International Management Culture Strategy and Behavior 10th edition Luthans Test Bank

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Chapter 02
The Political, Legal, and Technological Environment

True/False Questions

1. Individualism views the needs and goals of society at large as more important than individual desires.
Answer: False
Feedback: Individualism believes that people should be free to pursue economic and political endeavors without constraint. Collectivism, on the other hand, views the needs and goals of society at large as more important than individual desires.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

2. Fascism is an extreme form of socialism that was realized through violent revolution and was committed to the idea of a worldwide communist state.
Answer: False
Feedback: Fascism is an authoritarian political ideology that considers individual and other societal interests inferior to the needs of the state and seeks to forge a type of national unity, usually based on ethnic, religious, cultural, or racial attributes. Communism, however, is an extreme form of socialism that was realized through violent revolution and was committed to the idea of a worldwide communist state.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

3. Communism is an authoritarian political ideology that considers individual and other societal interests inferior to the needs of the state.
Answer: False
Feedback: Communism is an extreme form of socialism that was realized through violent revolution and was committed to the idea of a worldwide communist state. Fascism, on the other hand, is an authoritarian political ideology (generally tied to a mass movement) that considers individual and other societal interests inferior to the needs of the state and seeks to forge a type of national unity, usually based on ethnic, religious, cultural, or racial attributes.
AACSB: Analytic

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Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

4. Nationalization is an ideal in and of itself whereby an individual is completely loyal to his or her nation.
Answer: False
Feedback: The nationalization of businesses is the transference of ownership of a business from individuals or groups of individuals to the government. Nationalism, on the other hand, is an ideal in and of itself whereby an individual is completely loyal to his or her nation.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

5. Essentially, every citizen should be involved in decision-making processes in a democratic system.
Answer: True
Feedback: Essentially, every citizen should be involved in decision-making processes in a democratic system. The representative government ensures individual freedom since anyone who is eligible may have a voice in the choices made.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

6. The most common form of totalitarian government is communist totalitarianism.
Answer: True
Feedback: The most common form of totalitarian government is communist totalitarianism. There are many forms of totalitarian government because only one party within each entity exists.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy

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Topic: Political Environment

7. Both domestic and international political environments have a major impact on multinational corporations.
Answer: True
Feedback: Both domestic and international political environments have a major impact on multinational corporations.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

8. Collectivism emerged in Poland and France as "national socialism."
Answer: False
Feedback: Collectivism emerged in Germany and Italy as "national socialism," or fascism.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

9. Socialism is a broad political movement, and in modern times, it branched off into two extremes: communism and social democracy.
Answer: True
Feedback: Socialism is a broad political movement and forms of it are unstable. In modern times, it branched off into two extremes: communism and social democracy.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

10. A form of totalitarianism, sometimes referred to as "right-wing," allows for both economic and political freedoms.
Answer: False
Feedback: A form of totalitarianism, sometimes referred to as "right-wing," allows for some economic but not political freedoms. While it directly opposes socialist and communist ideas, this form may gain power and support from the military, often in the form of a military leader imposing a government "for the good of the people."

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AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

11. Common law is derived from Roman law and is found in non-Islamic and nonsocialist countries such as France, some countries in Latin America, and even Louisiana in the United States.
Answer: False
Feedback: Common law comes from English law, and it is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand, and other nations.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

12. The doctrine of civility holds that there must be mutual respect for the laws, institutions, and governments of other countries in the matter of jurisdiction over their own citizens.
Answer: False
Feedback: The doctrine of comity holds that there must be mutual respect for the laws, institutions, and governments of other countries in the matter of jurisdiction over their own citizens.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

13. The nationality principle is a jurisdictional principle of international law that holds that every country has jurisdiction over its citizens no matter where they are located.
Answer: True
Feedback: The nationality principle is a jurisdictional principle of international law that holds that every country has jurisdiction over its citizens no matter where they are located. Therefore, a U.S. manager who violates the American Foreign Corrupt Practices Act while traveling abroad can be found guilty in the United States.
AACSB: Analytic
Bloom's: Remember

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Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

14. The doctrine of comity holds that there must be mutual respect for the laws, institutions, and governments of other countries in the matter of jurisdiction over their own citizens.
Answer: True
Feedback: The doctrine of comity holds that there must be mutual respect for the laws, institutions, and governments of other countries in the matter of jurisdiction over their own citizens. Although this doctrine is not part of international law, it is part of international custom and tradition.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

15. The Foreign Corrupt Practices Act (FCPA) is an act that makes it illegal to influence foreign officials through personal payment or political contributions.
Answer: True
Feedback: The Foreign Corrupt Practices Act (FCPA) is an act that makes it illegal to influence foreign officials through personal payment or political contributions. The objectives of the act were to stop U.S. Multinational corporations from initiating or perpetuating corruption in foreign governments and to upgrade the image of both the United States and its businesses abroad.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

16. The protective principle is a jurisdictional principle that holds that every country has jurisdiction over behavior that adversely affects its national security, even if that conduct occurred outside the country.
Answer: True
Feedback: The protective principle is a jurisdictional principle that holds that every country has jurisdiction over behavior that adversely affects its national security, even if that conduct occurred outside the country. Therefore, a French firm that sells secret U.S. government blueprints for a satellite system can be subjected to U.S. laws.
AACSB: Analytic
Bloom's: Remember

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Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

17. The territoriality principle is a jurisdictional principle that holds that holds that every nation has the right of jurisdiction within its legal territory.
Answer: True
Feedback: The territoriality principle is a jurisdictional principle that holds that holds that every nation has the right of jurisdiction within its legal territory. Therefore, a German firm that sells a defective product in England can be sued under English law even though the company is headquartered outside England.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

18. A vast network of fiber-optic cables that are used for almost all transoceanic communication lead to a great deal of system vulnerability.
Answer: True
Feedback: A vast network of fiber-optic cables that are used for almost all transoceanic communication lead to a great deal of system vulnerability. In 2015, a series of accidental disruptions to one cable led to weeks of slower Internet and communication problems throughout Vietnam.
AACSB: Analytic
AACSB: Technology
Bloom's: Remember
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 1 Easy
Topic: Technological Environment and Global Shifts in Production

19. In the context of the trends in technology, the open-source model restricts free and legal sharing of software and code to prevent underdeveloped countries from gaining competitive advantage while minimizing costs.
Answer: False
Feedback: In the context of the trends in technology, concepts like the open-source model allow for free and legal sharing of software and code. This may be utilized by underdeveloped countries in an attempt to gain competitive advantage while minimizing costs.
AACSB: Analytic
AACSB: Technology
Bloom's: Remember

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Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 1 Easy
Topic: Technological Environment and Global Shifts in Production

20. Biotech companies mainly manufacture drugs through a process similar to that of organic chemistry and are unable to discover genetic abnormalities.
Answer: False
Feedback: Biotech companies attempt to discover genetic abnormalities or medicinal solutions through exploring organisms at the molecular level or by formulating compounds from inorganic materials that mirror organic substances. Pharmaceutical companies, on the other hand, mainly manufacture drugs through a process similar to that of organic chemistry.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 1 Easy
Topic: Technological Environment and Global Shifts in Production

Multiple Choice Questions

21. In the context of socialism, Karl Marx believed that:
A. businesses should benefit at the expense of laborers.
B. only a few individuals should benefit from businesses.
C. societal classes should exist.
D. governments should own businesses.
Answer: D
Feedback: Karl Marx believed that governments should own businesses because in a capitalistic society only a few would benefit, and it would probably be at the expense of others in the form of not paying wages due to laborers. He advocated a classless society where everything was essentially communal.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 2 Medium
Topic: Political Environment

22. In the context of collectivism, the Greek philosopher Plato believed that:
A. individual desires should be viewed as the most important.
B. a classless society would help keep people focused on societal goals.
C. individual rights should be secured.
D. property should be commonly owned.
Answer: D

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Feedback: In the context of collectivism, the Greek philosopher Plato believed that individual rights should be sacrificed and property should be commonly owned. Also, he believed that classes should still exist and that the best suited should rule over the people.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 2 Medium
Topic: Political Environment

23. In a business context, individualism is synonymous with _____.
A. collectivism
B. socialism
C. totalitarianism
D. capitalism
Answer: D
Feedback: In a business context, individualism is synonymous with capitalism and is connected to a free-market society, which encourages diversity and competition, compounded with private ownership, to stimulate productivity.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

24. Philosophers such as David Hume, Adam Smith, and Aristotle contributed to the ideology of _____.
A. socialism
B. collectivism
C. individualism
D. communism
Answer: C
Feedback: The groundwork for the ideology of individualism was founded long ago. Philosophers such as David Hume (1711-1776), Adam Smith (1723-1790), and even Aristotle (384-322 BC) contributed to these principles.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

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25. Adopters of individualism adhere to the philosophy that:
A. people should be free to pursue economic and political endeavors without constraint.
B. government interest should solely influence individual behavior.
C. communism in its extreme form is realized through violent revolution.
D. the needs and goals of society at large are more important compared to individual desires.
Answer: A
Feedback: Adopters of individualism adhere to the philosophy that people should be free to pursue economic and political endeavors without constraint. This means that government interest should not solely influence individual behavior. In a business context, this is synonymous with capitalism and is connected to a free-market society.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 2 Medium
Topic: Political Environment

26. Which of the following is one of the biggest problems in Russia and in other transition economies?
A. Social democracy
B. Privatization
C. Corruption
D. Nationalization
Answer: C
Feedback: Corruption is one of the biggest problems in Russia and in other transition economies. The 2014 Corruption Perception Index from Transparency International ranked Russia 136th out of 174 countries, falling behind Egypt and Colombia.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 2 Medium
Topic: Political Environment

27. Identify a characteristic of social democracy.
A. Achievement of goals through nonviolent revolution
B. Transference of ownership of a business from individuals to a government
C. Loyalty of an individual toward his or her nation
D. Complete control over every facet of political and human life
Answer: A
Feedback: Social democracy refers to a socialist movement that achieved its goals through nonviolent revolution. While this system was pervasive in and had a great influence on such Western nations as Australia, France, Germany, Great Britain, Norway, Spain, and Sweden, as well as in India and Brazil at one time or another, in practice it was not as viable as anticipated.

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Level of Difficulty: 2 Medium
Topic: Political Environment

28. Which of the following statements is true of democracy?
A. The government is controlled by the citizens either directly or through elections.
B. Once elected, a representative can no longer be held accountable for his or her actions.
C. Impartial public service restricts freedom of expression and assembly.
D. Once elected, a representative cannot be reelected.
Answer: A
Feedback: Democracy refers to the system in which the government is controlled by the citizens either directly or through elections. Essentially, every citizen should be involved in decision-making processes.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 2 Medium
Topic: Political Environment

29. Political repression and denial of rights and civil liberties are dominant ideals of _____.
A. totalitarianism
B. a socialist democracy
C. collectivism
D. a monarchy
Answer: A
Feedback: Media censorship, political repression, and denial of rights and civil liberties are dominant ideals of totalitarianism.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

30. Aspects and degrees of the totalitarian form of government are still found in:
A. Singapore and Cambodia.
B. Germany and Italy.
C. Latin America only.
D. Vietnam, Cuba, and North Korea.

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Answer: D
Feedback: Aspects and degrees of the totalitarian form of government is still found in Cuba, North Korea, Laos, Vietnam, and China.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 1 Easy
Topic: Political Environment

31. Which of the following statements is true about totalitarianism?
A. The government is controlled by the citizens either directly or through elections.
B. Individual freedoms, such as freedom of expression and assembly, are secured.
C. Power is often maintained by suppression of opposition, which can be violent.
D. A representative party needs to strictly adhere to the goals of the majority ruling.
Answer: C
Feedback: Totalitarianism refers to a political system in which there is only one representative party, which exhibits control over every facet of political and human life. Power is often maintained by suppression of opposition, which can be violent.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 2 Medium
Topic: Political Environment

32. In the context of the four foundations on which laws are based around the world, civil or code law:
A. comes from the Marxist socialist system.
B. is derived from Roman law.
C. is the foundation of the legal system in the United States.
D. continues to influence regulations in former communist countries.
Answer: B
Feedback: In the context of the four foundations on which laws are based around the world, civil or code law is derived from Roman law. It is found in the non-Islamic and nonsocialist countries such as France, some countries in Latin America, and even Louisiana in the United States.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

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33. In the context of the four foundations on which laws are based around the world, Islamic law is derived from:
A. the Marxist socialist system.
B. Roman law.
C. the ideologies of the Greek philosopher Prophet Farooq.
D. the teachings of the Prophet Muhammad.
Answer: D
Feedback: In the context of the four foundations on which laws are based around the world, Islamic law is derived from interpretation of the Qur'an and the teachings of the Prophet Muhammad. It is found in most Islamic countries in the Middle East and Central Asia.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

34. _____ comes from English law and is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand, and others.
A. Civil or code law
B. Islamic law
C. socialist law
D. Common law
Answer: D
Feedback: Common law comes from English law, and it is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand, and other nations.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

35. Identify a true statement about civil law.
A. It comes from English law and is found in nonsocialist countries.
B. It is found in most Islamic countries in the Middle East and Central Asia.
C. It is derived from Roman law and is found in the non-Islamic and nonsocialist countries.
D. It is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand, and other nations.
Answer: C
Feedback: Civil law is derived from Roman law and is found in the non-Islamic and nonsocialist countries such as France, some countries in Latin America, and even Louisiana in the United States.
AACSB: Analytic

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Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 2 Medium
Topic: Legal and Regulatory Environment

36. The _____ holds that governments have the right to rule themselves as they see fit.
A. principle of sovereignty
B. nationality principle
C. territoriality principle
D. protective principle
Answer: A
Feedback: The principle of sovereignty holds that governments have the right to rule themselves as they see fit.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

37. When compared with domestic law, international law is less coherent because:
A. it contains unwritten understandings that arise from repeated interactions among nations.
B. its sources embody only the laws of individual countries concerned with disputes.
C. its sources embody only the treaties and conventions of individual countries concerned with any dispute.
D. it is derived from the Marxist socialist system and is highly influenced by the regulations prevalent in former communist countries.
Answer: A
Feedback: When compared with domestic law, international law is less coherent because it contains unwritten understandings that arise from repeated interactions among nations. Also, its sources embody not only the laws of individual countries concerned with any dispute but also treaties (universal, multilateral, or bilateral) and conventions (such as the Geneva Convention on Human Rights or the Vienna Convention of Diplomatic Security).
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 2 Medium
Topic: Legal and Regulatory Environment

38. The _____ holds that every country has jurisdiction (authority or power) over its citizens no matter where they are located.

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A. doctrine of comity
B. nationality principle
C. territoriality principle
D. sovereignty principle
Answer: B
Feedback: The nationality principle holds that every country has jurisdiction (authority or power) over its citizens no matter where they are located.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

39. The _____ holds that every nation has the right of jurisdiction within its legal territory.
A. sovereignty principle
B. protective principle
C. territoriality principle
D. nationality principle
Answer: C
Feedback: The territoriality principle holds that every nation has the right of jurisdiction within its legal territory.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

40. The _____ holds that every country has jurisdiction over behavior that adversely affects its national security, even if that conduct occurred outside the country.
A. territoriality principle
B. nationality principle
C. sovereignty principle
D. protective principle
Answer: D
Feedback: The protective principle holds that every country has jurisdiction over behavior that adversely affects its national security, even if that conduct occurred outside the country.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy

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Topic: Legal and Regulatory Environment

41. The _____ holds that there must be mutual respect for the laws, institutions, and the government of other countries in the matter of jurisdiction over their own citizens.
A. doctrine of protectionism
B. doctrine of civility
C. doctrine of mutual understanding
D. doctrine of comity
Answer: D
Feedback: The doctrine of comity holds that there must be mutual respect for the laws, institutions, and governments of other countries in the matter of jurisdiction over their own citizens.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

42. U.S. laws require equality in the workplace for all employees. U.S. citizens who take a job in Germany cannot sue their German employer under the provisions of U.S. law for failure to provide equal opportunity for them. This exemplifies the:
A. principle of sovereignty.
B. nationality principle.
C. doctrine of comity.
D. act of state doctrine.
Answer: A
Feedback: The principle of sovereignty implies that one country's court system cannot be used to rectify injustices or impose penalties in another country unless that country agrees. So while U.S. laws require equality in the workplace for all employees, U.S. citizens who take a job in Germany cannot sue their German employer under the provisions of U.S. law for failure to provide equal opportunity for them.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 2 Medium
Topic: Legal and Regulatory Environment

43. Under the _____, all acts of other governments are considered to be valid by U.S. courts, even if such acts are inappropriate in the United States.
A. act of state doctrine
B. act of international civility
C. act of judicial sovereignty

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D. act of international understanding
Answer: A
Feedback: Under the act of state doctrine, all acts of other governments are considered to be valid by U.S. courts, even if such acts are inappropriate in the United States.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

44. In the context of the treatment and rights of aliens, countries have the legal right to refuse admission of foreign citizens and to impose special restrictions on all of the following except _____.
A. conduct
B. right of travel
C. spending
D. what business they may conduct
Answer: C
Feedback: In the context of the treatment and rights of aliens, countries have the legal right to refuse admission of foreign citizens and to impose special restrictions on their conduct, their right of travel, where they can stay, and what business they may conduct.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

45. An act that makes it illegal to influence foreign officials through personal payment or political contributions is referred to as the _____.
A. Fairness in International Affairs Act
B. Foreign Corrupt Practices Act
C. Global Ethics Act
D. Fair Treatment of Foreign Citizens Act
Answer: B
Feedback: The Foreign Corrupt Practices Act (FCPA) makes it illegal to influence foreign officials through personal payment or political contributions.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy

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Topic: Legal and Regulatory Environment

46. Critics of the Foreign Corrupt Practices Act feared the loss of sales to foreign competitors, especially in those countries where:
A. customs are rigidly followed.
B. political stability exists.
C. common law is applicable.
D. bribery is an accepted way of doing business.
Answer: D
Feedback: Critics of the FCPA feared the loss of sales to foreign competitors, especially in those countries where bribery is an accepted way of doing business.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 2 Medium
Topic: Legal and Regulatory Environment

47. Since the passage of the Foreign Corrupt Practices Act (FCPA), investigations reveal that:
A. U.S. exports to "bribe prone" countries decreased significantly.
B. the act was unsuccessful in removing bribes as a key competitive tool from the Middle East.
C. the act allowed the courts to fine but not imprison guilty parties.
D. individual executives started getting increasingly targeted apart from corporations.
Answer: D
Feedback: Since the passage of the Foreign Corrupt Practices Act (FCPA), investigations reveal that individual executives started getting increasingly targeted along with corporations. Also, it was found that penalties imposed under the FCPA have skyrocketed, and violations have spurred a number of collateral civil actions.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 2 Medium
Topic: Legal and Regulatory Environment

48. In the context of bureaucratization, which of the following statements is true of Japan?
A. Government controls are inefficient and need to be corrected to encourage multinational corporations to do business.
B. Politicians are more interested in the long-term well-being of the nation as a whole than in the well-being of their own districts.
C. Parochial actions are highly unlikely to create problems for multinational corporations trying to do business.
D. The banking system is expansionary, and there is very little room for reformation.
Answer: A

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Feedback: Japan is a good example of a very restrictive foreign bureaucracy in which bureaucratic government controls are inefficient and need to be corrected to encourage multinational corporations to do business here. In Japan, politicians are more interested in the well-being of their own districts than in the long-term well-being of the nation as a whole. In turn, parochial actions create problems for multinational corporations trying to do business there.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 2 Medium
Topic: Legal and Regulatory Environment

49. Many foreign governments applauded the investigations under the Foreign Corrupt Practices Act (FCPA) because it helped them:
A. crack down on corruption in their own country.
B. reduce internal political problems for U.S. allies.
C. reduce the risks associated with the derivatives activities of banks.
D. restrict the courts from fining and not imprisoning corrupt parties.
Answer: A
Feedback: Many foreign governments applauded the investigations under the Foreign Corrupt Practices Act (FCPA) because it helped them crack down on corruption in their own country. This was an interesting development that occurred despite political sensitivity.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 2 Medium
Topic: Legal and Regulatory Environment

50. U.S. multinational corporations always assumed that bribes were required to ensure contracts in _____.
A. India
B. the Middle East
C. Asia Pacific
D. Eastern Europe
Answer: B
Feedback: Many U.S. multinational corporations always assumed that bribes were required to ensure contracts in the Middle East.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy

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Topic: Legal and Regulatory Environment

51. Keith, a manager in the country of Bodonia, violates a Bodonian law while traveling abroad. He can still be found guilty in Bodonia. This scenario exemplifies _____.
A. socialist law
B. Islamic law
C. the principle of sovereignty
D. the nationality principle
Answer: D
Feedback: This scenario exemplifies the nationality principle. It holds that every country has jurisdiction (authority or power) over its citizens no matter where they are located. Thus, Bodonia has jurisdiction over Keith even when he violates a Bodonian law while travelling abroad.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 2 Medium
Topic: Legal and Regulatory Environment

52. In the context of bureaucratization, Japanese businesses are becoming aware of the fact that:
A. they are heavily dependent on their local market for maximum number of goods and services.
B. local consumers are paying a heavy price due to the bureaucratic red tape.
C. government bureaucracy has created a true sense of security.
D. they are well prepared to face the harsh competitive realities of the international marketplace.
Answer: B
Feedback: Japanese businesses are becoming increasingly aware of the fact that they are dependent on the world market for many goods and services and that when bureaucratic red tape drives up the costs of these purchases, local consumers pay the price. These businesses are also beginning to realize that government bureaucracy can create a false sense of security and leave them unprepared to face the harsh competitive realities of the international marketplace.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 2 Medium
Topic: Legal and Regulatory Environment

53. A firm in the country of Batangonia that sells secret government blueprints of the country of Cambrialand for a satellite system can be subjected to the Cambrialand laws. This scenario exemplifies _____.
A. the nationality principle
B. the protective principle
C. socialist law

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D. Islamic law
Answer: B
Feedback: This scenario exemplifies the protective principle. It holds that every country has jurisdiction over behavior that adversely affects its national security, even if that conduct occurred outside the country. The selling of secret government blueprints for a satellite system by a firm in the country of Batangonia affects the national security of Cambrialand. Thus, the firm can be subjected to Cambrialand laws.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 2 Medium
Topic: Legal and Regulatory Environment

54. According to the World Bank, which of the following economies does not rank high on the ease-of-doing-business index?
A. The Philippines
B. Singapore
C. The United Kingdom
D. The United States
Answer: A
Feedback: According to the World Bank, the Philippines economy does not rank high on the ease-of-doing-business index. The three top rankings are held by Singapore, the United States, and the United Kingdom.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

55. A firm based in the country of Iskoolbia that sells a defective hair dryer in the country of Octavia can be sued under Octavian law even though the company is headquartered outside Octavia. This scenario exemplifies _____.
A. socialist law
B. the nationality principle
C. the territoriality principle
D. Islamic law
Answer: C
Feedback: This scenario exemplifies the territoriality principle. It holds that every nation has the right of jurisdiction within its legal territory. Thus, the country of Octavia has the right of jurisdiction even when a firm based in the country of Iskoolbia sells a defective hair dryer within the Octavian territory.
AACSB: Analytic

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Bloom's: Understand
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 2 Medium
Topic: Legal and Regulatory Environment

56. In the context of the trends in technology, communication, and innovation, the creation of a digital framework:
A. made business communication vastly more expensive.
B. made the microprocessor obsolete.
C. allowed high-power computer performance at low cost.
D. required satellites for all forms of communication.
Answer: C
Feedback: In the context of the trends in technology, communication, and innovation, the creation of a digital frame-work allowed high-power computer performance at low cost.
AACSB: Analytic
AACSB: Technology
Bloom's: Understand
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 2 Medium
Topic: Technological Environment and Global Shifts in Production

57. In the context of e-business, the term e-cash stands for _____.
A. Easy cash
B. Export cash
C. Electronic cash
D. Exchange cash
Answer: C
Feedback: In the context of e-business, the term e-cash stands for electronic cash.
AACSB: Analytic
AACSB: Technology
Bloom's: Remember
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 1 Easy
Topic: Technological Environment and Global Shifts in Production

58. The most popular form of e-business is for _____.
A. B2B dealings
B. B2C dealings
C. financial dealings
D. e-retailing
Answer: A
Feedback: The most popular form of e-business is for business-to-business (B2B) dealings.

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Bloom's: Remember
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 1 Easy
Topic: Technological Environment and Global Shifts in Production

59. The area of e-business that will most affect global customers is _____.
A. e-marketing
B. e-retailing and financial services
C. retailing
D. internet sales
Answer: B
Feedback: The area of e-business that will most affect global customers is e-retailing and financial services.
AACSB: Analytic
AACSB: Technology
Bloom's: Remember
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 1 Easy
Topic: Technological Environment and Global Shifts in Production

60. The most important dimension of the technological environment facing international management today is _____.
A. telecommunications
B. transportation
C. agricultural mechanization
D. improved service technologies
Answer: D
Feedback: One of the most important dimensions of the technological environment facing international management today is telecommunications.
AACSB: Analytic
AACSB: Technology
Bloom's: Remember
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 1 Easy
Topic: Technological Environment and Global Shifts in Production

61. Identify a correct statement about cellular infrastructure.
A. It is expensive to install.
B. It is quick and relatively inexpensive to install.
C. It is relatively inexpensive to install but takes time.
D. It cannot be installed easily and cost-efficiently in rural areas.

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Answer: B
Feedback: Global access to affordable cell phone services is resulting in a form of technological leapfrogging, in which regions of the world are moving from a situation where phones were completely unavailable to one where cell phones are available everywhere, including rural areas, due to the quick and relatively inexpensive installation of cellular infrastructure.
AACSB: Analytic
AACSB: Technology
Bloom's: Understand
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 2 Medium
Topic: Technological Environment and Global Shifts in Production

62. In the context of telecommunications, governments are accepting the belief that the only way to attract foreign investment and know-how in telecommunications is to:
A. cede control to private industry.
B. get cheaper service providers.
C. get cheap and efficient labor.
D. get private partners.
Answer: A
Feedback: Governments are accepting the belief that the only way to attract foreign investment and know-how in telecommunications is to cede control to private industry.
AACSB: Analytic
AACSB: Technology
Bloom's: Understand
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 2 Medium
Topic: Technological Environment and Global Shifts in Production

63. The Hong Kong office of Salomon Brothers, a U.S. investment bank, estimates that to meet the expanding demand for telecommunication service in Asia, companies will need _____.
A. cheaper technology
B. cheap and efficient labor
C. considerable increase in investment
D. cheaper service providers
Answer: C
Feedback: The Hong Kong office of Salomon Brothers, a U.S. investment bank, estimates that to meet the expanding demand for telecommunication service in Asia, companies will need to considerably increase the investment, most of which will have to come from overseas.
AACSB: Analytic
AACSB: Technology
Bloom's: Understand
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 2 Medium

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Topic: Technological Environment and Global Shifts in Production

64. In the context of offshoring, some informed observers note that technology already has eliminated much and in the future will eliminate even more of the work being done by:
A. top level managers.
B. middle managers and white-collar staff.
C. maintenance workers.
D. line employees and service staff.
Answer: B
Feedback: In the context of offshoring, some informed observers note that technology already has eliminated much and in the future will eliminate even more of the work being done by middle management and white-collar staff.
AACSB: Analytic
AACSB: Technology
Bloom's: Remember
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 1 Easy
Topic: Technological Environment and Global Shifts in Production

65. In the context of offshoring, which of the following factors has placed pressure on multinational corporations to outsource production?
A. Mounting cost pressure
B. Lack of cheap and expert labor
C. Global and internal competition
D. Profit expectation by governments
Answer: A
Feedback: In the context of offshoring, mounting cost pressures resulting from increased globalization of competition and profit expectations exerted by investors have placed pressure on multinational corporations to outsource or offshore production to take advantage of lower labor and other costs.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 2 Medium
Topic: Technological Environment and Global Shifts in Production

66. Which of the following industries would constitute the white-collar service industries?
A. Steel and autos
B. Agriculture
C. Insurance only
D. Insurance and banks
Answer: D
Feedback: White-collar service industries include insurance, banks, and even government.
AACSB: Analytic

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Bloom's: Remember
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 1 Easy
Topic: Technological Environment and Global Shifts in Production

67. In the context of technological advancements, emerging information technology has made work _____.
A. more portable
B. more risky
C. more tedious
D. more complicated
Answer: A
Feedback: In the context of technological advancements, emerging information technology makes work more portable.
AACSB: Analytic
AACSB: Technology
Bloom's: Understand
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 2 Medium
Topic: Technological Environment and Global Shifts in Production

68. In the context of technological advancements, outsourcing, and offshoring, multinational corporations have moved certain production activities overseas to capitalize on _____.
A. increasing costs
B. cheap labor resources
C. larger markets
D. higher purchasing power
Answer: B
Feedback: In the context of technological advancements, outsourcing, and offshoring, multinational corporations have moved certain production activities overseas to capitalize on cheap labor resources.
AACSB: Analytic
AACSB: Technology
Bloom's: Understand
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 2 Medium
Topic: Technological Environment and Global Shifts in Production

69. In the context of technological advancements, outsourcing, and offshoring, low-paid workers in India and Asian countries now are being given subcontracted work such as _____.
A. insurance jobs
B. auto industry jobs
C. labor-intensive hardware development jobs

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D. code-writing jobs
Answer: D
Feedback: In the context of technological advancements, outsourcing, and offshoring, low-paid workers in India and Asian countries now are being given subcontracted work such as labor-intensive software development and code-writing jobs.
AACSB: Analytic
AACSB: Technology
Bloom's: Remember
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 1 Easy
Topic: Technological Environment and Global Shifts in Production

70. In the context of technological advancements, outsourcing, and offshoring, identify a way in which the new technological environment impacts multinational corporations and societies as a whole.
A. A decline in the cost of doing business worldwide
B. Price rise due to cost of equipment
C. Elimination of higher-priced labor
D. Replacement of employees by machines
Answer: A
Feedback: The cost of doing business worldwide should decline thanks to the opportunities that technology offers in substituting lower-cost machines for higher-priced labor.
AACSB: Analytic
AACSB: Technology
Bloom's: Understand
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 2 Medium
Topic: Technological Environment and Global Shifts in Production

Essay Questions

71. Explain the political system of totalitarianism, and identify its features and forms.
Answer: Totalitarianism refers to a political system in which there is only one representative party which exhibits control over every facet of political and human life. Power is often maintained by suppression of opposition, which can be violent in nature. Media censorship, political repression and denial of rights and civil liberties are dominant ideals. Since only one party within each entity exists, there are many forms of totalitarian government. All forms of totalitarianism exhibit some form of oppression as well. Parties or individuals that govern an entity based on religious principles will ultimately oppress religious and political expression of its citizens. One final consideration of a totalitarian system is that in which some freedoms may exist. This form has been referred to as right-wing totalitarianism, where some economic freedoms may exist, but there is still a limitation on political freedom. This structure allows for economic freedom because otherwise it is believed that complete oppression will give rise to

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communism. While it directly opposes socialist and communist ideas, this form of ruling may gain power and support from the military, often in the form of a military leader imposing a government "for the good of the people." This results in military officers filling most government positions.
AACSB: Analytic
Bloom's: Understand
Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.
Level of Difficulty: 2 Medium
Topic: Political Environment

72. List the four foundations on which laws are based around the world, and briefly explain each foundation.
Answer: The four foundations upon which laws are based around the world are as follows: Islamic law, socialist law, common law and civil or code law. Islamic law is derived from interpretation of the Qur'an and the teachings of the Prophet Mohammed. It is found in most Islamic countries in the Middle East and Central Asia. Socialist law comes from the Marxist socialist system and continues to influence regulations in former communist countries, especially those from the former Soviet Union, as well as present-day China, Vietnam, North Korea, and Cuba. Common law comes from English law and is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand, and other nations. Civil or code law is derived from Roman law and is found in the non-Islamic and nonsocialist countries such as France, some countries in Latin America and even Louisiana in the United States.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

73. Discuss the three types of jurisdictional principles provided by International Law.
Answer: International law provides for three types of jurisdictional principles. The first is the nationality principle, which holds that every country has jurisdiction (authority or power) over its citizens no matter where they are located. Therefore, a U.S. manager who violates the American Foreign Corrupt Practices Act while traveling abroad can be found guilty in the United States. The second is the territoriality principle, which holds that every nation has the right of jurisdiction within its legal territory. Therefore, a German firm that sells a defective product in England can be sued under English law even though the company is headquartered outside England. The third is the protective principle, which holds that every country has jurisdiction over behavior that adversely affects its national security, even if that conduct occurred outside the country. Therefore, a French firm that sells secret U.S. government blueprints for a satellite system can be subjected to U.S. laws.
AACSB: Analytic
Bloom's: Understand

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Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 2 Medium
Topic: Legal and Regulatory Environment

74. Describe the Foreign Corrupt Practices Act and list its objectives.
Answer: The Foreign Corrupt Practices Act (FCPA) makes it illegal to influence foreign officials through personal payment or political contributions. The objectives of the FCPA were to stop U.S. multinational corporations from initiating or perpetuating corruption in foreign governments and to upgrade the image of both the United States and its businesses abroad.
AACSB: Analytic
Bloom's: Remember
Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide, and highlight differences in approach to legal and regulatory issues in different jurisdictions.
Level of Difficulty: 1 Easy
Topic: Legal and Regulatory Environment

75. What is biotechnology? Discuss some of the areas in which it has been used or is likely to be used.
Answer: Biotechnology is the integration of science and technology, but more specifically it is the creation of agricultural or medical products through industrial use and manipulation of living organisms.
One area in which it has been used is medicine. While pharmaceutical companies mainly manufacture drugs through a process similar to that of organic chemistry, biotech companies attempt to discover genetic abnormalities or medicinal solutions through exploring organisms at the molecular level or formulating compounds from inorganic materials that mirror organic substances.
Another aspect of biotech research is geared toward agriculture. Demand for ethanol in the United States is on the rise due to uncertain future oil supplies, making corn-derived ethanol a viable alternative. Using corn as a fuel alternative will not only increase the cost of fuel but also create an imbalance between consumable corn and stock used for biofuel.
Aside from crops, the meat industry can also benefit from this process. The outbreak of mad cow disease in Great Britain sparked concern when evidence of the disease spread throughout Western Europe; however, the collaborative work of researchers in the United States and Japan may have engineered a solution to the problem by eliminating the gene which is the predecessor to making the animal susceptible to this ailment. Hunger and poor health care are worldwide issues and advancement in global biotechnology is working to raise the standards.
AACSB: Analytic
AACSB: Technology
Bloom's: Understand
Learning Objective: 02-03 REVIEW key technological developments, including the growth of e-commerce, and discuss their impact on MNCs now and in the future.
Level of Difficulty: 2 Medium
Topic: Technological Environment and Global Shifts in Production

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