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International Business, 9e **(Griffin/Pustay)**
Chapter 2 Global Marketplaces and Business Centers

1) One likely consequence of the diminishing Arctic ice cap is _____.
A) less war
B) more affordable utility rates for lesser-developed nations
C) an increase in regional tourism
D) the creation of the Northwest Passage
Answer: D
Diff: 1
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

2) Which of the following is a member of the Arctic Council?
A) France
B) Singapore
C) Finland
D) Mexico
Answer: C
Diff: 1
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

3) Approximately _____ of the world's current economic activity is concentrated in North America, the EU, and Japan.
A) 24 percent
B) 46 percent
C) 57 percent
D) 72 percent
Answer: C
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
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4) Under the United Nations Convention on the Laws of the Sea, countries are given control over navigation within _____ of the coastline.
A) one mile
B) five miles
C) twelve miles
D) twenty miles
Answer: C
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

5) Companies doing international business are more likely to be successful when they _____.
A) conduct frequent performance appraisals
B) understand local market characteristics
C) employ primarily local managers
D) rely on experienced expatriates
Answer: B
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

6) What is London's origin as a world financial center?
A) military power of the British Empire in the nineteenth century
B) influence of royalty on the city's reputation
C) rule over several former American colonies
D) prestige of the London Stock Exchange
Answer: A
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
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7) Which of the following markets has the GREATEST impact on the world's current economic activity?
A) United States
B) European Union
C) China
D) Japan
Answer: A
Diff: 1
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

8) In the twenty-first century, growth rates in _____ have outpaced those in _____.
A) the United States and China; India and Japan
B) Canada and Japan; Germany and the United States
C) Japan and India; China and Canada
D) China and India; Germany and Japan
Answer: D
Diff: 3
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

9) Which country has the highest per capita income in North America?
A) the United States
B) Central America
C) Canada
D) Mexico
Answer: A
Diff: 1
Skill: Concept
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10) The countries of North America produce approximately _____ percent of the world's output.
A) 18
B) 29
C) 45
D) 52
Answer: B
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

11) _____ is the currency in which the sale of goods and services is denominated.
A) Flight capital
B) Euro currency
C) Invoicing currency
D) Capital substitution
Answer: C
Diff: 1
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

12) The prime market for lower-income countries that are trying to raise their living standards through exports is _____.
A) the United States
B) Japan
C) Germany
D) China
Answer: A
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
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13) _____ is the money sent out of a politically or economically unstable country to one perceived as a safe haven.
A) Invoicing currency
B) Flight capital
C) Capital substitution
D) Foreign currency
Answer: B
Diff: 1
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

14) When a firm makes a sale of goods denominated in Japanese yen, the yen is referred to as _____.
A) flight capital
B) export capital
C) the invoicing currency
D) the transaction currency
Answer: C
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

15) Which country listed below commonly attracts flight capital?
A) Germany
B) Canada
C) the United States
D) Singapore
Answer: C
Diff: 1
Skill: Concept
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16) U.S. exports of goods and services in 2016 accounted for about _____ percent of U.S. GDP.
A) 12
B) 23
C) 30
D) 45
Answer: A
Diff: 3
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

17) About what percentage of the world's 500 largest corporations in 2012 were headquartered in the United States?
A) 12 percent
B) 19 percent
C) 26 percent
D) 45 percent
Answer: C
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

18) Which of the following is true of Mexico?
A) It is the world's third-largest Spanish-speaking nation.
B) It has increased its protectionist measures in recent years.
C) It has been promoting the privatization of multiple industries.
D) It has refused to sign free trade pacts with El Salvador, Guatemala, and Honduras.
Answer: C
Diff: 3
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
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19) _____ is the dominant market for Canadian goods.
A) The European Union
B) The United States
C) China
D) Mexico
Answer: B
Diff: 1
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

20) Which of the following aspects about Canada is a concern to many international investors?
A) legal system instability
B) separatist movement
C) weak infrastructure
D) education system
Answer: B
Diff: 3
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

21) Countries designated "middle income" have per capita incomes of _____.
A) less than $995
B) between $1,025 and $12,476
C) between $12,477 and $23,221
D) between $23,222 and $34,021
Answer: B
Diff: 2
Skill: Concept
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22) ITX Enterprises, an electronics firm, plans to open a new manufacturing facility. Managers are considering building the new plant in Canada. Which of the following is a risk associated with a Canadian expansion?
A) unstable federal and state governments
B) inadequate secondary education systems
C) political instability related to language conflicts
D) shrinking supply of natural resources for exporting
Answer: C
Diff: 2
Skill: Application
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Analytical Thinking

23) Parker Manufacturing is considering relocating its headquarters from its current location in Vancouver, British Columbia. Executives at Parker want the firm to be located with the majority of other MNCs in the world. Which location would be most appropriate?
A) Zurich
B) Boston
C) Tokyo
D) London
Answer: B
Diff: 2
Skill: Application
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Analytical Thinking

24) Brampton Industries has a facility in a country that has been designated by the World Bank as middle-income. Which of the following is the most likely location of Brampton's plant?
A) Costa Rica
B) Turkey
C) Latvia
D) Rwanda
Answer: A
Diff: 1
Skill: Application
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Analytical Thinking

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25) The world's most populous Spanish-speaking nation is _____.
A) Spain
B) Brazil
C) Mexico
D) China
Answer: C
Diff: 2
Skill: Application
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

26) China possesses the world's largest economy.
Answer: FALSE
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

27) Money sent out of a politically or economically unstable country to one perceived as a safe haven is known as protected capital.
Answer: FALSE
Diff: 1
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

28) The currency in which the sale of goods and services is denominated is the invoicing currency.
Answer: TRUE
Diff: 1
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

29) International trade accounts are a major part of the U.S. economy.
Answer: FALSE
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

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30) Over 30 OECD's members are all classified as high-income countries.
Answer: TRUE
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

31) Over the last two decades, Mexico has been relatively closed to foreign goods and investors.
Answer: FALSE
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

32) Like France, the United Kingdom is a strong supporter of protectionist policies.
Answer: FALSE
Diff: 3
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

33) The single largest bilateral trading relationship in the world is between the United States and Canada.
Answer: TRUE
Diff: 1
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

34) By evaluating the income level of a nation, a firm can assess the purchasing power of citizens and the status of the public infrastructure.
Answer: TRUE
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
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35) Where is the majority of the world's current economic activity conducted?
Answer: About 57 percent of the world's current economic activity is conducted in North America, the European Union, and Japan.
Diff: 2
Skill: Application
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

36) Which country possesses the world's largest economy? Why do you think international trade is such a small component of the U.S. economy?
Answer: The United States has the world's largest economy, accounting for almost 21 percent of the world's GDP. Although international trade has become increasingly more important during the past decade, it is a relatively small component of the U.S. economy. U.S. exports of goods and services in 2012 totaled $2.9 trillion but were only 14 percent of its GDP. However, this figure is somewhat misleading. Because of the country's large size, trade that might be counted as international in smaller countries is considered domestic in the United States. For example, the money spent for a hotel room in neighboring Belgium by a Dutch motorist trapped in a thunderstorm 50 miles from home late at night is counted in the international trade statistics of both Belgium and the Netherlands. A similar expenditure by a Connecticut motorist stuck in New Jersey after watching a football game at the Meadowlands is a purely domestic transaction.
Diff: 3
Skill: Critical Thinking
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Reflective Thinking

37) How important is international trade to the U.S. economy? Which country is the largest trading partner to the United States?
Answer: International trade is a relatively small component of the U.S. economy and accounts for less than 12 percent of the country's GDP. Canada is the U.S.'s largest trading partner.
Diff: 2
Skill: Application
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Analytical Thinking

38) Define the term invoicing currency.
Answer: Invoicing currency is the currency in which the sale of goods and services is denominated.
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

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39) What is flight capital? Why does the United States attract flight capital?
Answer: Flight capital is money sent out of a politically or economically unstable country to one perceived as a safe haven. The United States attracts flight capital because of its political stability and military strength.
Diff: 2
Skill: Application
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

40) What is the Organization for Economic Cooperation and Development?
Answer: The Organization for Economic Cooperation and Development, or OECD, is a group of 34 market-oriented democracies formed to promote economic growth.
Diff: 2
Skill: Concept
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

41) How have reforms in India and Mexico altered the economies of both countries?
Answer: In 1991, India's Prime Minister implemented market-opening reforms which reduced trade barriers, opened the door to increased FDI, and modernized the country's financial sector. Since then, India has attracted considerable FDI from MNCs from developed countries, and seen its GDP grow. For over half a century the Mexican government implemented a program of economic nationalism under which Mexico discouraged foreign investment and erected high tariff walls to protect its domestic industries. During the past three decades, however, Mexico has abandoned these policies and opened its markets to foreign goods and investors. Mexico also reduced the government's role in its economy by selling off many publicly owned firms. In 1994, Canada, Mexico, and the United States initiated the North American Free Trade Agreement (NAFTA), which reduced barriers to trade among the three countries over a 15-year period. Thousands of foreign companies have established new factories in Mexico to take advantage of NAFTA, generating hundreds of thousands of new jobs in the process.
Diff: 3
Skill: Synthesis
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

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42) Why would a global firm most likely consider the Middle East a risky marketplace? As a global manager, how would you determine if the benefits in the Middle East outweighed the risks?
Answer: The Middle East has a long history of conflict and political unrest. In the last half century it has experienced several Arab-Israeli wars, the Iran-Iraq war, and two Persian Gulf wars, all of which raised the risk of doing business in the region. In 2011, political unrest swept the area. Protests against the lack of democracy, poor employment opportunities, and high levels of income inequality led to the resignation of the long-time rulers of Egypt and Tunisia and to a civil war in Libya. A global manager can determine if the benefits are worth the risks by gathering information. Ignorance of basic geography, market characteristics, culture, and politics may lead to lost profits or, in the extreme, doom a venture to failure. Linguistic and cultural ties, past political associations, and military alliances play significant roles in the world pattern of trade and investment and in shaping the opportunities available to businesses today.
Diff: 3
Skill: Synthesis
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

43) As a manager, why do you need to understand global marketplaces and business centers? Why should you also have an understanding of international income data?
Answer: Businesses trying to internationalize their operations frequently make mistakes because they fail to obtain information vital to their success. Managers that are ignorant of basic geography, market characteristics, culture, and politics may cause a company to lose profits or even cause a venture to fail entirely. Managers need to understand linguistic and cultural ties, past political associations, and military alliances, and how they shape world trade and investment patterns, and the opportunities available to companies. Often the single most important piece of information needed by international businesspeople about a country is its income level. Income levels provide clues to the purchasing power of residents, the technological sophistication of local production processes, and the status of the public infrastructure.
Diff: 3
Skill: Synthesis
LO: 2.1: Discuss North America as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

44) The European Union accounted for about _____ in GDP in 2016.
A) 6 trillion dollars
B) 17 trillion dollars
C) 35 trillion dollars
D) 79 trillion dollars
Answer: B
Diff: 2
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

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45) As of 2018, how many countries participate in the European Union's common currency, the euro?
A) 12
B) 19
C) 22
D) 27
Answer: B
Diff: 1
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

46) The European Union is comprised of _____ countries, after the withdrawal of the United Kingdom.
A) 12
B) 15
C) 22
D) 27
Answer: D
Diff: 1
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

47) What is the most likely reason that Germany is considered the most important member of the EU?
A) Germany has the world's fourth largest economy.
B) Germany's government promotes human rights.
C) Germany initially suggested developing the EU.
D) Germany uses a codetermination system.
Answer: A
Diff: 3
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
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48) Which EU country has drawn criticism for promoting an agenda of economic nationalism, and in particular, for protecting its farmers under the guise of the Common Agricultural Policy?
A) Germany
B) France
C) Italy
D) Spain
Answer: B
Diff: 2
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

49) Who was responsible for introducing *glasnost* and *perestroika* to the Soviet Union?
A) Czar Nicholas II
B) Boris Yeltsin
C) Vladimir Putin
D) Mikhail Gorbachev
Answer: D
Diff: 2
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

50) Which of these countries is *not* a member of the EU?
A) Austria
B) Monaco
C) Norway
D) Portugal
Answer: C
Diff: 1
Skill: Concept
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51) What country holds the world's largest land mass?
A) the United States
B) Russia
C) China
D) Canada
Answer: B
Diff: 2
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

52) Who was Russia's first democratically elected president?
A) Mikhail Baryshnikov
B) Mikhail Gorbachev
C) Boris Yeltsin
D) Vladimir Putin
Answer: C
Diff: 1
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

53) The Newly Independent States refers to the _____.
A) Central European countries
B) former Soviet republics
C) largest African nations
D) Four Tigers
Answer: B
Diff: 1
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

54) Which of the following has achieved high-income status according to the World Bank?
A) the Czech Republic
B) Mexico
C) Chile
D) Turkey
Answer: A
Diff: 2
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
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55) Russia's major natural resources include which of the following?
A) aluminum
B) natural gas
C) vermiculite
D) grain
Answer: B
Diff: 2
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

56) Hawthorne Enterprises, an Australian firm, has plans to open a manufacturing facility in France next year. Some executives at the firm are unhappy with this decision, most likely because France _____.
A) opposes human rights legislation
B) promotes economic nationalism
C) refuses to switch to the euro
D) advocates free trade
Answer: B
Diff: 2
Skill: Application
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Analytical Thinking

57) A small to medium, family-owned enterprise, often located in a small German town is known as _____.
A) *keiretsu*
B) *perestroika*
C) *glasnost*
D) *mittelstand*
Answer: D
Diff: 1
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

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58) All European Union member countries share a common currency—the euro.
Answer: FALSE
Diff: 1
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

59) The Czech Republic, Hungary, and Poland are classified as high-income countries by the World Bank.
Answer: TRUE
Diff: 2
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

60) Switzerland is a long-standing member of the European Union.
Answer: FALSE
Diff: 2
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

61) Soviet leader Boris Yeltsin's 1986 political reform initiatives of *glasnost* and *perestroika* led to significant changes in the region's political, economic, and social environment of Russia.
Answer: FALSE
Diff: 2
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

62) Twelve of the 15 Newly Independent States established a forum called the Commonwealth of Independent States.
Answer: TRUE
Diff: 1
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

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63) All of the countries that were aligned with the former Soviet Union are classified as lower-income countries.
Answer: FALSE
Diff: 2
Skill: Concept
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

64) What is the Commonwealth of Independent States? What is its purpose?
Answer: Gorbachev's economic and political reforms led to the Soviet Union's collapse in 1991 and subsequent declarations of independence by the 15 Soviet republics, which are now often referred to as the Newly Independent States. In 1992, 12 of the NIS (all but the Baltic countries of Estonia, Latvia, and Lithuania, which are now part of the European Union) formed the Commonwealth of Independent States (CIS) as a forum to discuss issues of mutual concern.
Diff: 2
Skill: Application
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

65) What do *perestroika* and *glasnost* mean? How do these concepts relate to the Russian economy?
Answer: Soviet leader Mikhail Gorbachev's 1986 reform initiatives of *glasnost* (openness) and *perestroika* (economic restructuring) triggered the region's political, economic, and social revolutions.
Diff: 2
Skill: Application
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
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66) What are import and export substitution policies? How have these policies affected Asian and South American markets?
Answer: Countries using import substitution policies attempt to stimulate the development of local industry by discouraging imports via high tariffs and nontariff barriers. The opposite of import substitution is export promotion, whereby a country pursues economic growth by expanding its exports. This is the developmental approach successfully adopted by Taiwan, Hong Kong, and Singapore. However, many major South American countries adopted these well-intentioned but destructive import substitution policies. For most South American industries, however, the domestic market is too small to enable domestic producers to gain economies of scale through mass-production techniques or to permit much competition among local producers. Thus, prices of domestically produced goods tend to rise above prices in other markets. The result is inflation and destruction of middle class savings.
Diff: 3
Skill: Synthesis
LO: 2.2: Describe Western Europe as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

67) Which country is an undeveloped nation?
A) Cambodia
B) Costa Rica
C) India
D) Somalia
Answer: A
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

68) Immediately following World War II, Japan's Ministry for International Trade and Investment encouraged firms to concentrate on _____.
A) steel and shipbuilding
B) automobiles and electronics
C) financial services
D) apparel and footwear
Answer: A
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

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69) The Japanese term *sogo shosha* refers to a(n) _____.
A) major Japanese bank
B) family of interrelated companies
C) export trading company
D) supplier
Answer: C
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

70) The Japanese term *keiretsu* refers to a(n) _____.
A) major Japanese bank
B) family of interrelated companies
C) export trading company
D) supplier
Answer: B
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

71) Samsung, Hyundai, Daewoo Group, and LG are all examples of _____.
A) *chaebol*
B) *keiretsu*
C) *glasnost*
D) *sogo shosha*
Answer: A
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

72) Which of the following is most likely a true statement about New Zealand?
A) The country prohibits privatization in most industries.
B) Most of the country's population lives on the South Island.
C) The country primarily relies on its gold and coal resources.
D) Merchandise trade is extremely important to the country's GDP.
Answer: D
Diff: 3
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Analytical Thinking

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73) All of the following *except* _____ are typical exports from New Zealand.
A) dairy products
B) computer technology
C) kitchen appliances
D) petroleum
Answer: A
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

74) The Four Tigers are also called _____.
A) newly industrialized countries
B) newly independent states
C) commonwealth of independent states
D) commonwealth of industrialized countries
Answer: A
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

75) Which of the countries listed below is considered one of the Four Tigers?
A) North Korea
B) Indonesia
C) Taiwan
D) China
Answer: C
Diff: 1
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

76) The World Bank classifies the Four Tigers as _____.
A) developing
B) middle-income
C) newly developed
D) high-income
Answer: D
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
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77) What caused South Korea's economic growth to suddenly slow in 1997-1998?
A) collapse of the chaebol
B) return to Communist rule
C) Asian currency crisis
D) import substitution policies
Answer: C
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

78) The Korean term *chaebol* refers to _____.
A) a family-based conglomerate
B) workplace harmony
C) economic restructuring
D) cooperative banks
Answer: A
Diff: 1
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

79) The Republic of China is most commonly known as _____.
A) Taiwan
B) Vietnam
C) Hong Kong
D) Singapore
Answer: A
Diff: 1
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

80) What is the most likely reason that Taiwanese businesses are increasingly investing in Chinese factories?
A) demand for automated manufacturing
B) need for low-wage workers
C) government requirements
D) need for additional land
Answer: B
Diff: 2
Skill: Concept
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81) What is the most significant problem for Singapore today?
A) Chinese control
B) shipping costs
C) labor shortages
D) low technological expertise
Answer: C
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

82) Because of its excellent port facilities, Singapore thrives on _____.
A) shipping
B) oil refining
C) franchising
D) reexporting
Answer: D
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

83) _____ is the world's most populous country.
A) India
B) China
C) Indonesia
D) The United States
Answer: B
Diff: 1
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

84) India was a colony of which country?
A) China
B) France
C) Pakistan
D) the United Kingdom
Answer: D
Diff: 1
Skill: Concept
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AACSB: Application of Knowledge

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85) Which two countries make up the Indian subcontinent?
A) India and Egypt
B) India and Pakistan
C) Afghanistan and India
D) India and Iran
Answer: B
Diff: 1
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

86) Which of the following is *not* a similarity between India and Great Britain?
A) parliamentary system
B) dependent judiciary
C) an amateur bureaucracy
D) state-owned industry
Answer: A
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

87) Alfred Communications, a U.S. firm, is considering opening a facility in India. However, executives at the firm are not certain that India is the best location for investment. What is the most likely reason for management's concerns?
A) weak judiciary system
B) rampant corruption
C) state capitalism
D) religious strife
Answer: B
Diff: 3
Skill: Application
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

88) Thailand, Malaysia, and Indonesia were all recipients of significant FDI during the 1980s and 1990s because they offer _____.
A) strong domestic currencies
B) large domestic markets
C) few trade barriers
D) low labor costs
Answer: D
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
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89) Export promotion has been successfully applied by which of the countries listed below?
A) Taiwan
B) Cuba
C) Argentina
D) Brazil
Answer: A
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

90) Which of the following best explains why Japan's economic growth has slowed?
A) state industries
B) import restrictions
C) poor quality control
D) fast-growing population
Answer: B
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

91) Executives at Oswego Enterprises, a U.S. textile company, are discussing the idea of expanding into the Asian market by opening a facility in Hong Kong. Which of the following is a characteristic of Hong Kong?
A) complete autonomy from China
B) entry point to mainland China
C) location of few major banks
D) low labor rates for a poorly educated workforce
Answer: B
Diff: 2
Skill: Application
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Reflective Thinking

92) Asia is a source of both skilled and unskilled labor.
Answer: TRUE
Diff: 1
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

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93) Japan's economic success has been facilitated by its *keiretsu*.
Answer: TRUE
Diff: 3
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

94) Japan's remarkable growth rate has continued into the twenty-first century.
Answer: FALSE
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

95) A *sogo shosha* is typically a member of a *keiretsu*.
Answer: TRUE
Diff: 1
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

96) The Ministry of International Trade and Industry helped spur Japan's rapid growth by guiding the investment strategies of Japanese firms.
Answer: TRUE
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

97) All four countries that are part of the Four Tigers have a Chinese heritage.
Answer: FALSE
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

98) Japan has been criticized for unfairly promoting its exports and at the same time protecting its markets from imports.
Answer: TRUE
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

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99) Singapore's economy relies on re-exporting.
Answer: TRUE
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

100) Hinduism is the dominant religion in India.
Answer: TRUE
Diff: 1
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

101) Since World War II, India's economic development plan has focused on state ownership of key industries such as power and transportation.
Answer: TRUE
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

102) Coca-Cola turned over its secret soft drink formula to the Indian government in order to remain in the country.
Answer: FALSE
Diff: 2
Skill: Concept
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

103) What is the meaning of the terms *keiretsu* and *sogo shosha*?
Answer: A *keiretsu* is a large family of interrelated companies. *Sogo shosha* is an export trading company used by *keiretsu* members to export their products.
Diff: 2
Skill: Application
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

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104) What are the main characteristics of the Australian marketplace? How do these characteristics affect Australia's exporting?
Answer: Australia is rich in natural resources but has a relatively small workforce. As a result, its merchandise exports, which in 2016 accounted for 16 percent of its $1.2 trillion GDP, are concentrated in natural resource industries (such as gold, iron ore, and coal) and in land-intensive agricultural goods (such as wool, beef, and wheat).
Diff: 3
Skill: Application
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Analytical Thinking

105) What are the countries collectively known as the Four Tigers? Why are these countries known as the Four Tigers?
Answer: South Korea, Hong Kong, Singapore, and Taiwan are the Four Tigers. These countries have made rapid economic strides since 1945, so they are collectively known as the "Four Tigers," a reference to the Chinese heritage that three of the four countries share.
Diff: 2
Skill: Application
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

106) What does *chaebol* mean? What has been the history of chaebol?
Answer: A chaebol is a family of interrelated firms in South Korea. To promote economic development after the Korean War, South Korea relied on tight cooperation between the government and 30 or so large, privately owned, and family-centered conglomerates that dominate the Korean economy. The most important of these conglomerates, or *chaebol***,** were Samsung, Hyundai, Daewoo Group, and LG (formerly Lucky-Goldstar). Unfortunately, Korea's growth came to a screeching halt as a result of the 1997-1998 Asian currency crisis, and many of the chaebol were plunged into financial difficulties. Many observers argued that their problems were due to overexpansion and the poor lending practices of Korean banks. Many of the chaebol seemed to be more interested in size than profitability and borrowed money to enter industries already burdened by overcapacity, such as automobiles, computer chips, and steel manufacturing. Some of the chaebol learned their lesson and emerged from the crisis as stronger and leaner competitors.
Diff: 3
Skill: Application
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

107) In 2016, Singapore's exports totaled 161 percent of its GDP. Briefly explain how this is possible.
Answer: Singapore is a major re-exporter because of its shipping ports and facilities.
Diff: 2
Skill: Application
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

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108) Historical connections exist between many European powers and markets such as Hong Kong, India, and Africa. Briefly discuss these historic relationships. How do past relationships impact international business in these markets today?
Answer: As a consequence of the "opium war," Hong Kong was ceded to the British. In 1860, the British obtained possession of Kowloon and later they were granted a 99-year lease on the area. The lease expired on July 1, 1997. On that date China again assumed political control of Hong Kong and designated it a special administrative region (SAR). As an SAR, Hong Kong enjoys a fair degree of autonomy. It has its own legislature, economic freedom, free-port status, and a separate taxation system. Hong Kong will enjoy these privileges until 2047. However, China has made it clear that it will impose its own political will on Hong Kong. India was part of the British Empire until 1947, when the Indian subcontinent was partitioned along religious lines into India, where Hindus were in the majority, and Pakistan, where Muslims were dominant. India adopted many aspects of British government, including the parliamentary system, a strong independent judiciary, and a professional bureaucracy. Most of Africa was colonized in the late nineteenth century by the major European powers for strategic military purposes or to meet domestic political demands. The tide of colonialism began to reverse in the mid-1950s, as one by one the European powers surrendered control of their colonies. Vestiges of colonialism remain in today's Africa, however, affecting opportunities available to international businesses. For example, Chad, Niger, and the Côte d'Ivoire (Ivory Coast) retain close economic and cultural ties to France. They link their currencies to that of France and follow French legal, educational, and governmental procedures. Because of these ties, French manufacturers, financial institutions, and service-sector firms often dominate international commerce with these countries. Similarly, the public institutions of Kenya, Zimbabwe, and the Republic of South Africa are modeled along British lines, giving British firms a competitive advantage in these countries.
Diff: 3
Skill: Synthesis
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

109) What led to the separation of Taiwan from China?
Answer: In the aftermath of the civil war in China between the nationalist forces and the communist forces, General Chiang Kai-shek fled to Taiwan. He declared the island the Republic of China and himself the rightful governor.
Diff: 3
Skill: Application
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

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110) China has designated Hong Kong as a special administrative region. How did this occur? What does this mean for Hong Kong? Be sure to address how this designation relates to international business concerns.
Answer: Hong Kong was ceded to the British following the Opium War in 1842. In 1860, the British also obtained possession of Kowloon on the Chinese mainland, and in 1898 they were granted a 99-year lease. The lease expired on July 1, 1997 and China resumed political control of Hong Kong and designated it a special administrative region. As a SAR, Hong Kong has its own legislature, economic freedom, free-port status, and a separate taxation system. This status will last until 2047. From an international business perspective, China's designation of Hong Kong as a SAR went far in terms of reassuring MNCs with operations in Hong Kong.
Diff: 3
Skill: Critical Thinking
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

111) China has gone through three stages since communist forces took power in 1949. Name these stages and explain how each has affected China's economic power.
Answer: The three stages include the Great Leap Forward, the Cultural Revolution, and free-market policy. The Great Leap Forward sought to force industrialization through the growth of small, labor-intensive factories. Its failure led to the Cultural Revolution, which attempted to reinforce the communist doctrine. After Mao Tse-tung's death, the government adopted limited free-market policies. China continues to develop in this stage. It continues to adopt market-oriented economic policies while maintaining political control.
Diff: 3
Skill: Critical Thinking
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Application of Knowledge

112) What economic reforms have occurred in India? What has been the impact of these reforms on India's economy?
Answer: In 1991, Indian Prime Minister Rao implemented various reforms including reduced trade barriers, designed to open India's economy to foreigners, and modernizing its financial sector. Today, the effect of the reforms is evident in the country's growing GDP and the FDI from MNCs based in developed countries; however, government policy is still unclear causing confusion for some investors.
Diff: 3
Skill: Critical Thinking
LO: 2.4: Discuss Asia as a major marketplace and business center in the world economy.
AACSB: Reflective Thinking

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113) Which of the following African countries is not a major oil exporter?
A) Algeria
B) Gabon
C) Zambia
D) Libya
Answer: C
Diff: 1
Skill: Concept
LO: 2.5: Assess the development challenges facing African and Middle Eastern countries.
AACSB: Application of Knowledge

114) Because of its past colonial relationship, France has a competitive advantage in which of the countries listed below?
A) Botswana
B) Chad
C) Kenya
D) the Republic of South Africa
Answer: B
Diff: 2
Skill: Concept
LO: 2.5: Assess the development challenges facing African and Middle Eastern countries.
AACSB: Application of Knowledge

115) Because of its past colonial relationship, the United Kingdom has a competitive advantage in which of the countries listed below?
A) Somalia
B) Gabon
C) Senegal
D) the Republic of South Africa
Answer: D
Diff: 2
Skill: Concept
LO: 2.5: Assess the development challenges facing African and Middle Eastern countries.
AACSB: Application of Knowledge

116) What region is sometimes called the cradle of civilization?
A) the European Union
B) the Middle East
C) the Far East
D) Africa
Answer: B
Diff: 2
Skill: Concept
LO: 2.5: Assess the development challenges facing African and Middle Eastern countries.
AACSB: Application of Knowledge

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117) Which of the following religions was *not* born in the Middle East?
A) Buddhism
B) Christianity
C) Judaism
D) Islam
Answer: A
Diff: 2
Skill: Concept
LO: 2.5: Assess the development challenges facing African and Middle Eastern countries.
AACSB: Application of Knowledge

118) Executives at Cornwall Industries, a U.S. firm, are considering expanding into Niger. As a manager at the firm you have been given the task of analyzing the advantages and disadvantages of Niger. Which of the following is the most likely problem associated with expanding into Niger?
A) influence of British government
B) insufficient natural resources
C) dominance of French firms
D) risk of civil unrest
Answer: C
Diff: 2
Skill: Application
LO: 2.5: Assess the development challenges facing African and Middle Eastern countries.
AACSB: Analytical Thinking

119) The Middle East is known for its oil-rich countries.
Answer: TRUE
Diff: 1
Skill: Concept
LO: 2.5: Assess the development challenges facing African and Middle Eastern countries.
AACSB: Application of Knowledge

120) In Saudi Arabia, oil makes up 90 percent of its total export earnings.
Answer: TRUE
Diff: 2
Skill: Concept
LO: 2.5: Assess the development challenges facing African and Middle Eastern countries.
AACSB: Application of Knowledge

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121) As a global manager, why should you consider South Africa as a potential source for your firm's future development?
Answer: Many experts predict that South Africa will be the dominant economic power and growth engine in Africa in the twenty-first century. South Africa, which has fertile farmland as well as rich deposits of gold, diamonds, chromium, and platinum, was used as a base by many MNCs for their African operations until the trade sanctions imposed by the United Nations in the 1970s. The UN was protesting the government's apartheid policies. Today, voting rights have been extended to all citizens regardless of race and color.
Diff: 3
Skill: Critical Thinking
LO: 2.5: Assess the development challenges facing African and Middle Eastern countries.
AACSB: Application of Knowledge

122) What are sovereign wealth funds? Why are they controversial?
Answer: Sovereign wealth funds are a new and controversial source of capital. They are government controlled pools of capital that invest in a variety of industries, mostly in a passive way. Most of the SWFs are owned by oil-rich governments. The Abu Dhabi Investment Authority is currently the largest, with $627 billion in assets, followed by the Government Pension Fund of Norway with $557 billion. Other SWFs are owned by governments of countries enjoying large balance of payments surpluses, such as China and Singapore. The funds are controversial because they should be solely for commercial purposes but could be a backdoor means of promoting the political goals of the governmental owner of the SWF.
Diff: 3
Skill: Synthesis
LO: 2.5: Assess the development challenges facing African and Middle Eastern countries.
AACSB: Reflective Thinking

123) A policy that attempts to stimulate development of local industry by discouraging imports through tariffs and nontariff barriers is called _____.
A) export substitution
B) import substitution
C) development stimulation
D) protectionism
Answer: B
Diff: 2
Skill: Concept
LO: 2.6: Evaluate the economic prospects of the South American countries.
AACSB: Application of Knowledge

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124) A policy that encourages economic growth through export expansion is called _____.
A) export expansion
B) export substitution
C) export promotion
D) development stimulation
Answer: C
Diff: 2
Skill: Concept
LO: 2.6: Evaluate the economic prospects of the South American countries.
AACSB: Application of Knowledge

125) South American producers rely on mass production and economies of scale for their success in international markets.
Answer: FALSE
Diff: 2
Skill: Concept
LO: 2.6: Evaluate the economic prospects of the South American countries.
AACSB: Application of Knowledge

126) Brazil's poverty reduction program offers cash to families who keep their children in school and participate in public health programs.
Answer: TRUE
Diff: 2
Skill: Concept
LO: 2.6: Evaluate the economic prospects of the South American countries.
AACSB: Application of Knowledge

127) What is the impact of income gaps in countries such as Brazil? How is the Brazilian government addressing these inequalities? Why are income gaps relevant to international businesses?
Answer: For most of its history, Latin America has been characterized by huge income inequalities. The rich have done very well; the prospects for children borne into poverty have been grim. One innovative and successful program is Brazil's Bolsa Família. The poverty reduction program involves conditional cash transfers (CCTs). CCT programs provide cash subsidies to poor families, but the cash comes with strings attached. Families receive payments from Bolsa Família only if their children attend school on a regular basis and participate in public health programs, such as keeping their vaccinations up to date. Countries with low per capita incomes and significant income gaps are less attractive to international businesses because they offer less consumer demand and lack the public infrastructure necessary for reliable production and distribution of goods and services. Such countries may also experience social unrest, political instability, and lost productivity, which impacts IB.
Diff: 3
Skill: Critical Thinking
LO: 2.6: Evaluate the economic prospects of the South American countries.
AACSB: Analytical Thinking

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