after China began to make its market more accessible to foreign companies. Markus Teller focuses on Pax's expansion to Eastern Europe, which was motivated by increased industry privatization in key countries. Lavonne Jackson focuses on expansion to Japan, which happened when the company's commercial bank expanded its service network to Asia.

29) In describing the main driver behind Pax's expansion to China, Rashid is most likely to emphasize _____.
A) the high rate of employee attrition in China
B) advances in technology
C) reduction of barriers to trade
D) integration of world financial markets
Answer: C
Diff: 2: Moderate
Skill: Concept
Objective: 2-2: Learn the driving forces of globalization
AACSB: Analytical Thinking

30) Which of the following drivers of market globalization is Lavonne's research most likely to recognize as the factor responsible for the company's expansion to Japan?
A) integration of world financial markets
B) the highly conservative nature of the Japanese economy
C) the rise of monopoly markets in Japan
D) reduction of barriers to investment
Answer: A
Diff: 2: Moderate
Skill: Concept
Objective: 2-2: Learn the driving forces of globalization
AACSB: Analytical Thinking

31) _____ marked the end of the 50-year Cold War and smoothed the integration of former command economies into the global economy.
A) The end of World War II
B) The Bolshevik Revolution in Russia
C) Free-market reforms in China and the former Soviet Union
D) China's move to join the WTO
Answer: C
Diff: 1: Easy
Skill: Concept
Objective: 2-2: Learn the driving forces of globalization
AACSB: Application of Knowledge

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32) The globalization of finance _____.
A) enables companies to minimize offshoring
B) contributes to firms' abilities to develop and operate world-scale production and marketing
C) discourages innovation
D) discourages free international exchange of goods and services
Answer: B
Diff: 1: Easy
Skill: Concept
Objective: 2-2: Learn the driving forces of globalization
AACSB: Application of Knowledge

33) Firms are sometimes motivated to enter new markets because of unfavorable conditions in the home market, such as regulation or declining local industry sales.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-2: Learn the driving forces of globalization
AACSB: Application of Knowledge

34) Falling trade barriers are facilitated by the WTO.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-2: Learn the driving forces of globalization
AACSB: Application of Knowledge

35) The end of the Cold War in 1989 hindered the forces of market liberalization in Eastern Europe.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-2: Learn the driving forces of globalization
AACSB: Application of Knowledge

36) Industrialization implies that emerging markets are increasing their dependence on low-cost labor.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-2: Learn the driving forces of globalization
AACSB: Application of Knowledge

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37) How has the adoption of free markets worldwide served as a driver of market globalization? Provide three examples to support your answer.
Answer: In the past three decades, free-market reforms have smoothed the integration of China, India, Russia, and other formerly protectionist countries into the global economy. Numerous Asian economies—for example, India, Indonesia, Malaysia, and South Korea—embraced free market norms. These events opened much of the world to freer international trade and investment. China, India, and Eastern Europe have become some of the most cost-effective locations for producing goods and services worldwide. Privatization of previously state-owned industries in these countries has encouraged economic efficiency and attracted massive foreign capital to their national economies.
Diff: 2: Moderate
Skill: Concept
Objective: 2-2: Learn the driving forces of globalization
AACSB: Application of Knowledge

38) What is implied by industrialization? How does it bring about economic development?
Answer: Many emerging markets—rapidly developing economies in Asia, Latin America, and Eastern Europe—have now moved from being low value-adding commodity producers to sophisticated, competitive producers and exporters of premium products. These include such products as electronics, computers, and aircraft. For example, Brazil is now a leading manufacturer of Embraer commercial aircraft. The Czech Republic excels in producing automobiles. India is a leading supplier of software. Economic development results in increased incomes and living standards. Perhaps the most important measure of economic development is gross national income (GNI) per head. Africa and several countries in Asia and Latin America are the lowest-income countries. These areas are also characterized by lower levels of globalization. A critical driver of rising income levels is the nation's volume of international trade.
Diff: 2: Moderate
Skill: Concept
Objective: 2-2: Learn the driving forces of globalization
AACSB: Application of Knowledge

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39) What is meant by the internationalization of a firm's value chain?
Answer: The most direct consequence of market globalization is on the firm's value chain. Globalization compels firms to organize their sourcing, manufacturing, marketing, and other value-adding activities on a global scale to achieve cost advantages and time efficiencies. In a typical value chain, the firm conducts research and product development (R&D), purchases production inputs, and assembles or manufactures a product or service. Next, the firm performs marketing activities such as pricing, promotion, and selling, followed by distribution of the product in targeted markets and after-sales service.

The value-chain concept is useful in international business because it helps clarify what activities are performed where in the world. For example, exporting firms perform most "upstream" value-chain activities (R&D and production) in the home market and most "downstream" activities (marketing and after-sales service) abroad. Each value-adding activity in the firm's value chain is subject to internationalization. That is, it can be performed in locations outside the home country. The most typical reasons for locating value-chain activities in particular countries are to reduce the costs of R&D and production or to gain closer access to customers. Through offshoring, the firm relocates a major value-chain activity by establishing a factory or other subsidiary abroad. A related trend is global outsourcing, in which the firm delegates performance of a value-adding activity to an external supplier or contractor located abroad.
Diff: 1: Easy
Skill: Synthesis
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Application of Knowledge

40) Which of the following statements is TRUE of technological advances?
A) It provides a means for globalization to happen.
B) It discourages internationalization.
C) It inhibits the growth of new products and services.
D) It helps consolidate traditional values among consumers worldwide.
Answer: A
Diff: 1: Easy
Skill: Concept
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Application of Knowledge

41) Technological leapfrogging is defined as _____.
A) adopting new technology late in the hype cycle
B) adopting new technology as soon as it is released
C) bypassing certain stages of technology to come up with a radical innovation when upgrading to new products
D) boosting demand artificially by postponing the sale of new technology in the market
Answer: C
Diff: 1: Easy
Skill: Concept
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Information Technology

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42) The science and process of creating and using information resources is known as _____.
A) information design
B) information technology
C) psychographics
D) demographics
Answer: B
Diff: 1: Easy
Skill: Concept
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Application of Knowledge

43) Which of the following benefits of IT is specific to smaller firms?
A) It mitigates organizational anarchy.
B) It creates competitive advantages by encouraging organizational learning.
C) It aids in the consolidation of market monopolies.
D) It allows firms to design and produce customized products they can target to narrow, cross-national market niches.
Answer: D
Diff: 2: Moderate
Skill: Concept
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Application of Knowledge

44) _____ are the most transformative technology in developing economies.
A) Mobile phones
B) Televisions
C) Intranets
D) E-mails
Answer: A
Diff: 1: Easy
Skill: Concept
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Application of Knowledge

45) Technological advances have contributed to manufacturing by _____.
A) promoting traditional lifestyles and values
B) reducing cross-border flow of factors of production
C) promoting nationalization
D) reducing production costs
Answer: D
Diff: 1: Easy
Skill: Concept
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Application of Knowledge

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46) Stella manages the production team at Camden Inc., a manufacturer of heavy industry machinery in the United States. She needs to decide if her firm should export finished products or manufacture abroad. Which of the following would most likely help her evaluate the best alternative in this instance?
A) What is the gross national income of the United States?
B) What are the costs of transporting raw materials, components, and finished products?
C) Is employee empowerment culturally favored in the United States?
D) What is the average annual rate of employee turnover in the manufacturing industry?
Answer: B
Diff: 2: Moderate
Skill: Application
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Analytical Thinking

47) Technological advances have helped make internationalization affordable for all sizes of firms.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Application of Knowledge

48) The Internet has increased the cost of transmitting voices, data, and images.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Application of Knowledge

49) The 2011 "Arab Spring" in the Middle East was facilitated in large part by social media.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Application of Knowledge

50) While the number of containers transported internationally has decreased, the cost of transportation has increased dramatically.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Application of Knowledge

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51) In a short essay, identify the four areas in which technological advances had their greatest impact on business. Describe the impact of each area on business today.
Answer: Advances in technology, the most important of which have occurred in information technology, digitalization, communications, the Internet, manufacturing, and transportation, are particularly important in driving globalization. These systems help create an interconnected network of customers, suppliers, and intermediaries worldwide and have made the cost of international business affordable for all types of firms.
a. Information technology: Information technology (IT) is the science and process of creating and using information resources. Its effect on business has been revolutionary. The cost of computer processing fell by 30 percent per year during the past two decades and continues to fall. IT creates competitive advantages by giving companies new ways to outperform rivals. IT benefits smaller firms too, allowing them to design and produce customized products they can target to narrow, cross-national market niches.
b. Communications: The Internet, and Internet-dependent systems such as intranets, extranets, social media, and e-mail connect billions of people and companies. Marketers use the Internet to promote the widest range of products and services to customers worldwide. Transmitting voice, data, and images is essentially costless, making Seoul, Stockholm, and San Jose next-door neighbors. South Korea has nearly 100 percent Internet access and is among the fastest broadband networks worldwide. Koreans use their phones to pay bills, do banking, and watch news programs.
c. Manufacturing: Computer-aided design (CAD) of products, robotics, and production lines has transformed manufacturing, mainly by reducing production costs. Revolutionary developments facilitate low-scale and low-cost manufacturing. Firms can make products cost-effectively even in short production runs. Such developments benefit international business by allowing firms to more efficiently adapt products to individual foreign markets, profitably target small national markets, and compete more effectively with foreign competitors that enjoy cost advantages.
d. Transportation: The development of fuel-efficient jumbo jets, giant ocean-going freighters, and new transportation technology have greatly reduced shipping times and costs.
Diff: 2: Moderate
Skill: Concept
Objective: 2-3: Understand the impact of technological advances on globalization
AACSB: Analytical Thinking; Information Technology

52) In terms of international business, market globalization can be viewed as a _____.
A) consequence of a strong emphasis on traditional values worldwide
B) consequence of the loss of national sovereignty
C) driver and consequence of firm-level internationalization
D) prime cause of rising diseconomies of scale in emerging economies
Answer: C
Diff: 3: Hard
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

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53) A value chain is _____.
A) the sequence of administrative policies implemented to promote economic integration by a government
B) the process of relocating manufacturing and production to valuable and cost-effective locations abroad
C) the process of integrating national economies during a financial crisis
D) the sequence of value-adding activities performed by a firm in the course of developing, producing, marketing, and servicing a product
Answer: D
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

54) Regional economic integration blocs _____.
A) reduce trade and investment barriers
B) reduce private investments
C) adopt a hostile stance toward the private sector
D) hinder the cross-border flow of factors of production
Answer: A
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

55) Which of the following is an example of a supranational institution?
A) the World Intellectual Property Organization
B) UNICEF
C) the Red Cross
D) the World Trade Organization
Answer: D
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

56) Governments have facilitated economic integration by _____.
A) increasing barriers to international trade and investment
B) creating supranational institutions to further reduce trade barriers
C) adopting different monetary and fiscal policies within the same regional economic integration blocs
D) standardizing consumer lifestyles and preferences
Answer: B
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

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57) The free movement of capital around the world is also known as _____.
A) bond-based debt financing
B) contagion
C) the globalization of capital
D) common market arrangement
Answer: C
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

58) _____ is transforming interactions among customers, employees, business partners and investors, by connecting locations, products, services, and data.
A) Digitization
B) A supply chain
C) A value chain
D) Value migration
Answer: A
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

59) Companies strive to drive down prices _____, among other strategies.
A) by centralizing manufacturing and procurement to a single source
B) by standardizing what they sell
C) by thwarting the growth of supranational institutions
D) by discouraging competition
Answer: B
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

60) Convergence of consumer preferences has led to an enhanced emphasis on standardization, which implies that _____.
A) the consistently rising prices of consumer goods have led to a demand vacuum in the market
B) the distance between consumers worldwide has increased with the advent of technology
C) the raw materials, parts, and components sourced by professional buyers are very similar in design and structure
D) the globalization of services has adversely affected the quality of service worldwide
Answer: C
Diff: 2: Moderate
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

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61) Reduction in trade barriers is associated with the emergence of _____.
A) fragmentary monetary and fiscal policies across the borders
B) regional economic integration blocs
C) widespread violation of intellectual property rights law
D) violation of GATT provisions
Answer: B
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

62) Governments have facilitated economic integration by lowering barriers to international trade and investment, harmonizing their monetary and fiscal policies within regional economic integration blocs.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

63) In a "common market," barriers to the cross-border flow of factors of production are removed.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

64) The globalization of capital refers to the aggregate activities of firms that gives rise to economic integration.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

65) Converging tastes of consumers worldwide promote traditional lifestyles.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

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66) Companies strive to decrease their costs and reduce their selling prices through economies of scale and standardization of finished products, among other possibilities.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

67) In a short essay, discuss the impact of market globalization on consumer lifestyles and preferences around the world. Provide examples to illustrate your answer.
Answer: Around the world, consumers spend their money and time in similar ways. Many aspects of lifestyles and preferences are converging. Shoppers in New York, Paris, and Shanghai increasingly demand similar household goods, clothing, automobiles, and electronics. Teenagers everywhere are attracted to iPods, Levi's jeans, and Hollywood movies. Major brands enjoy a global following encouraged by movies, global media, and the Internet. Movies such as *Transformers* and *The Hunger Games* have developed global audiences of fans. Convergence of preferences is also occurring in industrial markets, where professional buyers source raw materials, parts, and components that are increasingly standardized—that is, similar or identical in design and structure.
Diff: 2: Moderate
Skill: Concept
Objective: 2-4: Learn the dimensions of globalization
AACSB: Application of Knowledge

68) The most direct implication of market globalization is on the firm's _____.
A) value chain
B) founders
C) internal stakeholders
D) top management
Answer: A
Diff: 1: Easy
Skill: Concept
Objective: 2-5: Understand firm-level consequences of market globalization
AACSB: Application of Knowledge

69) Which of the following statements is TRUE about value chain and international business?
A) Exporting firms perform most of the downstream value chain activities in the home market.
B) Exporting firms perform most of the upstream value chain activities in the home market.
C) Exporting firms perform most of the upstream value chain activities abroad.
D) Exporting firms perform most of the research and product development and production abroad.
Answer: B
Diff: 2: Moderate
Skill: Concept
Objective: 2-5: Understand firm-level consequences of market globalization
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70) In a typical value chain, the firm _____.
A) rarely conducts research and development
B) performs most upstream value-chain activities abroad, when exporting
C) performs marketing activities such as pricing, promotion, and selling
D) performs most downstream activities in the home market, when exporting
Answer: C
Diff: 2: Moderate
Skill: Concept
Objective: 2-5: Understand firm-level consequences of market globalization
AACSB: Application of Knowledge

71) Which of the following statements is TRUE about the firm-level consequences of market globalization?
A) The globalization of markets has narrowed down new business opportunities for internationalizing firms.
B) Globalization drives firms to relocate key value-adding activities to the most advantageous locations around the world.
C) A firm's value chain is not subject to internationalization.
D) Through offshoring, a firm relocates a major value-chain activity by establishing a factory or subsidiary in the home market.
Answer: B
Diff: 2: Moderate
Skill: Concept
Objective: 2-5: Understand firm-level consequences of market globalization
AACSB: Application of Knowledge

72) Which of the following stages comes before procurement in a firm's value chain?
A) research and development
B) marketing
C) manufacturing
D) distribution
Answer: A
Diff: 1: Easy
Skill: Concept
Objective: 2-5: Understand firm-level consequences of market globalization
AACSB: Application of Knowledge

73) Which of the following represents the final stage in a firm's value chain?
A) marketing
B) procurement
C) research and development
D) sales and service
Answer: D
Diff: 1: Easy
Skill: Concept
Objective: 2-5: Understand firm-level consequences of market globalization
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Acme Software (Scenario)
Acme Software is a U.S.-based maker of software products for the health care industry. Recently Acme has been investigating whether it would be beneficial to internationalize some of its value-chain activities. Acme hires a consulting group to help determine which, if any, value-chain activities could be conducted abroad to promote business growth. The consulting group identifies two health care software development companies in India that could provide programming services at a lower cost than Acme's current expenditures for programming. In addition, the consultants conduct international market research that shows that German health care companies have a strong demand for the type of software that Acme offers.

74) Which of the following activities in Acme's value chain would be internationalized if Acme decides to establish a development contract with one of the Indian software firms?
A) sales
B) distribution
C) marketing
D) procurement
Answer: D
Diff: 1: Easy
Skill: Application
Objective: 2-5: Understand firm-level consequences of market globalization
AACSB: Analytical Thinking

75) Which of the following would be most important for the consulting group to consider when deciding whether to recommend that Acme internationalize its sales efforts to Germany?
A) Will Acme save money on advertising by targeting small rather than large companies?
B) How intense is the competition from German companies offering similar products?
C) What type of training is received by programmers in software firms abroad?
D) Is employee empowerment culturally favored in Germany?
Answer: B
Diff: 1: Easy
Skill: Critical Thinking
Objective: 2-5: Understand firm-level consequences of market globalization
AACSB: Analytical Thinking

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76) Which of the following would be most important for Acme to determine before outsourcing its programming services to India?
A) What benefits have Indian companies gained historically from internationalizing their value-chain activities?
B) Do Indian businesses outsource value-chain activities to Europe?
C) Would the lower cost of outsourcing allow Acme to sustain a competitive advantage in its business operations?
D) Is either of the Indian health care companies interested in moving their operations abroad?
Answer: C
Diff: 1: Easy
Skill: Critical Thinking
Objective: 2-5: Understand firm-level consequences of market globalization
AACSB: Analytical Thinking

77) Globalization results in more demanding buyers who shop for the best deals worldwide.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-5: Understand firm-level consequences of market globalization
AACSB: Application of Knowledge

78) Market globalization compels firms to organize their sourcing, manufacturing, marketing, and other value-adding activities on a strictly local scale.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-5: Understand firm-level consequences of market globalization
AACSB: Application of Knowledge

79) _____ refers to the tendency of a financial or monetary crisis in one country to spread rapidly to other countries, due to the ongoing integration of national economies.
A) Contagion
B) Nationalization
C) Internationalization
D) Codetermination
Answer: A
Diff: 1: Easy
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
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80) The ability of a nation to govern its own affairs is known as _____.
A) sovereignty
B) liberalization
C) interdependence
D) homogenization
Answer: A
Diff: 1: Easy
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Application of Knowledge

81) The relocation of manufacturing and other value-chain activities to cost-effective locations abroad is known as _____.
A) insourcing
B) cultural imperialism
C) contagion
D) offshoring
Answer: D
Diff: 1: Easy
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Application of Knowledge

82) Which of the following is an example of offshoring?
A) Fahad, a resident of the UAE, can share his views—data and information—about the country's construction industry with his friends in the U.S.
B) The IT support services for customers of Mayfair Inc., a U.S. based consumer electronics manufacturer, are based in India.
C) Treat Corp. is a food and beverage manufacturer based in Texas. It decided to move from Houston to Fort Worth in Texas to cut production costs.
D) Lin, a Chinese citizen, decides to move to the U.K. after her application for scholarship is accepted by a leading university in London.
Answer: B
Diff: 2: Moderate
Skill: Application
Objective: 2-6: Understand the societal consequences of globalization
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83) An underground economy _____.
A) refers to the informal economic sector
B) refers to the formal economic sector
C) is characterized by dominantly legal transactions
D) is regulated and monitored by public authorities
Answer: A
Diff: 1: Easy
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Application of Knowledge

84) While a degree of cultural imperialism may be at work, it is offset by the countertrend of _____.
A) offshoring
B) McDonaldization
C) privatization
D) local nationalism
Answer: D
Diff: 1: Easy
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Application of Knowledge

Globalization Debate (Scenario)
In his international business class, Professor Jang organizes a debate on the societal effects of market globalization. Juan Prince takes a position that highlights the negative effects of market globalization. He emphasizes how multinational enterprises can wield so much influence that they threaten national sovereignty. He also notes the prevalence of low wages and sweatshop conditions as firms utilize low-cost labor abroad. Juan then describes the detrimental effects of corporate pollution on the environment, and he ends his argument by explaining how market globalization helps homogenize national cultures. Rina Taylor is assigned to counter Juan's position.

85) Which of the following is Rina most likely to cite as a counter example to Juan's argument regarding the influence of MNEs on national sovereignty?
A) the dominating influence of market forces on the global economy
B) technological advances in computer-aided design of products
C) the political influence of large firms such as Walmart
D) the actual GDPs of underdeveloped economies
Answer: A
Diff: 2: Moderate
Skill: Critical Thinking
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Analytical Thinking

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86) Which of the following most likely supports Rina's argument over Juan's concerning wages and working conditions in developing countries?
A) Most African countries today still suffer from low or negative GDP growth.
B) Vietnam has experienced a fivefold increase in wages as a result of the growth of the footwear industry there.
C) The move of Electrolux to Mexico cost Michigan 2,700 jobs.
D) Minimum wages should be established at set levels, regardless of the impact on the number of jobs.
Answer: B
Diff: 2: Moderate
Skill: Critical Thinking
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Application of Knowledge

87) Rina is most likely to counter Juan's claim regarding environmental effects by pointing out which of the following?
A) The intensity of environmental pollution is far greater in emerging economies than in undeveloped ones.
B) China's landscape was permanently altered by the construction of the Three Gorges Dam.
C) Environmental destruction tends to diminish in the long run, as economies develop.
D) Attempts at foreign cultural imperialism are often blocked by national governments.
Answer: C
Diff: 2: Moderate
Skill: Critical Thinking
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Diverse and Multicultural Work Environments

88) Which of the following statements most likely to counters Juan's argument concerning the homogenization of national cultures?
A) As globalization standardizes superficial aspects of life across national cultures, people resist these forces by insisting on their national identity and taking steps to protect it.
B) Foreign values tend to shift not just superficial aspects of culture, but deeply held beliefs as well.
C) Material goods such as cell phones and computers are found in most homes throughout the world.
D) In most industries, domestic operation alone cannot sustain competitive business growth.
Answer: A
Diff: 1: Easy
Skill: Critical Thinking
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Diverse and Multicultural Work Environments

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89) In international economics, codetermination refers to the tendency for a financial or monetary crisis in one country to spread rapidly to other countries, due to integrated national economies.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Application of Knowledge

90) Large multinationals are not constrained by market forces because they can exert considerable influence on governments through lobbying.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Application of Knowledge

91) To minimize globalization's harm and reap its benefits, governments should strive for nationalized economic regimes.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Application of Knowledge

92) The first wave of offshoring began in the 1990s with the exodus of service-sector jobs in credit card processing, software code writing, accounting, health care, and banking services.
Answer: FALSE
Diff: 1: Easy
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Application of Knowledge

93) Countries that liberalize international trade and investment enjoy faster per-capita economic growth.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Application of Knowledge

94) Environmental destruction diminishes as economies develop, at least in the long run.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Application of Knowledge

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95) As the influence of the Chinese economy grows over time, it is likely that Western countries will embrace some of China's cultural attitudes and behaviors.
Answer: TRUE
Diff: 1: Easy
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Diverse and Multicultural Work Environments

96) In a short essay, explain the concept of sovereignty. How does globalization affect sovereignty?
Answer: Sovereignty is defined as the ability of a nation to govern its own affairs. One country's laws cannot be applied or enforced in another country. Globalization can threaten national sovereignty in various ways. MNE activities can interfere with a government's ability to control its own economy, social structure, and political system. Some corporations are bigger than the economies of small nations. Walmart's internal economy—its total revenues—is larger than the GDP of many of the world's nations, including Israel, Greece, and Poland. Large multinational firms can apply a lot of pressure on governments through lobbying or campaign contributions. MNEs frequently influence the legislative process. Corporate dominance of individual markets is rare. In reality, market forces generally dominate companies. For example, Ford, Chrysler, and General Motors once dominated the U.S. auto market. Today many more automotive firms compete in the United States. These include Toyota, Honda, Hyundai, Nissan, and BMW. Toyota now leads the global market in annual sales. Home-country market shares of domestic U.S. automakers have tumbled. To minimize globalization's harm and reap its benefits, governments should ensure the freedom to enter and compete in markets, protect private property, enforce the law, and support voluntary exchange through markets rather than through political processes. Banks and financial institutions should be regulated appropriately. Transparency in the affairs of business and regulatory agencies is critical.
Diff: 2: Moderate
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Application of Knowledge

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97) Discuss the effect of globalization on national culture.
Answer: Globalization exerts strong pressures on national culture. Market liberalization exposes local consumers to global brands, unfamiliar products, and different values. People worldwide are exposed to movies, television, the Internet, and other information sources that promote lifestyles of people in the United States and other advanced economies. Appetites grow for Western products and services, which are seen to signal higher living standards. For example, despite low per-capita income, many Chinese buy consumer electronics such as cell phones and TV sets. Advertising disseminates societal values modeled on Western countries. Hollywood dominates the global entertainment industry.

The flow of cultural influence often goes both ways, too. Cafe Spice is an Indian food company whose founder hails from Mumbai. The firm is transforming American tastes by selling curry dishes and other Indian favorites in cafeterias and supermarkets. Cafe Spice is helping to make Indian cuisine mainstream in the United States. As the influence of the Chinese economy grows over time, Western countries will likely adopt some of China's cultural attitudes and behaviors. Chinese restaurants and some Chinese traditions are already a way of life in much of the world. Similar influences are evident from Latin America and other areas in the developing world.

Cultural imperialism is offset by the countertrend of local nationalism. Although many products and services have become largely universal, people's behaviors and attitudes remain relatively stable over time. Religious differences are as strong as ever. Language differences are steadfast across national borders. As globalization standardizes superficial aspects of life across national cultures, people resist these forces by insisting on their national identity and taking steps to protect it. For example, laws exist to protect national language and culture in Belgium, Canada, and France.
Diff: 3: Hard
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Diverse and Multicultural Work Environments

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98) In a short essay, discuss the impact of globalization on Africa.
Answer: Africa is home to the poorest countries. The majority of its one billion people live on less than $2 a day. It is the area least integrated into the world economy and accounts for less than 3 percent of world trade. Although it has abundant natural resources, Africa remains underdeveloped due to many factors including an inadequate commercial infrastructure, lack of access to foreign capital, high illiteracy, government corruption, wars, and the spread of AIDS. One of the most effective ways to alleviate African poverty is to develop more business-based models of development. Several sub-Saharan African countries have recently experienced significant economic growth by increasing international trade in commodities. Africa is a major supplier of petroleum to Europe and the United States. Angola is among the top oil suppliers to China. This activity has developed a ripple effect of economic development. As a result of the boom of certain sectors in Africa, there has been an increase in foreign banks, retailers, and MNEs operations in the continent. Rwanda had developed business opportunities in sectors as diverse as mining, tourism, telecommunications, and real estate. China and India are beating out U.S. firms and quickly increasing their business dealings in Africa. Chinese companies are investing billions of dollars in the continent. International trade and investment are helping to address many of Africa's most pressing development needs. Samsung has set a goal of $10 billion in African sales and is committed to training 10,000 African engineers and technicians to develop the capabilities needed for success. It will take many more years before Africa achieves a critical mass of infrastructure and business culture sufficient to substantially raise average incomes across the continent.
Diff: 3: Hard
Skill: Concept
Objective: 2-6: Understand the societal consequences of globalization
AACSB: Analytical Thinking

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