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Exam

Name \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

1) According to the opening case, the most important reason to assemble iPhones in China 1) was due to:

- A) lower labour costs in China
- B) consumer preferences for foreign items C) foreign exchange rates
- D) tariffs and trade barriers
- E) the ability to scale production up and down Answer: E

2) The trend toward a more integrated and interdependent global economic system that has 2) been \_\_\_\_\_ in place for many years is commonly referred to as:

- A) consumerism
- B) nationalization
- C) cross-border integration
- D) market standardization E) globalization

Answer: E

3) Sourcing goods and services from locations around the globe is known as \_\_\_\_\_. 3) \_\_\_\_\_

- A) globalization of production
- B) globalization of markets
- C) integration of markets
- D) melding of markets
- E) deregulation

Answer: A

4) The globalization of \_\_\_\_\_ refers to the sourcing of goods and services from 4) 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) R&D
- B) process design
- C) information technology
- D) production
- E) markets

Answer: D

5) The factors of production include: 5)

- A) research and development
- B) information technology
- C) process design
- D) markets
- E) labour

Answer: E

6) The \_\_\_\_\_ was created in 1944 by 44 nations that met in Breton Woods, New Hampshire. 6) \_\_\_\_\_

- A) World Monetary Fund
- B) United Nations
- C) World Trade Organization
- D) International bank
- E) International Monetary Fund

Answer: E

7) The \_\_\_\_\_ is seen as the lender of last resort to nation-states whose economies are in \_\_\_\_\_ 7) turmoil and currencies are losing value against those of other nations.

- A) International bank
- B) Bank of Canada
- C) United Nations
- D) Canada's Export Development Corporation

E) International Monetary Fund

Answer: E

8) Who is responsible for policing the world trading system? 8) \_\_\_\_\_

- A) Canada's Export Development Corporation
- B) The World Trade Organization
- C) The World Bank
- D) International Monetary Fund
- E) Bank of Canada

Answer: B

- 9) What was created at the same time as the International Monetary Fund? 9) \_\_\_\_\_
- A) GATT
  - B) World Bank
  - C) Bank of Canada
  - D) United Nations
  - E) Canada's Export Development Corporation Answer: B

- 10) Although this organization is perhaps best known for its peacekeeping role, one of its 10) \_\_\_\_\_  
central mandates is the promotion of higher standards of living, full employment, and conditions of  
economic and social progress and development. What is it called?
- A) Canada's Export Development Corporation
  - B) GATT
  - C) World Bank
  - D) Bank of Canada
  - E) United Nations

Answer: E

- 11) \_\_\_\_\_ are the two macro factors that seem to underlie the trend toward greater 11) \_\_\_\_\_  
globalization.
- A) 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
  - B) 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
  - C) 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
  - D) The increase in global economic stability, and the slowdown in technological change
  - E) Technological Change and the convergence of global product preferences Answer: C

- 12) Firm X exports a number of products to users in other countries. This practice is referred 12) to \_\_\_\_\_  
as \_\_\_\_\_.
- A) situational commerce
  - B) international trade
  - C) cross-national barter
  - D) multinational diversification
  - E) world exchange

Answer: B

- 13) XYZ, Inc. is an auto parts distributing warehouse that exports many of its products to 13) \_\_\_\_\_  
consumers in other countries. XYZ Inc. can be described as engaging in: A) international  
procurement.
- B) international trade.
  - C) product development.
  - D) cross-border investments.

E) trading barriers. Answer: B \_\_\_\_\_

14) Which of the following refers to the exporting of goods or services to consumers in 14) another country? \_\_\_\_\_

- A) foreign investment
- B) situational commerce
- C) cross-national barter
- D) international trade
- E) world exchange

Answer: D

15) Although Inco is a Canadian company, it has invested substantial business resources in 15) activities outside Canada. This practice is referred to as: \_\_\_\_\_

- A) transnational commerce
- B) international trade
- C) outsourcing
- D) foreign direct investment
- E) organizational diversification Answer: D

16) The investing of resources in business activities outside a firm's home country is referred 16) to \_\_\_\_\_ as:

- A) international trade
- B) transnational barter
- C) domestic direct investment
- D) foreign direct investment
- E) outsourcing

Answer: D

17) The \_\_\_\_\_ is a treaty designed to remove barriers to the free flow of goods, services, 17) and \_\_\_\_\_ capital between nations.

- A) Global Agreement on Tariffs and Commerce
- B) The ILO
- C) United Nations Treaty on Trade
- D) Multi-National Agreement on Tariffs and Commerce
- E) General Agreement on Tariffs and Trade Answer: E

18) After World War II, the West committed to removing trade barriers between nations 18) because of what experience? \_\_\_\_\_

- A) the shift away from production to consumption
- B) the loss of production from the war
- C) massive waves of immigrants seeking jobs
- D) the General Agreement on Tariffs and Trade
- E) retaliatory trade policies leading to the Depression Answer: E

- 19) Under the umbrella of GATT there have been eight rounds of negotiations among member states. The \_\_\_\_\_ was the most recent round of negotiations. 19) \_\_\_\_\_
- A) New Zealand Symposium
  - B) German Round
  - C) Uruguay Round
  - D) Malaysian Symposium
  - E) Cancun Round

Answer: C

- 20) Which of the following was NOT an outcome of the Uruguay Round of the GATT? 20) \_\_\_\_\_
- A) extended GATT to cover services as well as manufactured goods
  - B) reduced agricultural subsidies
  - C) reduced trade barriers
  - D) provided extended protection for patents, trademarks, and copyrights
  - E) established the World Trade Organization

Answer: B

- 21) If the Doha talks are ever completed, the biggest gain will come from what? 21) A) intellectual property B) agriculture \_\_\_\_\_
- C) consumer goods
  - D) trademarks
  - E) manufactured goods

Answer: B

- 22)22) \_\_\_\_\_
- The acronym GATT stands for:

- A) General Agreement on Taxation and Trademarks
- B) Global Association of Technology and Trade
- C) General Accord of Transportation and Trade
- D) General Agreement on Tariffs and Trade
- E) Global Agreement on Taxation and Tariffs

Answer: D

- 23) The agency established at the 1993 Uruguay Round to police the international trading system is the \_\_\_\_\_. 23) \_\_\_\_\_
- A) Global Trade Enforcement Administration
  - B) International Trade Enforcement Agency
  - C) World Trade Organization
  - D) World Tariff and Trade Bureau
  - E) The European bank of Reconstruction and Development

Answer: C

- 24) 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. 24) \_\_\_\_\_
- A) International Trade Monitoring Agency
  - B) International Trade Monitoring Bureau
  - C) The United Nations
  - D) World Trade Organization
  - E) World Tariff and Trade Agency

Answer: D

- 25)25) \_\_\_\_\_
- The acronym WTO stands for:

- A) World Tax Organization B) World Trade Operations \_\_\_\_\_
- C) World Tariff Organization
- D) World Trade Organization
- E) Western Trade Organization Answer: D

- 26) In the past decades, many countries, in addition to reducing trade barriers, have done 26) what? \_\_\_\_\_
- A) increased tariffs
  - B) increased wages
  - C) removed restrictions to FDI
  - D) decreased production
  - E) joined the United Nations Answer: C

- 27) Since 1992, most of the world's changes to FDI have done what? 27) \_\_\_\_\_
- A) had no impact on FDI B) decreased production C) decreased wealth
  - D) blocked FDI
  - E) created a more favourable environment for FDI
- Answer: E

- 28) Since 1950, world trade has grown faster than what? 28) \_\_\_\_\_
- A) world population growth
  - B) world wage rates
  - C) world income
  - D) world housing production E) world output Answer: E

- 29) Many of the changes that countries have made pertaining to foreign direct investment 29) regulations have: \_\_\_\_\_
- A) prevented the expropriation of business assets by a foreign government B) made it harder for foreign companies to enter their markets
  - C) 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
  - D) made it easier for foreign companies to enter their markets
  - E) had no effect on the ease upon which foreign companies can enter their markets Answer: D

- 30) Which of the following statements is consistent with data from the World Trade 30) \_\_\_\_\_ Organization? \_\_\_\_\_
- A) the volume of world trade and the volume of world output have grown at approximately the same rate since the 1950s.
  - B) the volume of world trade is inversely related to the growth of world output.
  - C) the volume of world trade and the volume of world output have remained constant since the 1950s.
  - D) the volume of world trade has grown faster than the volume of world output since the 1950s.

E) the volume of world trade has grown slower than the volume of world output since the \_\_\_\_\_  
1950s. Answer: D

31) According to your text, between 1950 to 2000, as world trade expanded by 20 times, 31) world \_\_\_\_\_  
output grew by about \_\_\_\_\_.

- A) 12 percent B) 6 ½ times C) 20 times
- D) 1 percent
- E) 25 percent

Answer: B

32) The average yearly outflow of FDI increased from about \$25 billion in 1975 to a record 32) of \_\_\_\_\_  
\_\_\_\_\_ in 2007, though it has fallen more recently.

- A) \$500 billion B) \$73 billion
- C) \$1 trillion
- D) \$11 trillion
- E) \$2 trillion

Answer: E

33) The steep drop in world trade occurred when? 33)

- A) 2005-2006.
- B) 1995-1996.
- C) 1950-1951.
- D) 2008-2009. E) 1955-1956.

Answer: D

34) Between 1992 and 2010, the total flow of FDI from all countries increase by about 34) \_\_\_\_\_.

- A) 2 times B) 7 times C) 6 times D) 3 times E) 9 times

Answer: E

35) The globalization of markets, the growth of world trade, and the increase in FDI has had 35) \_\_\_\_\_  
what effect?

- A) companies are during to protectionist measures B) a decrease in production
- C) a decrease in world trade
- D) companies are reducing their profits
- E) companies find their home markets under attack from foreign competitors Answer:

E

36) Evidence suggests that FDI is playing a(n): 36) \_\_\_\_\_

- A) increasing role in the world economy
- B) increasing role in the world economy for manufactured goods but a decreasing role in the world economy for services
- C) increasing role in the world economy for services but a decreasing role in the world economy for manufactured goods

- D) limited role in the world economy
- E) decreasing role in the world economy Answer: A

- 37) According to our textbook, the growing integration of the world economy is: 37) \_\_\_\_\_
- A) 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.
  - B) increasing the intensity of competition within the home market of a company in a wide range of manufacturing and service industries
  - C) increasing the intensity of global competition in manufacturing industries, and decreasing the intensity of domestic competition in services
  - D) decreasing the intensity of global competition in manufacturing industries, and increasing the intensity of domestic competition in services
  - E) narrowing the scope of global competition in a wide range of service, commodity, and manufacturing industries

Answer: B

- 38) Which of the following is a major cause for lowering the trade barriers of markets and 38) production?
- A) Corporate greed B) Elastic demand
  - C) Technological change
  - D) Increased labour mobility
  - E) Consumer demand Answer: C

- 39) According to our textbook, the single most important technological innovation has been 39) the \_\_\_\_\_ development of the \_\_\_\_\_.
- A) telephone
  - B) telegraph
  - C) microprocessor
  - D) ocean container E) airplane

Answer: C

- 40) \_\_\_\_\_ is the theory that predicts that the number of transistors on a computer chip 40) \_\_\_\_\_ doubles every 24 months.
- A) Brennan's Theorem
  - B) Ivan's Law
  - C) Bailey's Law
  - D) Global Micro Accelerant (GMA) Law E) Moore's Law

Answer: E

- 41) According to your textbook, between 1930 and 1990, the cost of a three-minute phone 41) call \_\_\_\_\_ between New York and London fell from \$244.65 to \$3.32. This decrease can be mainly contributed to
- A) the advent of the microprocessor.



- B) high corporate ethical standards. \_\_\_\_\_
- C) the deregulation of the telecommunications industry.
- D) open communication between governments.
- E) continuing efforts to globalize. Answer: A

42) As of 2014 the number of Internet users around the world exceeds what? 42) A) 100 million \_\_\_\_\_  
A) 5 million  
C) 5 billion  
D) 1 billion  
E) 3 billion Answer: E

43) According to our textbook, e-commerce retail sales are expected to reach \_\_\_\_\_ by 43) 2018 in the United states alone.  
A) \$1 billion  
B) \$750 billion  
C) \$500 billion  
D) \$50 billion  
E) \$1 trillion Answer: C

44) The Web is viewed as a global what? 44) \_\_\_\_\_  
A) equalizer  
B) force for decreasing FDI  
C) way for government to market to its population  
D) way of reaching businesses at the expense of consumer E) way of decreasing production Answer: A

45) \_\_\_\_\_ was NOT mentioned in our textbook as major innovation in transportation 45) \_\_\_\_\_ technology.  
A) Commercial jet aircraft  
B) The introduction of containerization  
C) E-commerce  
D) Super freighters  
E) Both containerization and e-commerce were not mentioned Answer: C

46) Due to containerization, the transportation costs associated with the globalization of 46) \_\_\_\_\_ production have:  
A) declined  
B) increased dramatically  
C) reduced insurance costs  
D) increased slightly  
E) remained the same Answer: A

47) As a result of a variety of innovations, the real costs of information processing and communication have \_\_\_\_\_ over the past two decades. A) had no impact on the cost of international business 47) \_\_\_\_\_  
B) fallen slightly  
C) remained constant  
D) fallen dramatically E) increased slightly Answer: D

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: 48) \_\_\_\_\_  
A) the U.S. was the world's largest industrial power  
B) the U.S. dominated the world economy C) the U.S. dominated world trade  
D) small, U.S. entrepreneurial firms dominated the international business scene  
E) the U.S. dominated the world foreign direct investment picture Answer: D

49) Which country was the world's most dominant industry power was in the early 1960s? 49) \_\_\_\_\_  
A) Germany  
B) Japan  
C) Canada  
D) The United States  
E) The United Kingdom Answer: D

50) In 1960, the U.S. accounted for about \_\_\_\_\_ of world output as measured by GDP. 50) \_\_\_\_\_  
A) 30.0% B) 38.3% C) 23.0% D) 10.0% E) 54.0%  
Answer: B

51) In recent years, all of the following countries have seen their relative share of world output fall EXCEPT: 51) \_\_\_\_\_  
A) United States  
B) Germany  
C) France  
D) United Kingdom E) China Answer: E

52) In 2013, the U.S.'s largest trade partner when it comes to exports from the United States 52) was \_\_\_\_\_  
A) China  
B) Canada  
C) United Kingdom  
D) South Korea  
E) Mexico  
Answer: B

53) If we look into the future, most forecasts now predict a \_\_\_\_\_ in world output 53) \_\_\_\_\_  
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) stay the same; slight decline
- B) rapid rise; slight decline C) rapid rise; rapid decline
- D) rapid decline; rapid rise
- E) slight rise; slight decline

Answer: C

54) The relative decline of the developed countries' share of world output \_\_\_\_\_ 54) \_\_\_\_\_

- A) will decrease prices but also reduce wages in Canada
- 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 job opportunities in Canada
- E) will reduce the living standards of the citizens of developed countries. Answer: C

55) Which of the following is an example of a developing nation? 55) \_\_\_\_\_

- A) Thailand
- B) Canada
- C) Britain
- D) Japan
- E) United States

Answer: A

56) According to your text, the World Bank estimates that today's developing nations may 56) \_\_\_\_\_  
account for more than \_\_\_\_\_ percent of world economic activity by 2020.

- A) 35 B) 65 C) 50 D) 60 E) 55

Answer: D

57) \_\_\_\_\_ is NOT considered to be a "developing" nation. 57) \_\_\_\_\_

- A) India B) Brazil C) Mexico D) China E) Japan

Answer: E

58) The foreign direct investment by non-U.S. firms was motivated primarily by the 58) following  
two factors:

- A) the desire to build a direct presence in major foreign markets; and the desire to influence political developments in foreign countries
- B) the desire to disperse production activities to optimal locations; and the desire to build a direct presence in major foreign markets
- C) the desire to disperse production activities to optimal locations; and the desire to influence foreign exchange rates
- D) the desire to influence foreign exchange rates; 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 Answer: B

59) In the 1960s, what was then seen as an economic threat to Europe? 59) \_\_\_\_\_  
A) The dominance of U.S. firms B) Technological innovations  
C) Low-cost global communication networks  
D) Low-cost transportation  
E) Reduction in trade barriers Answer: A

60) Throughout the 1990s, the amount of investment directed at both developed and 60) developing \_\_\_\_\_  
nations did what?  
A) increased  
B) was highly variable  
C) decreased  
D) decreased, then increased E) stayed the same

Answer: A

61) Among developing nations, the largest recipient of foreign direct investment has been 61) which \_\_\_\_\_  
country?  
A) Japan  
B) the United States  
C) Canada  
D) China  
E) India

Answer: D

62) Since the 1960s, what has been a notable trend regarding multinational enterprises? 62) \_\_\_\_\_  
A) the rise of U.S. multinationals  
B) the rise of non-U.S. multinationals  
C) the decline of the Canadian multinational enterprise  
D) the decline of the multinational enterprise  
E) the decline of the Japanese multinational enterprise Answer: B

63) What kind of enterprise is a business that has productive activities in two or more 63) countries? \_\_\_\_\_  
A) cross-cultural  
B) varied-national C) multinational  
D) multi-domestic  
E) diverse-national

Answer: C

64) Recently there has been \_\_\_\_\_ in the number of smaller firms that are multinationals. \_\_\_\_\_  
64)  
A) some growth  
B) no change

- C) some decline
- D) a significant decline
- E) a significant growth Answer: E

65) 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) cross-national
- C) diverse-national
- D) global
- E) multinational

Answer: E

66) Iceculture Inc., of Ontario employs 40 people and exports around the world. It would be considered \_\_\_\_\_

- A) a multinational company.
- B) a cross-border national company.
- C) a mini-multinational.
- D) a transnational company.
- E) a U.S. dominated company. Answer: C

67) 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 growth of mini-multinationals
- B) the rise of non-U.S. multinationals and the disappearance of mini-multinationals
- C) the decline of non-U.S. multinationals and the decline of mini-multinationals
- D) the rise of U.S. multinationals and the growth of mini-multinationals
- E) the decline of non-U.S. multinationals and the growth of mini-multinationals

Answer: A

68) The economies of most of the former Communist countries can best be described as: \_\_\_\_\_

- A) steady growth, especially since 2009
- B) robust and growing stronger
- C) dominated by multinationals
- D) in poor condition with high risk associated with doing business there
- E) closed to many international businesses due to high tariffs Answer: D

69) Disturbing signs of growing unrest and totalitarian tendencies continue to be seen in many \_\_\_\_\_ states.

- A) Eastern European
- B) Western European
- C) Northern European
- D) European
- E) South American states Answer: A

70) If China continues to grow at its current rate, by 2020 the average income per capita will 70) \_\_\_\_\_  
be about \$13,000, roughly equivalent to what country today?

- A) India
- B) United States
- C) Canada
- D) Latin America E) Spain Answer: E

71) Which of the following statements is NOT true regarding the majority of Latin American 71) \_\_\_\_\_  
countries?

- A) debt and inflation are down
- B) foreign investment is welcome
- C) neither democracy nor free market reforms have seemed to take hold
- D) governments are selling state-owned enterprises to private investors E) None of these  
answers is correct Answer: C

72) The last quarter of the 20th century experienced \_\_\_\_\_ in the global economy. 72)

- A) increased stability
- B) great concerns over potential disruptions C) virtually no changes
- D) rapid changes
- E) slow-moving

Answer: D

73) Economists argue that increased international trade and cross-border investments will 73) result \_\_\_\_\_  
in \_\_\_\_\_ prices for goods and services.

- A) stable B) variable C) unstable D) higher E) lower Answer: E

74) \_\_\_\_\_ is NOT a benefit of globalization. 74) \_\_\_\_\_

- A) Helping to create jobs in all countries that choose to participate
- B) Raising the incomes of consumers
- C) Slowing economic growth
- D) Lowering prices for goods E) More leisure time

Answer: C

75) Economists, politicians, and business leaders believe that the \_\_\_\_\_ to international 75) \_\_\_\_\_  
trade and investment is the engine driving the global economy toward greater prosperity.

- A) cross-border investments
- B) falling barriers
- C) NAFTA
- D) U.N. policies
- E) trading barriers

Answer: B

- 76) One frequently voiced concern about globalization is that it destroys manufacturing jobs 76) in \_\_\_\_\_ wealthy advanced economies such as Canada. The basic thrust of the critics' argument is:
- A) the governments of developing countries will heavily subsidize their primary industries, making competing products produced in advanced economies less attractive
  - 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) developing nations will recruit employees from the more advanced economies, thereby depleting their labour pools
  - E) Canadian workers are overpaid and the true value of a manufacturing job is much lower

Answer: C

- 77) Outsourcing has even extended to the Canadian \_\_\_\_\_ industry. 77)
- A) lumber
  - B) home construction
  - C) services
  - D) auto
  - E) mineral extraction

Answer: C

- 78) Critics use the following argument to suggest that globalization is a contributing factor to \_\_\_\_\_ 78) an increase in pollution.
- A) people in developing countries are used to coping with more pollution
  - B) 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
  - C) globalization results in increased production, which has the undesirable side-effect of increased pollution
  - D) 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.)
  - E) globalization results in an increase in the amount of activity that takes place in companies that do not have adequate pollution controls

Answer: B

- 79) What does NAFTA stand for? 79) \_\_\_\_\_
- A) North American Federation of Trade Advocates
  - B) North American Federal Treaty Association
  - C) North American Free Trade Agreement
  - D) National Alliance for Technology Advancement
  - E) North Atlantic Free Trade Agency

Answer: C

- 80) Many critics of globalization argue that outsourcing leads to increased use of \_\_\_\_\_ 80) \_\_\_\_\_ labour practices in developing countries.
- A) neo-colonialist
  - B) exploitive
  - C) fair

- D) non-competitive
- E) underground

Answer: B

81) What is the primary purpose of the World Trade Organization? 81) \_\_\_\_\_

- A) arbitrate of trade disputes
- B) monitor the implementation of trade agreements such as NAFTA
- C) reduce the number of job losses in member countries
- D) act as a "watchdog" for countries that lower their pollution standards in an effort to attract more foreign manufacturing activity
- E) set tariffs for countries that signed the GATT agreement

Answer: A

82) Supranational organizations such as the WTO are criticized for 82) \_\_\_\_\_

- A) encouraging economic stagnation in poor countries so that rich countries can grow faster.
- B) ruling in favour of rich western countries at the expense of poor developing countries.
- C) limiting its actions to what the WTO member states agree to.
- D) interfering in the regulation of prices of a country's natural resources.
- E) focusing on economics and not on democracy and environmental responsibility.

Answer: E

83) Managing an international business is different from managing a purely domestic business for all of the following reasons EXCEPT: 83) \_\_\_\_\_

- A) international transactions involve converting money into different currencies
- B) an international business must find ways to work within the limits imposed by government intervention in the international trade and investment system
- C) countries are different
- D) different languages have to be learned
- E) the range of problems confronted by a manager in an international business are narrower than those confronted by a manager in a domestic business

Answer: E

84) The world's poorest nations have also faced \_\_\_\_\_ 84) \_\_\_\_\_

- A) global simplification
- B) economic stagnation
- C) standardization
- D) alignment
- E) consumerization

Answer: B

85) The Tim Hortons case study is an example of what? 85) \_\_\_\_\_

- A) Canadian firms buying up US firms
- B) the difficulty of Canadian firms expanding internationally
- C) how easily Canadian firms can enter the US market
- D) protests against globalization
- E) the similarity of Canadian and US consumer tastes

Answer: B



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TRUE/FALSE. Write 'T' if the statement is true and 'F' if the statement is false.

86) The global economy is moving progressively towards a world in which national 86) economies are relatively isolated from each other. \_\_\_\_\_

Answer: True  False

87) The volume of goods, services and investment crossing national borders expanded faster 87) than did world output every year during the last two decades of the 20th century.

Answer:  True  False

88) Because of the global presence of widely accepted products like McDonalds, Coca-Cola, 88) and Apple's iPod, national markets are disappearing.

Answer:  True  False

89) To benefit from the globalization of markets, a company has to be a multinational firm. 89) \_\_\_\_\_

Answer: True  False

90) Currently most global markets are for industrial goods and materials that serve a 90) universal need the world over.

92)

Answer:  True  False

91) Currently most global markets are markets for consumer goods. 91) \_\_\_\_\_

Answer: True  False

92) \_\_\_\_\_

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.

Answer: True  False

93) Currently most global markets are markets for consumer goods. 93) \_\_\_\_\_

Answer: True  False

94) Sourcing goods and services from locations around the globe is known as the 94) \_\_\_\_\_ globalization of markets.

Answer: True  False

95) General Agreement on Tariffs and Trade is what the acronym GATT stands for. 95) \_\_\_\_\_

Answer:  True  False

96) As markets globalize and an increasing proportion of business activity transcends 96) national \_\_\_\_\_ borders, there is a need for institutions to help manage, regulate and police the global market place.

Answer:  True       False

97) The International Monetary Fund and the World Bank were both created in 1944 by 44 nations that met at Bretton Woods, New Hampshire. 97) \_\_\_\_\_

Answer:  True       False

98) The International Monetary Fund (IMF) is often seen as the leader of last resort to nation states whose economies are in economic turmoil. 98) \_\_\_\_\_

Answer:  True       False

99) In addition to reducing trade barriers, many countries have also been progressively removing restrictions on barriers to foreign direct investment. 99) removing

Answer:  True       False

100) 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. 100) \_\_\_\_\_

Answer:  True       False

101) There is very little evidence that suggests that the lowering of trade barriers has facilitated the globalization of production. 101) facilitated the

Answer:  True       False

102) 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. 102) 1950s,

Answer:  True       False

103) Surprisingly, despite the importance of technology in our everyday lives, technological change has played only a minor role in the globalization of markets. 103) change has

Answer:  True       False

104) 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. 104) nations such as

Answer:  True       False

105) Many of tomorrow's economic opportunities may be found in the developing nations of the world. 105) the world.

Answer:  True       False

106) In the 1960s global business activity was dominated by large Japanese multinational corporations. 106) corporations.

Answer:  True       False



107) Although most international trade and investment is still conducted by large firms, small 107) to medium sized firms are increasingly involved in international trade and investment.

Answer:  True  False

108) An MNE is any firm that invests outside of its home country. 108) \_\_\_\_\_

Answer:  True  False

109) Between 1995 and 2000 most countries in Eastern Europe saw their Communist 109) \_\_\_\_\_ governments collapse.

Answer:  True  False

110) If what is occurring in China continues for two more decades, China may move from 110) third- world to industrial superpower status even more rapidly than Japan did.

Answer:  True  False

111) Economists argue that increased international trade and cross-border investments will 111) result in higher prices for goods and services, although there are many benefits to globalization.

Answer:  True  False

112) It is commonly believed that globalization stimulates economic growth, creates jobs, and 112) raises income levels.

Answer:  True  False

113) The financial crisis in Thailand shows one of the risks of globalization. 113) \_\_\_\_\_

Answer:  True  False

114) Some Canadian firms have outsourced jobs to developing countries. 114) \_\_\_\_\_

Answer:  True  False

**ESSAY. Write your answer in the space provided or on a separate sheet of paper.**

115) Describe the concept of globalization. What are the major opportunities and challenges that globalization has created for business organization?

Answer: 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.

116) 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.

Answer: 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 Apple iPhones, 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.

117) 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?

Answer: 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, 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.

118) Describe the impact of the development of the World Wide Web on global commerce.

Answer: 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.

119) Define the term "foreign direct investment (FDI)." How does the term "foreign direct investment" differ from the term "international trade"?

Answer: 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.

120) 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?

Answer: 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.

121) 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.

Answer: 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.

122) Why is international trade important to Canada?

Answer: 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.

123) You manage a company that produces and sells cameras that work under water. The camera bodies are made in China, in a facility your company owns, and which employs about 500 people. The electronics for the camera are bought from a supplier in South Korea. The lens and optics are made in your own facility in Japan, which employs about 300 people. The final product is also assembled and packaged at this facility in Japan. Your company currently employs about 350 people in Canada (head office functions, advertising, legal, and sales). You are a successful company, in business for many years, and you hope to expand your sales around the globe.

What is this type of company called?

Answer: It is a multinational enterprise. A multinational enterprise is any business that has productive activities in two or more countries.

124) You manage a company that produces and sells cameras that work under water. The camera bodies are made in China, in a facility your company owns, and which employs about 500 people. The electronics for the camera are bought from a supplier in South Korea. The lens and optics are made in your own facility in Japan, which employs about 300 people. The final product is also assembled and packaged at this facility in Japan. Your company currently employs about 350 people in Canada (head office

functions, advertising, legal, and sales). You are a successful company, in business for many years, and you hope to expand your sales around the globe.

What are some other examples of this type of firm?

Answer: There are many multinational enterprises, including General Motors, Sony, General Electric, Exxon, and Toyota.

125) You manage a company that produces and sells cameras that work under water. The camera bodies are made in China, in a facility your company owns, and which employs about 500 people. The electronics for the camera are bought from a supplier in South Korea. The lens and optics are made in your own facility in Japan, which employs about 300 people. The final product is also assembled and packaged at this facility in Japan. Your company currently employs about 350 people in Canada (head office functions, advertising, legal, and sales). You are a successful company, in business for many years, and you hope to expand your sales around the globe.

What have been the two most notable trends in these type of enterprises since the 1960s?

Answer: The two most notable trends in multinational enterprises since the 1960s have been (1) the rise of non-U.S. 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.

126) You manage a company that produces and sells cameras that work under water. The camera bodies are made in China, in a facility your company owns, and which employs about 500 people. The electronics for the camera are bought from a supplier in South Korea. The lens and optics are made in your own facility in Japan, which employs about 300 people. The final product is also assembled and packaged at this facility in Japan. Your company currently employs about 350 people in Canada (head office functions, advertising, legal, and sales). You are a successful company, in business for many years, and you hope to expand your sales around the globe.

What are the future prospects of smaller firms that operate as your firm does internationally? Why?

Answer: 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.