

# Chapter 1

Student: \_\_\_\_\_

1. The trend toward a more integrated and interdependent global economic system that has been in place for many years is commonly referred to as:
  - A. market standardization
  - B. cross-border integration
  - C. globalization
  - D. consumerism
  - E. nationalization
2. The two of the three main components of globalization are:
  - A. the globalization of markets and the globalization of production
  - B. the globalization of production and the globalization of finance
  - C. the standardization of technology and the globalization of markets
  - D. the globalization of finance and the globalization of accounting
  - E. the globalization of consumers and the globalization of marketing
3. Sourcing goods and services from locations around the globe is known as \_\_\_\_\_.
  - A. melding of markets
  - B. integration of markets
  - C. deregulation
  - D. globalization of production
  - E. globalization of markets
4. The global dispersal of productive activities is:
  - A. limited to large firms only
  - B. limited to medium firms only
  - C. limited to small firms only
  - D. limited to large and medium firms
  - E. found in all sized firms
5. The most global of markets is in what area?
  - A. services
  - B. consumer goods
  - C. industrial goods
  - D. intellectual capital
  - E. entertainment
6. The most global of markets are not markets for \_\_\_\_\_, where national differences in tastes and preferences are still often important enough to act as a break on globalization.
  - A. services
  - B. consumer goods
  - C. staples
  - D. insurance and banking
  - E. industrial goods
7. Examples of \_\_\_\_\_ include Coca-Cola and Pepsi, Ford and Toyota, Bombardier and Embraer, and Caterpillar and Komatsu.
  - A. service goods
  - B. international brands
  - C. homogeneous products
  - D. global competition
  - E. market integration

8. Globalization results in a greater degree of \_\_\_\_\_ across markets than would be present otherwise.
- A. diversification
  - B. diversity
  - C. homogeneity
  - D. heterogeneity
  - E. uniformity
9. The globalization of \_\_\_\_\_ refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (such as labour, energy, land, and capital).
- A. information technology
  - B. process design
  - C. markets
  - D. production
  - E. R&D
10. The \_\_\_\_\_ was created in 1944 by 44 nations that met in Breton Woods, New Hampshire.
- A. International bank
  - B. World Monetary Fund
  - C. World Trade Organization
  - D. International Monetary Fund
  - E. United Nations
11. In producing its products, Bombardier sources goods and services from different locations around the globe in an attempt to take advantage of national differences in the cost and quality of factors of production. This practice is made possible by the globalization of:
- A. finance
  - B. production
  - C. markets
  - D. process design
  - E. consumer demand
12. According to the text, the propensity of firms to outsource many of their productive activities to different suppliers around the world has resulted in the creation of \_\_\_\_\_ products.
- A. multi-domestic
  - B. cross-national
  - C. global
  - D. cross-cultural
  - E. transborder
13. The \_\_\_\_\_ is seen as the lender of last resort to nation-states whose economies are in turmoil and currencies are losing value against those of other nations.
- A. International Monetary Fund
  - B. International bank
  - C. United Nations
  - D. Canada's Export Development Corporation
  - E. Bank of Canada
14. \_\_\_\_\_ are the two macro factors that seem to underlie the trend toward greater globalization.
- A. The increase in global economic stability, and the slowdown in technological change
  - B. The increase in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II, and global economic stability
  - C. The decline in barriers to the free flow of goods, services, and capital that has occurred in the past 10 years, and the slowdown in technological change
  - D. The decline in barriers to the free flow of goods, services, and capital that has occurred since the end of World War II, and technological change
  - E. Technological Change and the convergence of global product preferences

15. With membership of 192 countries, the \_\_\_\_\_ was established to preserve peace through international cooperation and collective security.
- A. World Monetary Fund
  - B. The International Monetary Fund
  - C. International bank
  - D. United Nations
  - E. NATO
16. Matrikon exports a number of products to users in other countries. This practice is referred to as \_\_\_\_\_.
- A. world exchange
  - B. international trade
  - C. cross-national barter
  - D. situational commerce
  - E. multinational diversification
17. XYZ, Inc. is an auto parts distributing warehouse that exports many of its products to consumers in other countries. XYZ Inc. can be described as engaging in:
- A. international trade.
  - B. cross-border investments.
  - C. product development.
  - D. trading barriers.
  - E. international procurement.
18. Which of the following refers to the exporting of goods or services to consumers in another country?
- A. situational commerce
  - B. world exchange
  - C. international trade
  - D. cross-national barter
  - E. foreign investment
19. Although Inco is a Canadian company, it has invested substantial business resources in activities outside Canada. This practice is referred to as:
- A. transnational commerce
  - B. foreign direct investment
  - C. international trade
  - D. organizational diversification
  - E. outsourcing
20. The investing of resources in business activities outside a firm's home country is referred to as:
- A. international trade
  - B. domestic direct investment
  - C. transnational barter
  - D. foreign direct investment
  - E. outsourcing
21. The \_\_\_\_\_ is a treaty designed to remove barriers to the free flow of goods, services, and capital between nations.
- A. Global Agreement on Tariffs and Commerce
  - B. United Nations Treaty on Trade
  - C. General Agreement on Tariffs and Trade
  - D. Multi-National Agreement on Tariffs and Commerce
  - E. The ILO

22. Under the umbrella of GATT there have been eight rounds of negotiations among member states. The \_\_\_\_\_ was the most recent round of negotiations.
- A. Uruguay Round
  - B. Malaysian Symposium
  - C. German Round
  - D. New Zealand Symposium
  - E. Cancun Round
23. Which of the following was not an outcome of the Uruguay Round of the GATT?
- A. reduced trade barriers
  - B. extended GATT to cover services as well as manufactured goods
  - C. established the World Trade Organization
  - D. provided extended protection for patents, trademarks, and copyrights
  - E. reduced agricultural subsidies
24. The acronym GATT stands for:
- A. Global Agreement on Taxation and Tariffs
  - B. Global Association of Technology and Trade
  - C. General Agreement on Taxation and Trademarks
  - D. General Agreement on Tariffs and Trade
  - E. General Accord of Transportation and Trade
25. The agency established at the 1993 Uruguay Round to police the international trading system is the \_\_\_\_\_.
- A. Global Trade Enforcement Administration
  - B. World Tariff and Trade Bureau
  - C. International Trade Enforcement Agency
  - D. World Trade Organization
  - E. The European bank of Reconstruction and Development
26. Suppose Petro Canada, an international oil company, had a complaint about a trade issue. The \_\_\_\_\_, a governing body established at the Uruguay Round in 1993 to police the international trading system, is an organization that Petro Canada could take its complaint to.
- A. World Trade Organization
  - B. International Trade Monitoring Bureau
  - C. World Tariff and Trade Agency
  - D. International Trade Monitoring Agency
  - E. The United Nations
27. The acronym WTO stands for:
- A. Western Trade Organization
  - B. World Tax Organization
  - C. World Trade Organization
  - D. World Tariff Organization
  - E. World Trade Operations
28. Average tariff rates have \_\_\_\_\_ since 1950.
- A. risen
  - B. fallen
  - C. stayed the same
  - D. risen then fallen
  - E. fallen then risen

29. Many of the changes that countries have made pertaining to foreign direct investment regulations have:
- A. made it harder for foreign companies to enter their markets
  - B. made it easier for foreign companies to enter their markets
  - C. had no effect on the ease upon which foreign companies can enter their markets
  - D. made it easier to foreign producers of raw materials to enter their markets but more difficult for foreign . producers of finished products to enter their markets
  - E. prevented the expropriation of business assets by a foreign government
30. Which of the following statements is consistent with data from the World Trade Organization?
- A. the volume of world trade has grown faster than the volume of world output since the 1950s.
  - B. the volume of world trade has grown slower than the volume of world output since the 1950s.
  - C. the volume of world trade and the volume of world output have grown at approximately the same rate since the 1950s.
  - D. the volume of world trade and the volume of world output have remained constant since the 1950s.
  - E. the volume of world trade is inversely related to the growth of world output.
31. According to your text, between 1950 to 2000, as world trade expanded by 20 times, world output grew by about \_\_\_\_\_.
- A. 12 percent
  - B. 1 percent
  - C. 25 percent
  - D. 6 ½ times
  - E. 20 times
32. The average yearly outflow of FDI increased from about \$14 billion in 1970 to a record of \_\_\_\_\_ in 2007, though it has fallen more recently.
- A. \$550 billion
  - B. \$73 billion
  - C. \$1.73 trillion
  - D. \$2.75 trillion
  - E. \$11.8 trillion
33. The lowering of trade barriers to international trade has
- A. enabled firms to approach the world as their market
  - B. enabled firms to be a domestic company in their home country.
  - C. decreased the volume of production.
  - D. created an increase of diverse partnerships.
  - E. encouraged firms to retrench in their home markets.
34. Between 1990 and 2000, the total flow of FDI from all countries increase by about \_\_\_\_\_?
- A. 2 times
  - B. 3 times
  - C. 4 times
  - D. 5 times
  - E. 6 times
35. The globalization of markets, the growth of world trade, and the increase in FDI has had what effect?
- A. a decrease in production
  - B. a decrease in world trade
  - C. companies find their home markets under attack from foreign competitors
  - D. companies are reducing their profits
  - E. companies are during to protectionist measures

36. Evidence suggests that FDI is playing a(n):
- A. decreasing role in the world economy
  - B. increasing role in the world economy for services but a decreasing role in the world economy for manufactured goods
  - C. increasing role in the world economy for manufactured goods but a decreasing role in the world economy for services
  - D. increasing role in the world economy
  - E. a limited role in the world economy
37. Which of the following is a major cause for lowering the trade barriers of markets and production?
- A. Technological change
  - B. Increased labour mobility
  - C. Elastic demand
  - D. Corporate greed
  - E. Consumer demand
38. According to our textbook, the growing integration of the world economy is:
- A. increasing the intensity of competition within the home market of a company in a wide range of . manufacturing and service industries
  - B. decreasing the intensity of global competition in manufacturing industries, and increasing the intensity . of domestic competition in services
  - C. increasing the intensity of global competition in manufacturing industries, and decreasing the intensity . of domestic competition in services
  - D. narrowing the scope of global competition in a wide range of service, commodity, and manufacturing industries
  - E. Widening the opportunities for competing with manufacturing companies within their home market and . narrowing the opportunities for competing with service companies in their home market.
39. According to our textbook, the single most important technological innovation has been the development of the \_\_\_\_\_.
- A. telegraph
  - B. microprocessor
  - C. ocean container
  - D. airplane
  - E. telephone
40. \_\_\_\_\_ is the theory that predicts that the power of microprocessor technology doubles and the cost of production falls every 18 months.
- A. Brennan's Theorem
  - B. Bailey's Law
  - C. Moore's Law
  - D. Ivan's Law
  - E. Global Micro Accelerant (GMA) Law
41. According to your textbook, between 1930 and 1990, the cost of a three-minute phone call between New York and London fell from \$244.65 to \$3.32. This decrease can be mainly contributed to
- A. open communication between governments.
  - B. the advent of the microprocessor.
  - C. continuing efforts to globalize.
  - D. high corporate ethical standards.
  - E. the deregulation of the telecommunications industry
42. As of September 2009 there are over \_\_\_\_\_ million Internet users in Canada.
- A. 230
  - B. 458
  - C. 59
  - D. 25
  - E. 19

43. According to our textbook, by the year 2007 online sales hit almost \_\_\_\_\_ in Canada.
- A. \$1 billion
  - B. \$16 billion
  - C. \$63 billion
  - D. \$350 million
  - E. \$591 million
44. The greatest current potential of the Web seems to be in the \_\_\_\_\_ arena.
- A. business-to-business
  - B. consumer-to-business
  - C. consumer-to-consumer
  - D. business-to-consumer
  - E. business-to-government
45. \_\_\_\_\_ was not mentioned in our textbook as major innovation in transportation technology.
- A. Commercial jet aircraft
  - B. Super freighters
  - C. E-commerce
  - D. The introduction of containerization
  - E. Both containerization and e-commerce were not mentioned
46. Due to containerization, the transportation costs associated with the globalization of production have:
- A. remained the same
  - B. increased dramatically
  - C. declined
  - D. increased slightly
  - E. reduced insurance costs
47. As a result of a variety of innovations, the real costs of information processing and communication have \_\_\_\_\_ over the past two decades.
- A. fallen slightly
  - B. increased slightly
  - C. remained constant
  - D. fallen dramatically
  - E. had no impact on the cost of international business
48. Although the characteristics of the global economy have changed dramatically over the past 50 years, as late as the 1960s all of the following demographic characteristics were true except:
- A. the U.S. dominated the world economy
  - B. small, U.S. entrepreneurial firms dominated the international business scene
  - C. the U.S. dominated the world foreign direct investment picture
  - D. the U.S. was the world's largest industrial power
  - E. the U.S. dominated world trade
49. Which country was the world's most dominant industry power was in the early 1960s?
- A. Japan
  - B. The United Kingdom
  - C. Germany
  - D. The United States
  - E. Canada
50. In 1963, the U.S. accounted for \_\_\_\_\_ percent of world manufacturing output.
- A. 80.0
  - B. 12.8
  - C. 65.6
  - D. 40.3
  - E. 24.6

51. In recent years, all of the following countries have seen their relative share of world output fall except:
- A. United States
  - B. France
  - C. Germany
  - D. China
  - E. Japan
52. In 2007, the U.S.'s largest trade partner was \_\_\_\_\_.
- A. United Kingdom
  - B. Mexico
  - C. China
  - D. Canada
  - E. South Korea
53. Which of the following had the greatest share of the world's exports in 2006 from greatest to least?
- A. United States, Japan, China
  - B. Japan, Germany, United States
  - C. United States, Germany, Canada
  - D. China, United States, Japan
  - E. United States, France, China
54. As of 2006, \_\_\_\_\_ was the world's largest exporter.
- A. the United States
  - B. China
  - C. Japan
  - D. Germany
  - E. France
55. If we look into the future, most forecasts now predict a \_\_\_\_\_ in world output accounted for by developing nations such as China, India, Indonesia, and South Korea, and a \_\_\_\_\_ in the share enjoyed by rich industrialized countries such as Britain, Japan, and the United States.
- A. rapid rise; rapid decline
  - B. slight rise; slight decline
  - C. rapid decline; rapid rise
  - D. rapid rise; slight decline
  - E. stay the same; slight decline
56. The relative decline of the developed countries' share of world output \_\_\_\_\_.
- A. will reduce the living standards of the citizens of developed countries.
  - B. will increase competition for scarce resources and create political instability.
  - C. reflects the growing economic and industrial strength of developing countries.
  - D. will decrease prices but also reduce wages in Canada
  - E. will decrease job opportunities in Canada
57. Which of the following is an example of a developing nation?
- A. Thailand
  - B. Britain
  - C. Japan
  - D. United States
  - E. Canada
58. According to your text, the World Bank estimates that today's developing nations may account for more than \_\_\_\_\_ percent of world economic activity by 2020.
- A. 35
  - B. 50
  - C. 55
  - D. 65
  - E. 60



59. \_\_\_\_\_ is not considered to be a "developing" nation.
- A. Brazil
  - B. India
  - C. China
  - D. France
  - E. Mexico
60. The World Bank has estimated that if current trends continue and based on purchasing power parity, by 2020 the \_\_\_\_\_ economy could be larger than that of the United States.
- A. Russian
  - B. Chinese
  - C. Japanese
  - D. British
  - E. German
61. In the 1960s, the two countries with the largest share of world output were:
- A. United States and Japan
  - B. Britain and the United States
  - C. United States and Germany
  - D. Britain and Japan
  - E. United States and France
62. Between 2008-2009, Canada's imports from all countries.
- A. rose
  - B. stayed the same
  - C. fell
  - D. showed a different pattern to Canada's exports to all countries
  - E. fell then rose
63. The foreign direct investment by non-U.S. firms was motivated primarily by the following two factors:
- A. the desire to disperse production activities to optimal locations; and the desire to build a direct presence in major foreign markets
  - B. the desire to disperse production activities to optimal locations; and the desire to influence foreign exchange rates
  - C. the desire to influence foreign exchange rates; and the desire to influence political developments in foreign countries
  - D. the desire to build a direct presence in major foreign markets; and the desire to influence political developments in foreign countries
  - E. the desire to reduce dependence on the United States and to increase direct access to markets
64. In the 1960s, what was then seen as an economic threat to Europe?
- A. The dominance of U.S. firms
  - B. Technological innovations
  - C. Low-cost transportation
  - D. Low-cost global communication networks
  - E. Reduction in trade barriers
65. What is the total cumulative value of foreign investments is referred to as?
- A. accumulation of foreign direct investments
  - B. portfolio of foreign direct investments
  - C. stock of foreign direct investments
  - D. set of foreign direct investments
  - E. stock of foreign ownership

66. Between 2008-2009, FDI Inward Stock
- A. fell for all counties and regions
  - B. rose only in North America
  - C. rose in all areas
  - D. fell only in the European Union
  - E. fell only in the Developed economies
67. Reflecting the dominance of the United States in the global economy, U.S. firms accounted for \_\_\_\_\_ percent of worldwide foreign direct investment flows in the 1960s.
- A. 25.7
  - B. 34.6
  - C. 55.1
  - D. 66.3
  - E. 47.2
68. Since 2000s, the percentage of foreign direct investment inflows accounted for by developing countries has generally:
- A. decreased
  - B. never been determined
  - C. remained constant
  - D. increased
  - E. had no impact on their standard of living
69. Since the 1960s, what has been a notable trend regarding multinational enterprises?
- A. the decline of the multinational enterprise
  - B. the decline of the Canadian multinational enterprise
  - C. the rise of non-U.S. multinationals
  - D. the decline of the Japanese multinational enterprise
  - E. the rise of U.S. multinationals
70. What kind of enterprise is a business that has productive activities in two or more countries?
- A. cross-cultural
  - B. multinational
  - C. varied-national
  - D. diverse-national
  - E. multi-domestic
71. Recently there has been \_\_\_\_\_ in the number of multinationals from developing countries, especially when you look at smaller firms.
- A. a significant growth
  - B. no change
  - C. a significant decline
  - D. some growth
  - E. some decline
72. General Electric Corporation has productive activities in a number of countries. As a result, it would be appropriate to refer to General Electric as a \_\_\_\_\_ corporation.
- A. transnational
  - B. diverse-national
  - C. cross-national
  - D. multinational
  - E. global

73. IcecultureInc of Ontario employs 50 people and exports around the world. It would be considered a \_\_\_\_\_
- A. a multinational company
  - B. a transnational company
  - C. a cross-border national company
  - D. a mini-multinational
  - E. a U.S. dominated company
74. Since the 1960s, there have been two notable trends in the demographics of the multinational enterprise. These two trends have been:
- A. the rise of non-U.S. multinationals and the disappearance of mini-multinationals
  - B. the decline of non-U.S. multinationals and the decline of mini-multinationals
  - C. the decline of non-U.S. multinationals and the growth of mini-multinationals
  - D. the rise of non-U.S. multinationals and the growth of mini-multinationals
  - E. the rise of U.S. multinationals and the growth of mini-multinationals
75. Disturbing signs of growing unrest and totalitarian tendencies continue to be seen in many \_\_\_\_\_ states.
- A. Western European
  - B. European
  - C. Northern European
  - D. Eastern European
  - E. South American states
76. The decline of the U.S. in its dominance of the global economy can be explained by two factors. These are:
- A. the globalization of the world economy and China's rise to the top rank of economic powers
  - B. the fall of communism in Eastern Europe and the republics of the former Soviet Union and Japan's rise to the top rank of economic powers
  - C. the globalization of the world economy and Japan's rise to the top rank of economic powers
  - D. a decrease in trade barriers worldwide and China's rise in economic power
  - E. the growth of democratic institutions in China
77. What are mini-multinationals?
- A. multinational firms from relatively small countries
  - B. multinational firms that have been involved in international business for less than five years
  - C. multinational firms that operate in three or less foreign countries
  - D. medium-sized and small multinationals
  - E. subsidiaries of multinationals
78. Carmanah Technologies, is a small firm of 105 people that operates in several different foreign countries. It would be appropriate to refer to Carmanah Technologies as a:
- A. aspiring-multinational
  - B. mini-multinational
  - C. insignificant-multinational
  - D. emerging-multinational
  - E. domestic multinational
79. Many East European countries have joined the European Union and although \_\_\_\_\_ their long term business prospects remain positive.
- A. The economies of most of the former Communist states are not very strong
  - B. Many of the former Communist nations of Europe and Asia do not share a commitment to free market economies
  - C. As a result of low wages, the risks involved in doing business in these countries is very high
  - D. For about half a century these countries were essentially open to Western international business
  - E. they are suffering from a labour shortage

80. Which of the following statements is not true regarding the majority of Latin American countries?
- A. governments are selling state-owned enterprises to private investors
  - B. foreign investment is welcome
  - C. debt and inflation are down
  - D. neither democracy nor free market reforms have seemed to take hold
  - E. None of these answers is correct
81. The last quarter of the 20<sup>th</sup> century experienced \_\_\_\_\_ in the global economy.
- A. increased stability
  - B. slow-moving
  - C. virtually no changes
  - D. rapid changes
  - E. great concerns over potential disruptions
82. Economists argue that increased international trade and cross-border investments will result in \_\_\_\_\_ prices for goods and services.
- A. higher
  - B. stable
  - C. lower
  - D. unstable
  - E. variable
83. \_\_\_\_\_ is not a benefit of globalization.
- A. Lowering prices for goods
  - B. Raising the incomes of consumers
  - C. Slowing economic growth
  - D. Helping to create jobs in all countries that choose to participate
  - E. More leisure time
84. Economists, politicians, and business leaders believe that the \_\_\_\_\_ to international trade and investment is the engine driving the global economy toward greater prosperity.
- A. falling barriers
  - B. cross-border investments
  - C. U.N. policies
  - D. trading barriers
  - E. NAFTA
85. One frequently voiced concern about globalization is that it destroys manufacturing jobs in wealthy advanced economies such as Canada. The basic thrust of the critics' argument is:
- A. developing nations will recruit employees from the more advanced economies, thereby depleting their labour pools
  - B. globalization increases the pace of the shift from a world economy based on manufactured goods to a . world economy based on services
  - C. falling trade barriers allows firms to move their manufacturing activities offshore to countries where wage rates are much lower
  - D. the governments of developing countries will heavily subsidize their primary industries, making . competing products produced in advanced economies less attractive
  - E. Canadian workers are overpaid and the true value of a manufacturing job is much lower
86. Outsourcing has even extended to the Canadian \_\_\_\_\_ industry.
- A. marketing
  - B. food
  - C. IT
  - D. publishing
  - E. teaching

87. Critics use the following argument to suggest that globalization is a contributing factor to an increase in pollution.
- A globalization results in an increase in the amount of activity that takes place in companies that do not . have adequate pollution controls
  - B globalization results in increased commerce between countries, which results in an increase in the . amount of transportation activity (e.g. trains, barges, air cargo, trucks, etc.)
  - C firms that operate in countries that have adequate pollution regulations have a tendency to move their . manufacturing operations to countries that have less stringent or no pollution controls to avoid the cost of regulation
  - D. globalization results in increased production, which has the undesirable side-effect of increased pollution
  - E. people in developing countries are used to coping with more pollution
88. According to IDC Canada, Canadian IT outsourcing reached \_\_\_\_\_ in 2010.
- A. \$50 million
  - B. \$500 million
  - C. \$1 billion
  - D. \$5 billion
  - E. \$15 billion
89. What does NAFTA stand for?
- A. North American Free Trade Agreement
  - B. North Atlantic Free Trade Agency
  - C. North American Federation of Trade Advocates
  - D. National Alliance for Technology Advancement
  - E. North American Federal Treaty Association
90. Many critics of globalization argue that outsourcing leads to increased use of \_\_\_\_\_ labour practices in developing countries.
- A. exploitive
  - B. fair
  - C. underground
  - D. neo-colonialist
  - E. non-competitive
91. What is the primary purpose of the World Trade Organization?
- A. arbitrate trade disputes
  - B. act as a "watchdog" for countries that lower their pollution standards in an effort to attract more foreign manufacturing activity
  - C. set tariffs for countries that signed the GATT agreement
  - D. monitor the implementation of trade agreements such as NAFTA
  - E. reduce the number of job losses in member countries
92. In what way can the World Trade Organization (WTO) penalize member countries that are found to be engaged in unfair trade practices?
- A. the WTO can impose sanctions on the transgressor
  - B. the WTO can bring the employees of offending companies to court
  - C. the WTO can restrict the membership of the offending country in other world organizations such as the United Nations
  - D. the WTO panel can issue a ruling instructing a member state to change trade policies that violate GATT . regulations, and if the policies are not changed, allow other states to impose sanctions
  - E. expel the violating country from the WTO, which means that companies from that country will be . charged higher tariffs on their exports

93. The WTO polices the world trading system established by \_\_\_\_\_.  
A. GATT  
B. the UN  
C. the U.S.  
D. the Euro  
E. NAFTA
94. Supranational organizations such as the WTO are criticized for  
A. interfering in the regulation of prices of a country's natural resources  
B. ruling in favour of rich western countries at the expense of poor developing countries  
C. focusing on economic freedom and not on democracy and environmental responsibility  
D. limiting its actions to what the WTO member states agree to  
E. encouraging economic stagnation in poor countries so that rich countries can grow faster
95. Managing an international business is different from managing a purely domestic business for all of the following reasons except:  
A. countries are different  
B. international transactions involve converting money into different currencies  
C. the range of problems confronted by a manager in an international business are narrower than those confronted by a manager in a domestic business  
D. an international business must find ways to work within the limits imposed by government intervention in the international trade and investment system  
E. different languages have to be learned
96. The world's poorest nations have also faced \_\_\_\_\_.  
A. standardization  
B. alignment  
C. global simplification  
D. economic stagnation  
E. consumerization
97. The global economy is moving progressively towards a world in which national economies are relatively isolated from each other.  
True False
98. The volume of goods, services and investment crossing national borders expanded faster than did world output every year during the last two decades of the 20<sup>th</sup> century.  
True False
99. Because of the global presence of widely accepted products like McDonalds, Coca-Cola, and Sony PlayStation, national markets are disappearing.  
True False
100. To benefit from the globalization of markets, a company has to be a multinational firm.  
True False
101. Currently the most global of markets are for industrial goods and materials that serve a universal need the world over.  
True False
102. Although many companies have lowered their overall cost structure and have improved the quality of their products by dispersing their production activities to locations around the world, this activity is confined primarily to large firms.  
True False
103. General Agreement on Tariffs and Trade is what the acronym GATT stands for.  
True False

104. As markets globalize and an increasing proportion of business activity transcends national borders, there is a need for institutions to help manage, regulate and police the global market place.  
True False
105. The International Monetary Fund and the World Bank were both created in 1944 by 44 nations that met at Bretton Woods, New Hampshire.  
True False
106. The International Monetary Fund (IMF) is often seen as the leader of last resort to nation states whose economies are in economic turmoil.  
True False
107. In addition to reducing trade barriers, many countries have also been progressively removing restrictions on barriers to foreign direct investment.  
True False
108. The advanced nations of the East committed themselves after World War II to removing barriers to the free flow of goods, services, and capital between nations.  
True False
109. There is very little evidence that suggests that the lowering of trade barriers has facilitated the globalization of production.  
True False
110. The volume of world output has grown faster than the volume of world trade since the 1950s, according to data from the World Trade Organization.  
True False
111. Surprisingly, despite the importance of technology in our everyday lives, technological change has played only a minor role in the globalization of markets.  
True False
112. Most forecasts now predict a rapid rise in world output accounted for by developing nations such as China, India, and South Korea, and a rapid decline in the share enjoyed by rich industrialized countries such as Canada, Britain and the United States.  
True False
113. Many of tomorrow's economic opportunities may be found in the developing nations of the world.  
True False
114. The stock of foreign direct investment refers to the total cumulative value of foreign assets in a country.  
True False
115. In the 1960s global business activity was dominated by large Japanese multinational corporations.  
True False
116. Although most international trade and investment is still conducted by large firms, small to medium sized firms are increasingly involved in international trade and investment.  
True False
117. Economists argue that increased international trade and cross-border investments will result in higher prices for goods and services, although there are many benefits to globalization.  
True False
118. It is commonly believed that globalization stimulates economic growth, creates jobs, and raises income levels.  
True False
119. Any firm that engages in international trade or investment is an international business.  
True False

120. Describe the concept of globalization. What are the major opportunities and challenges that globalization has created for business organization?
121. Describe the two main facets of globalization. Explain how each of these components of globalization has helped create the shift towards a more integrated world economy.
122. Describe the meaning of the term "trade barriers"? What measures have been taken by the world community to reduce the impact of trade barriers on international trade?
123. Describe the impact of the development of the World Wide Web on global commerce?
124. Define the term "foreign direct investment (FDI)." How does the term "foreign direct investment" differ from the term "international trade?"
125. What is a multinational enterprise? What have been the two most notable trends in multinational enterprises since the 1960s? What is a mini-multinational? Do you expect the role of mini-multinationals to gain momentum or wane in the future? Why?



126. Discuss the primary advantages and disadvantages of globalization. Do you believe the advantages outweigh the disadvantages? How can the effects of the disadvantages of globalization be reduced?

127. Country competitiveness is not something that is permanent or fixed. The dominant features of the global economy are the rapid changes relative economic and competitive status of different countries. Canada is not immune to these changes. We have seen our total share of the global economy decrease and the loss of many industries.

The anti-globalization movement has been active in Canada. In particular they have been critical of multinational corporate power and argued against global and regional agreements on economic growth and the lowering of trade barriers. Others feel that globalization is inevitable and contributes to the well being of people around the world.

a. Consider the overall impact of globalization on Canada from the perspective of a software developer- has it been positive or negative? Explain your answer.

b. What kinds of strategies could a Canadian developer of software employ to reduce the negative impacts and take advantage of the positive aspects? Explain your answer

128. Why is international trade important to Canada?

# Chapter 1 Key

1. (p. 7) C
2. (p. 7) A
3. (p. 8) D
4. (p. 8) E
5. (p. 8) C
6. (p. 8) B
7. (p. 8) D
8. (p. 8) E
9. (p. 8) D
10. (p. 9) D
11. (p. 8-9) B
12. (p. 8-9) C
13. (p. 9) A
14. (p. 10) D
15. (p. 10) D
16. (p. 8, 10) B
17. (p. 10) A
18. (p. 10) C
19. (p. 10) B
20. (p. 10) D
21. (p. 8, 10) C
22. (p. 11) A
23. (p. 11) E
24. (p. 10) D
25. (p. 11) D
26. (p. 11) A
27. (p. 11) C
28. (p. 11) B
29. (p. 12, 13, 14) B
30. (p. 12) A
31. (p. 12) D
32. (p. 14) C
33. (p. 11-14) A
34. (p. 14) D
35. (p. 14) C
36. (p. 13) D

37. (p. 14) A
38. (p. 14) A
39. (p. 14) B
40. (p. 15) C
41. (p. 15) B
42. (p. 15) D
43. (p. 15) C
44. (p. 15) A
45. (p. 15, 16) C
46. (p. 15) C
47. (p. 15) D
48. (p. 17, 18, 19) B
49. (p. 18) D
50. (p. 19) D
51. (p. 19) D
52. (p. 19) C
53. (p. 19) C
54. (p. 19) A
55. (p. 21) A
56. (p. 21) C
57. (p. 21) A
58. (p. 21) E
59. (p. 21) D
60. (p. 21) B
61. (p. 19) C
62. (p. 20) C
63. (p. 21) A
64. (p. 21) A
65. (p. 22) C
66. (p. 22) D
67. (p. 21) D
68. (p. 23) D
69. (p. 22) C
70. (p. 22) B
71. (p. 22) A
72. (p. 22) D
73. (p. 24) D
74. (p. 22) D

75. (p. 24) D
76. (p. 22) C
77. (p. 22) D
78. (p. 24) B
79. (p. 24) A
80. (p. 25) D
81. (p. 25) D
82. (p. 25) C
83. (p. 25-26) C
84. (p. 25, 27) A
85. (p. 29, 30) C
86. (p. 30) C
87. (p. 31) C
88. (p. 30) E
89. (p. 31) A
90. (p. 30, 31) A
91. (p. 32) A
92. (p. 32) D
93. (p. 32) A
94. (p. 32) C
95. (p. 34) C
96. (p. 32, 33) D
97. (p. 5) FALSE
98. (p. 6) TRUE
99. (p. 7) TRUE
100. (p. 7) FALSE
101. (p. 8) TRUE
102. (p. 8) FALSE
103. (p. 9) TRUE
104. (p. 9) TRUE
105. (p. 9) TRUE
106. (p. 10) TRUE
107. (p. 11) TRUE
108. (p. 10) FALSE
109. (p. 12) FALSE
110. (p. 12) FALSE
111. (p. 14) FALSE
112. (p. 19-21) TRUE

113. (p. 21) TRUE

114. (p. 22) TRUE

115. (p. 22) FALSE

116. (p. 23) TRUE

117. (p. 25) FALSE

118. (p. 25) TRUE

119. (p. 34) TRUE

120. (p. 5-8) Globalization refers to a fundamental shift that is occurring in the world economy. The world is progressively moving away from a structure in which national economies are relatively isolated from each other, towards a structure in which national economies are merging into one huge interdependent global economic system. This trend is commonly referred to as globalization. The trend towards globalization is creating many opportunities for businesses to expand their revenues, drive down their costs, and boost their profits. For example, many Canadian firms are now exporting to previously closed foreign markets. By doing so, these firms are simultaneously expanding their sales and driving down their costs through additional economies of scale. Globalization has also created challenges for business organizations. For example, managers now have to grapple with a wide range of globalization related issues. Examples of these issues include: should we export, should we build a plant in a foreign country, should we modify our products to suite the tastes of each of our foreign customers, and how do we respond to foreign competition? These questions often do not have easy answers, but are very important to the future competitiveness of business organizations.

121. (p. 7-8) The two main components of globalization are the globalization of markets and the globalization of production. The globalization of markets refers to the fact that in many industries historically distinct and separate national markets are merging into one huge global marketplace. The globalization of production refers to the tendency among many firms to source goods and services from different locations around the world in an attempt to take advantage of national differences in the cost and quality of factors of production (such as labour, energy, and capital). Both of these components of globalization have helped create the shift towards a more integrated world economy. The globalization of markets has created a "global" interest in many products, such as Coca-Cola, the Sony Walkman, and Levi jeans. This "sharing of interest" in products across national borders has facilitated the trend towards a more integrated world economy. The globalization of production has resulted in a substantial increase in the number of business relationships between companies from different countries. This increase in the number and intensity of interrelationships between companies from different countries has also facilitated the trend towards a more integrated world economy.

122. (p. 9-11) Trade barriers are the regulations, tariffs, and other activities that are put in place by governments for the purpose of protecting their domestic industries from "foreign competition." For example, a country may impose a stiff tariff on the import of foreign produced automobiles. That makes it very difficult (i.e., creates a substantial barrier) for foreign produced cars to be sold in their country. The world community has taken a number of measures to not only lessen the impact of trade barriers on international trade, but to remove trade barriers altogether. The General Agreement on Tariffs and Trade (GATT) has been an ongoing effort to remove and reduce trade barriers worldwide. Under the umbrella of GATT, there have been eight rounds of negotiations among member states, which now number 148, designed to lower and/or reduce all forms of trade barriers. To provide the GATT treaty some teeth, the recently completed Uruguay Round of GATT established the World Trade Organization (WTO) which polices the international trading system. Although the WTO cannot compel a nation to comply with the GATT treaty, it can recommend that other member nations impose sanctions on the offending party. Other business organizations, governments, trade groups, and not-for-profit organizations are working hard to reduce and remove trade barriers. The Doha and Cancun rounds have focused on the question of agricultural subsidies used by developed countries to support their farmers. These agricultural subsidies have made it almost impossible for developing country farmers to compete.

123. (p. 14-15) Viewed globally, the Web is emerging as the great equalizer. There is no geography on the Web and costs to provide extensive information and product offerings are low when compared to other more traditional means of doing business. It is a powerful dislocating force that rolls back some constraints of location, scale, and time zones. The Web allows businesses, both small and large, to expand their global presence at a lower cost than ever before.

124. (p. 21-23) Foreign direct investment occurs when a firm invests resources in business activities outside its home country. For example, a Canadian firm may invest in a production facility in Italy. International trade occurs when a firm exports goods or services to consumers in another country. The difference between the terms is that the term "international trade" does not necessarily mean that a firm is investing resources in business activities outside its home country the firm could be simply exporting domestically produced products to a foreign country.

125. (p. 22) A multinational enterprise is any business that has productive activities in two or more countries. There are many multinational enterprises, including General Motors, Sony, General Electric, Exxon, and Toyota. The two most notable trends in multinational enterprises since the 1960s have been (1) the rise of non-U.S. multinationals, particularly Japanese multinationals; and (2) the growth of mini-multinationals. Mini-multinationals are small and medium-sized international firms. The role of these firms is likely to gain momentum in the future. Many small and medium-sized companies are becoming increasingly involved in international trade, in a variety of different contexts. As these companies expand their international activities, they will increasingly take their place as mini-multinationals on the world stage.

126. (p. 25-33) There are many advantages of globalization. From a broad perspective, globalization creates economic activity (which stimulates economic growth), creates jobs, raises income levels, and provides consumers with more choices in regard to the products and services that are available to them. From the perspective of an individual firm, globalization has the potential to increase revenues (through expanded market potential), drive down costs (through additional economies of scale), and boost profits. Conversely, critics argue that globalization destroys manufacturing jobs in wealthy countries and contributes to pollution. In regard to destroying manufacturing jobs, the basic thrust of the critics' argument is that falling trade barriers allow firms in industrialized countries to move their manufacturing activities offshore to countries where wage rates are much lower. This activity, if it occurs, has the undesirable side-effect of eliminating manufacturing jobs in the industrialized country. In regard to pollution, the critics of globalization argue that globalization encourages firms from advanced nations to move manufacturing facilities offshore to less developed countries to avoid the more stringent pollution controls in place in their home countries. This activity increases worldwide pollution. The final section of the question is designed to encourage classroom discussion and/or to encourage students to "think" about how these undesirable side-effects of globalization can be reduced.

127. (p. 34-35) There are many advantages of globalization. From a broad perspective, globalization creates economic activity (which stimulates economic growth), creates jobs, raises income levels, and provides consumers with more choices in regard to the products and services that are available to them. From the perspective of an individual firm, globalization has the potential to increase revenues (through expanded market potential), drive down costs (through additional economies of scale), and boost profits. Conversely, critics argue that globalization destroys manufacturing jobs in wealthy countries and contributes to pollution. In regard to destroying manufacturing jobs, the basic thrust of the critics' argument is that falling trade barriers allow firms in industrialized countries to move their manufacturing activities offshore to countries where wage rates are much lower. This activity, if it occurs, has the undesirable side-effect of eliminating manufacturing jobs in the industrialized country. In regard to pollution, the critics of globalization argue that globalization encourages firms from advanced nations to move manufacturing facilities offshore to less developed countries to avoid the more stringent pollution controls in place in their home countries. This activity increases worldwide pollution. The final section of the question is designed to encourage classroom discussion and/or to encourage students to "think" about how these undesirable side-effects of globalization can be reduced.

128. (p. 18-20) Canada's exports contribute about 40% of our GDP. We have a trade surplus overall meaning we are exporting more than we are importing. Many jobs and FDI are dependent upon international trade. Canada needs international trade in order to maintain its standard of living. However, Canada's standard of living has been decreasing relative to the United States and unless Canada begins to increase their productivity and international sales, the standard of living will continue to decrease.

## Chapter 1 Summary

<u>Category</u>	<u># of Questions</u>
Difficulty: Easy	34
Difficulty: Hard	34
Difficulty: Medium	60
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