International Management 11th edition Luthans Test Bank

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International Management 11th Edition by Luthans CH01

ANSWERS ARE LOCATED IN THE SECOND PART OF THIS DOCUMENT

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

1) Internationalization is the vision of creating one world unit, a single market entity.

1) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Remember
Learning Objective : 01-01 ASSESS the implications of globalization for countries, industries, firms,
null : Level of Difficulty: 1 Easy
Topic : Globalization and Internationalization

2) In the context of the changing global demographics, elderly populations spend money on housing and other capitally financed purchases.

2) _____

◎ true
◎ false

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Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Remember
Learning Objective : 01-01 ASSESS the implications of globalization for countries, industries, firms,
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Topic : Globalization and Internationalization

3) North American Free Trade Agreement (NAFTA) members are better integrated as a single market than the European Union (EU) or the allied Asian countries.

3) _____

◎ true
◎ false

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Learning Objective : 01-01 ASSESS the implications of globalization for countries, industries, firms,
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4) The United Nations (U.N.) has increasingly embraced social media as a tool to enhance diplomacy and understanding worldwide.

4) _____

◎ true
◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Remember
Learning Objective : 01-01 ASSESS the implications of globalization for countries, industries, firms,
null : Level of Difficulty: 1 Easy
Topic : An Interconnected World

5) An increase in the ease of travel between countries is an important development that has occurred because of the North American Free Trade Agreement (NAFTA).

5) _____

◎ true
◎ false

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6) Initial reports from Goldman Sachs, issued in the early 2000s, predicted that BRIC (Brazil, Russia, India, and China) economies' share of world growth could double from 20 percent in 2003 to more than 40 percent by 2025.

6) _____

- ◎ true
- ◎ false

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Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
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Learning Objective : 01-01 ASSESS the implications of globalization for countries, industries, firms,
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Topic : Globalization and Internationalization

7) Foreign direct investment (FDI) has been increasing rapidly among developed economies since the past few years.

7) _____

- ◎ true
- ◎ false

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AACSB : Analytical Thinking
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Learning Objective : 01-01 ASSESS the implications of globalization for countries, industries, firms,
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Topic : Globalization and Internationalization

8) Nongovernmental organizations (NGOs) have become more active in expressing concerns about the potential shortcomings of economic globalization.

8) _____

- ◎ true
- ◎ false

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9) In a command economy, a general balance between supply and demand sustains prices, while an imbalance creates a price fluctuation.

9) _____

- ◎ true
- ◎ false

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
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null : Level of Difficulty: 1 Easy
Learning Objective : 01-02 REVIEW the major trends in global and regional integration.
Topic : Global Economic Systems

10) Monopolies are a danger to the market economy system because they tend to stifle economic growth.

10) _____

- ◎ true
- ◎ false

Question Details
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AACSB : Analytical Thinking
Bloom's : Remember
null : Level of Difficulty: 1 Easy
Learning Objective : 01-02 REVIEW the major trends in global and regional integration.
Topic : Global Economic Systems

11) In the context of the emerging markets of Asia, India is attractive to multinationals, especially U.S. and British firms.

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11) _____

◎ true
◎ false

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Bloom's : Remember
null : Level of Difficulty: 1 Easy
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions

12) The United States has considerable foreign direct investment in Germany, more than in any other country.

12) _____

◎ true
◎ false

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null : Level of Difficulty: 1 Easy
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions

13) Despite being unable to take full advantage of globalization, there is still hope in the future for Africa because the potential of African countries remains virtually untapped.

13) _____

◎ true
◎ false

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14) One of the factors that contributed to the early success of the Japanese economy is the presence of chaebols.

14) _____

- ◎ true
- ◎ false

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15) About 46 percent of employees in both the United States and Russia would prefer a work schedule that fluctuates between work and leisure, mirroring a pattern of recurring sabbaticals.

15) _____

- ◎ true
- ◎ false

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Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
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16) The ultimate objective of the European Union (EU) is to eliminate all trade barriers among member countries.

16) _____

- ◎ true
- ◎ false

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Topic : Economic Performance and Issues of Major Regions

17) The economy of Argentina outweighs that of any other South American country with an economic output comparable to that of France and has become a worldwide presence.

17) _____

- ◎ true
- ◎ false

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18) The Brazilian economy outweighs that of any other South American country with an economic output comparable to that of France.

18) _____

- ◎ true
- ◎ false

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19) China remains a major risk for investors because they are required to maintain a delicate balance between the country's communist and capitalist systems.

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19) _____

- ◎ true
- ◎ false

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20) Hungary's economy was the only economy in the EU to continue to grow during the global recession of 2008-2009.

20) _____

- ◎ true
- ◎ false

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21) Singapore has emerged as an urban planner's ideal model and the leader and financial center of Southeast Asia.

21) _____

- ◎ true
- ◎ false

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

22) Which of the following terms is defined as the process of social, political, economic, cultural, and technological integration among countries around the world?

22) _____

A) Internationalization
B) Offshoring
C) Globalization
D) Outsourcing

Question Details
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Topic : Globalization and Internationalization

23) _____ is the process of applying management concepts and techniques in a multinational environment and adapting management practices to different economic, political, and cultural environments.

23) _____

A) Strategic management
B) Internationalization
C) Globalization
D) International management

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Question Details
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Bloom's : Remember
Learning Objective : 01-01 ASSESS the implications of globalization for countries, industries, firms,
null : Level of Difficulty: 1 Easy
Topic : Introduction

24) To qualify as a multinational corporation (MNC), a firm must meet all of the following criteria except:

24) _____

A) operations in more than one country.
B) international sales.
C) a mix of nationalities among managers and owners.
D) sales of at least one million dollars per year.

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Topic : Introduction
Bloom's : Understand
null : Level of Difficulty: 2 Medium

25) Critics of globalization believe that:

25) _____

A) the offshoring of business services jobs to lower-wage countries inherently creates greater opportunities at home.
B) growing trade deficits and slow wage growth are damaging economies.
C) when production moves to countries to take advantage of less-regulated environments, an upward pressure is created on wages and working conditions.
D) the main winners of globalization are the low-wage workers.

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Bloom's : Understand
null : Level of Difficulty: 2 Medium

26) The subcontracting or contracting out of activities to external organizations that had previously been performed by a firm is called _____.

26) _____

A) homesourcing
B) insourcing
C) offshoring
D) outsourcing

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null : Level of Difficulty: 2 Medium

27) _____ is the process by which companies undertake some activities at offshore locations instead of in their countries of origin.

27) _____

A) Homesourcing
B) Insourcing
C) Offshoring
D) Globalization

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Topic : Globalization and Internationalization

28) The _____ is the global organization of countries that oversees rules and regulations for international trade and investment, including agriculture, intellectual property, services, competition, and subsidies.

28) _____

A) WTO
B) NAFTA
C) WIPO
D) ITO

Question Details
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Topic : Globalization and Internationalization

29) The _____ is a free-trade agreement among the United States, Canada, and Mexico that has removed most barriers to trade and investment.

29) _____

A) AFTA
B) EFTA
C) CAFTA
D) NAFTA

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Topic : Globalization and Internationalization

30) Identify a true statement about the Development Round in which the members of the World Trade Organization (WTO) met and launched a round of negotiations at Doha, Qatar in November 2011.

30) _____

A) The WTO members agreed upon the opening of government procurement markets to companies in the developed nations.
B) There was a lack of consensus among WTO members regarding agricultural subsidies.
C) There was a lack of consensus among WTO members regarding unbalanced population pyramids.
D) The WTO members agreed upon the issues of competition.

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31) The United States, Canada, and Mexico make up the _____, which in essence has removed all barriers to trade among these countries and created a huge North American market.

31) _____

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A) General Agreement on Tariffs and Trade
B) North American Common Market
C) North American Free Trade Agreement
D) North American Trade Union

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32) Agreements like NAFTA and CAFTA:

32) _____

A) not only reduce barriers to trade but also require additional domestic legal and business reforms in developing nations to protect property rights.
B) do not include supplemental commitments like the FTAA does on labor and the environment to encourage countries to upgrade their working conditions and environmental protections.
C) rely exclusively on MNCs exporting or setting up operations locally rather than buying out a domestic firm.
D) provide firms with enough security so they cannot go out of business, which simply encourages a lack of efficiency or incentive to monitor costs.

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33) In the context of the changing global demographics, identify a change that will be seen in developed nations.

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33) _____

A) Developed Asian nations will be able to easily replace the retiring, aging population.
B) In Japan, the number of nonworkers will be nearly equal to that of workers by 2050.
C) In South Korea, the immigration policy will ease by 2050.
D) In Germany, there will be a removal of restrictions on agricultural products, auto parts, and energy goods.

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Bloom's : Understand
null : Level of Difficulty: 2 Medium

34) According to some critics, agreements like North American Free Trade Agreement (NAFTA) and Central American Free Trade Agreement (CAFTA):

34) _____

A) have been successful in ensuring environmental standards.
B) have been successful in preventing the decline of the global working-age population.
C) do not go far enough in ensuring worker rights.
D) do not go far enough in protecting property rights.

Question Details
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35) The Asian economic block, made up of Indonesia, Malaysia, the Philippines, Singapore, Brunei, Thailand, Cambodia, Myanmar, and Vietnam, is referred to as the:

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35) _____

A) Association of Southeast Asian Nations (ASEAN).
B) Southeast Asia Free Trade Agreement (SWAFTA).
C) Southeast Asia Common Market.
D) Asian Economic Union.

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36) A method that adjusts GDP to account for different prices in countries is called:

36) _____

A) cumulative distribution function.
B) nominal GDP.
C) current currency exchange rate.
D) purchasing power parity.

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37) Unlike the Group of Seven (G7) economies, the Emerging Seven (E7) economies are:

37) _____

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A) primarily located in North America and Europe.
B) located throughout Latin America and Asia.
C) mature economies in which economic growth is slow.
D) incentivizing citizens to have more children.

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null : Level of Difficulty: 2 Medium

38) Which of the following statements is true according to the reports that were released by Goldman Sachs in the early 2000s?

38) _____

A) The economies of Russia and Brazil would remain unaffected by the low prices for oil and other commodities in the years 2015 and 2016.
B) The BRIC (Brazil, Russia, India, and China) economies' share of world growth could rise significantly from 2003 to 2025.
C) The economies of Indonesia, Mexico, and Turkey could expand significantly in the coming decades.
D) The E7 (Brazil, China, India, Indonesia, Mexico, Russia, and Turkey) economies would mature and slowdown in terms of market exchange rates.

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39) _____ is the term used to indicate the amount invested in property, plant, and equipment in another country.

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39) _____

A) Exporting
B) Foreign direct investment
C) Importing
D) Trade imperfection

Question Details
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Topic : Globalization and Internationalization

40) According to the World Trade Organization, in 2017 merchandise exports:

40) _____

A) reached $17.5 trillion.
B) declined for the first time since 1983.
C) remained fairly consistent.
D) decreased by almost 50 percent.

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null : Level of Difficulty: 2 Medium

41) Which of the following is a "flattener" identified by Thomas Friedman in his book *The World Is Flat*?

41) _____

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A) The fall of the Berlin Wall
B) The introduction of the euro
C) The handover of Hong Kong to China by Britain
D) The development of the Global Positioning System (GPS)

Question Details
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42) The Trans-Pacific Partnership (TPP) is a trade agreement among 12 Pacific Rim countries, including:

42) _____

A) Peru, the United States, and Vietnam.
B) Great Britain, New Zealand, and China.
C) India, Canada, and Australia.
D) Singapore, Russia, and Chile.

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Topic : Globalization and Internationalization

43) Which of the following economies is projected to become the largest by 2050 using market exchange rates?

43) _____

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A) China
B) India
C) Australia
D) Brazil

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Topic : Globalization and Internationalization

44) A _____ is comparable to a monopoly in the sense that an organization, in this case the government, has explicit control over the price and supply of a good or service.

44) _____

A) command economy
B) market economy
C) mixed economy
D) socialist economy

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Topic : Global Economic Systems

45) Identify a characteristic of a market economy.

45) _____

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A) The state reserves the right to monitor the production and distribution of goods and services.
B) Private enterprises reserve the right to own property.
C) Monopolies boost economic growth.
D) Competition is discouraged because it hinders penetration into niche markets.

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Topic : Global Economic Systems
Bloom's : Understand
null : Level of Difficulty: 2 Medium

46) Unlike a market economy, a command economy is characterized by:

46) _____

A) private ownership of businesses.
B) an appropriate response to consumers' stated needs and desires.
C) insufficient security provided by government subsidies.
D) an ignorance of demographic information by management.

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47) A _____ exists when private enterprise reserves the right to own property and monitor the production and distribution of goods and services while the state simply supports competition and efficient practices.

47) _____

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A) command economy
B) market economy
C) mixed economy
D) socialist economy

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48) The challenge for the future of the European Union is to:

48) _____

A) have common custom duties.
B) have unified industrial and commercial policies.
C) be able to manufacture high-quality, low-cost goods.
D) absorb its eastern neighbors.

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49) _____ is the United States' largest trading partner, a position it has held for many years.

49) _____

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A) England
B) Canada
C) Japan
D) Mexico

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50) After becoming part of the North American Free Trade Agreement (NAFTA) in 1994, Mexico _____.

50) _____

A) became the major economic power in Latin America
B) was able to take advantage of the U.S. market
C) experienced a tremendous increase in transportation costs
D) experienced a significant increase in labor costs

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51) In the context of established economies, the United States has considerable foreign direct investment in _____.

51) _____

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A) the Netherlands
B) Mexico
C) the United Kingdom
D) Canada

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52) Which of the following statements is true of the economic system of North America?

52) _____

A) The free-market-based economy of this region allows considerable freedom in decision-making processes of private firms.
B) The command economy of this region allows for high flexibility with decisions and low barriers for other countries to establish business.
C) The free-market-based economy of this region results in low trade barriers when attempting to move into other countries.
D) The command economy of this region allows competition to strive while the government can extend assistance to individuals or companies.

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53) By the early 1990s _____ had recovered from its economic problems of the previous decade and had become the strongest economy in Latin America.

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53) _____

A) Brazil
B) Argentina
C) Mexico
D) Chile

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Topic : Economic Performance and Issues of Major Regions

54) U.S. firms maintain particularly dominant global positions in all of the following industries except:

54) _____

A) telecommunications.
B) biotechnology.
C) media.
D) textiles.

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55) A factory, the majority of which are located in Mexican border towns, that imports materials and equipment on a duty- and tariff-free basis for assembly or manufacturing and re-export is referred to as _____.

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55) _____

A) a vertically integrated corporation
B) a keiretsu
C) a maquiladora
D) a governmental agency

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Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions

56) In the context of established economies, which of the following observations about NAFTA is incorrect?

56) _____

A) Mexican businesses are able to take advantage of the U.S. market by producing goods for that market that were previously purchased from Asia.
B) Mexican firms are now able to produce products at highly competitive prices thanks to lower-cost labor and proximity to the American market.
C) Mexican firms can now export goods into the European community only by paying a heavy tariff.
D) Mexico's trade with Asia is on the rise, which is important to the country as it wants to reduce its overreliance on the U.S. market.

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null : Level of Difficulty: 2 Medium

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57) A major development in South America is:

57) _____

A) the implementation of a single currency and a regional central bank.
B) the growth of intercountry trade, spurred on by the progress toward free-market policies.
C) the privatization of traditionally nationalized industries.
D) the elimination of all trade barriers among member countries.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions
Bloom's : Understand
null : Level of Difficulty: 2 Medium

58) A survey of businesspeople from Argentina, Brazil, Chile, Columbia, and Venezuela found that the _____ market, on average, was more important for their economic well-being than any other market.

58) _____

A) Mexican
B) Japanese
C) U.S.
D) European Union

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Remember
null : Level of Difficulty: 1 Easy
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions

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59) The ultimate objective of the European Union is to:

59) _____

A) develop separate custom duties for member countries.
B) eliminate all trade barriers among member countries.
C) have a single government that represents all European Union countries.
D) increase imports into European Union countries.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions
Bloom's : Understand
null : Level of Difficulty: 2 Medium

60) In the context of established economies, the European Union:

60) _____

A) has largely achieved the reality of a single currency and a regional central bank.
B) has eliminated all trade barriers among member countries.
C) subjects member nations to quotas on the manufacture and shipment of high-quality, low-cost goods.
D) imposes duties on member nations for the manufacture and shipment of high-quality, low-cost goods.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions
Bloom's : Understand
null : Level of Difficulty: 2 Medium

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61) In the context of emerging and developing economies in Central and Eastern Europe, which of the following is a pervasive challenge in Russia?

61) _____

A) Privatization
B) Dismantling of Russian price controls
C) Lack of public security
D) Expansion of the middle class

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions
Bloom's : Understand
null : Level of Difficulty: 2 Medium

62) Russia, _____ receive the most media coverage and are among the largest of the former communist countries.

62) _____

A) Romania, Poland, and Bulgaria
B) Czech Republic, Bulgaria, and Poland
C) Hungary, Romania, and Albania
D) Poland, Hungary, and the Czech Republic

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Remember
null : Level of Difficulty: 1 Easy
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions

63) Which of the following statements is true about the economy of Poland?

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63) _____

A) The consensus decision-making system of Poland turns out to be too time-consuming in the new speed-based economy.

B) During the 1970s and 1980s, Poland's economic success had been without precedent.

C) Poland is among the largest of the former communist countries that receive the least media coverage.

D) Poland's economy was the only economy in the European Union to grow during the global recession of 2008-2009.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions
Bloom's : Understand
null : Level of Difficulty: 2 Medium

64) A _____ can be defined as an organizational arrangement in Japan in which a large, often vertically integrated group of companies cooperate and work closely with each other to provide goods and services to end users.

64) _____

A) vertically integrated corporation
B) keiretsu
C) maquiladora
D) chaebol

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Remember
null : Level of Difficulty: 1 Easy
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions

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65) Ministry of International Trade and Industry (MITI) is a _____ government agency that identifies and ranks national commercial pursuits and guides the distribution of national resources to meet these goals.

65) _____

A) Chinese
B) Japanese
C) South Korean
D) Philippine

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Remember
null : Level of Difficulty: 1 Easy
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions

66) In the context of established economies, despite setbacks, _____ remains a formidable international competitor and is well poised in all three major economic regions: the Pacific Rim, North America, and Europe.

66) _____

A) Japan
B) Chile
C) China
D) Argentina

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Remember
null : Level of Difficulty: 1 Easy
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions

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67) In addition to Japan and China, the important economies in Asia are:

67) _____

A) South Korea, Hong Kong, Singapore, and Taiwan.
B) Indonesia, South Korea, Japan, and Taiwan.
C) Thailand, South Korea, Indonesia, and Hong Kong.
D) Singapore, South Korea, Indonesia, and Thailand.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Remember
null : Level of Difficulty: 1 Easy
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions

68) In the context of emerging and developing economies, identify a true statement about China.

68) _____

A) Multinational corporations find it extremely easy to do business in and with China because of the undervaluation of the Chinese currency.
B) China's policy toward its foreign investors is rigid yet predictable.
C) Trade relations between China and developed countries and regions have significantly improved after the revaluation of the Chinese currency.
D) Foreign businesses need to maintain a delicate balance between the communist and the capitalist systems in China.

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Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions
Bloom's : Understand
null : Level of Difficulty: 2 Medium

69) In _____, chaebols are very large, family-held conglomerates that have considerable political and economic power.

69) _____

A) Thailand
B) Japan
C) South Korea
D) China

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Remember
null : Level of Difficulty: 1 Easy
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions

70) In the context of emerging and developing economies, identify a true statement about India.

70) _____

A) The overwhelmingly diverse people of India mostly speak tribal languages and dialects.
B) Its political instability is pervasive, which generates substantial risks for foreign investors.
C) Indians are known for their advanced information technology expertise.
D) Indian government is unable to provide funds for economic development.

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Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions
Bloom's : Understand
null : Level of Difficulty: 2 Medium

71) Which of the following countries was among the world's 10 most competitive nations in 2018?

71) _____

A) Germany
B) Singapore
C) Mexico
D) Australia

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Bloom's : Remember
null : Level of Difficulty: 1 Easy
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions

ESSAY. Write your answer in the space provided or on a separate sheet of paper.
72) What is a multinational corporation? Why would a company want to be a multinational corporation?

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Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Learning Objective : 01-01 ASSESS the implications of globalization for countries, industries, firms,
Topic : Introduction
Bloom's : Understand
null : Level of Difficulty: 2 Medium

73) List the important economic developments that have occurred because of the North American Free Trade Agreement (NAFTA).

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Learning Objective : 01-01 ASSESS the implications of globalization for countries, industries, firms,
Topic : Globalization and Internationalization
Bloom's : Understand
null : Level of Difficulty: 2 Medium

74) In the context of global economic systems, explain a market economy.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Learning Objective : 01-02 REVIEW the major trends in global and regional integration.
Topic : Global Economic Systems
Bloom's : Understand
null : Level of Difficulty: 2 Medium

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75) Describe how the European Union (EU) has made significant progress over the past two decades in becoming a unified market.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Learning Objective : 01-01 ASSESS the implications of globalization for countries, industries, firms,
Topic : Globalization and Internationalization
Bloom's : Understand
null : Level of Difficulty: 2 Medium

76) Discuss the factors that contributed to Japan's phenomenal economic success.

Question Details
Accessibility : Keyboard Navigation
AACSB : Analytical Thinking
Learning Objective : 01-03 EXAMINE the changing balance of global economic power and trade and invest
Topic : Economic Performance and Issues of Major Regions
Bloom's : Understand
null : Level of Difficulty: 2 Medium

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International Management 11th Edition by Luthans CH01

Answer Key

Test name: CH01

1) FALSE
Internationalization is the process of a business crossing national and cultural borders, while globalization is the vision of creating one world unit, a single market entity.

2) FALSE
While elderly populations spend money on health care services, younger populations spend income on housing and other capitally financed purchases.

3) FALSE
Even though long-standing cultural differences remain, and the European Union has recently experienced some substantial challenges, the European Union is more integrated as a single market than NAFTA, CAFTA, or the allied Asian countries.

4) TRUE
The United Nations (U.N.) has increasingly embraced social media as a tool to enhance diplomacy and understanding worldwide. The U.N. maintains official accounts on Twitter, YouTube, Flickr, Pinterest, Tumblr, Instagram, Snapchat, and LinkedIn, and, as of 2019, boasts over 4 million followers on its primary Facebook page.

5) TRUE

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An increase in the ease of travel between countries is an important development that has occurred because of the North American Free Trade Agreement (NAFTA). Other important developments include the elimination of tariffs as well as import and export quotas, the opening of government procurement markets to companies in Canada and Mexico, an increase in the opportunity to make investments in each other's country, and the removal of restrictions on agricultural products, auto parts, and energy goods.

6) TRUE
Initial reports from Goldman Sachs, issued in the early 2000s, predicted that BRIC economies' share of world growth could double from 20 percent in 2003 to more than 40 percent by 2025. In recent years, however, global economic conditions have led to some setbacks for the economies of Brazil, Russia, and China, leading some to reconsider the rate at which the BRIC economies will continue to grow.

7) FALSE
Foreign direct investment (FDI)—the term used to indicate the amount invested in property, plant, and equipment in another country—has slowed somewhat in recent years. However, it is important to note that most of the decrease in FDI investment is occurring among developed economies.

8) TRUE
As the pace of global integration quickens, so have the cries against globalization and the emergence of new concerns over mounting global pressures. Nongovernmental organizations (NGOs) have become more active in expressing concerns about the potential shortcomings of economic globalization.

9) FALSE

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In a command economy, the government has explicit control over the price and supply of a good or service. The particular goods and services offered are not necessarily in response to consumers' stated needs but are determined by the theoretical advancement of society.

10) TRUE
Monopolies are a danger to the market economy system because they tend to stifle economic growth and consumer choice with their power to determine supply. Factors such as efficiency of production and quality and pricing of goods can be chosen arbitrarily by monopolies, leaving consumers without a choice and at the mercy of big businesses.

11) TRUE
India is attractive to multinationals, especially U.S. and British firms. Many Indian people speak English, are very well educated, and are known for advanced information technology expertise.

12) FALSE
The United States has considerable foreign direct investment in Canada, more than in any other country. Canada is the United States' largest trading partner, a position it has held for many years.

13) TRUE
Despite being unable to take full advantage of globalization, there is still hope in the future for Africa because the potential of African countries remains virtually untapped. Not only are there considerable natural resources, but the diversity itself also can be used to advantage.

14) FALSE

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One of the factors that contributed to the early success of the Japanese economy is the Ministry of International Trade and Industry (MITI). This is a governmental agency that identifies and ranks national commercial pursuits and guides the distribution of national resources to meet these goals.

15) TRUE
About 46 percent of employees in both the United States and Russia would prefer a work schedule that fluctuates between work and leisure, mirroring a pattern of recurring sabbaticals. This similarity can be taken into account by a U.S. firm when considering opening a business in Russia.

16) TRUE
The ultimate objective of the European Union is to eliminate all trade barriers among member countries (like between the states in the United States).

17) FALSE
The Brazilian economy outweighs that of any other South American country with an economic output comparable to that of France and has become a worldwide presence. Given Brazil's large and relatively well-educated population, ample natural resources, existing industrial base, and strategic geographic position, longer-term prospects are still potentially positive.

18) TRUE
The Brazilian economy outweighs that of any other South American country with an economic output comparable to that of France. Longer-term prospects are still potentially positive because of its large and relatively well-educated population, ample natural resources, existing industrial base, and strategic geographic position.

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19) TRUE
China remains a major risk for investors. The one country, two systems (communism and capitalism) balance is a delicate one to maintain, and foreign businesses are often caught in the middle.

20) FALSE
Poland's economy was the only economy in the European Union to continue to grow during the global recession of 2008-2009. In 2018, Poland's GDP grew by around 4 percent. Although the relatively swift transition to a market economy has been very difficult for the Polish people, with very high inflation initially, continuing unemployment, and the decline of public services, Poland's economy has done relatively well.

21) TRUE
Singapore has emerged as an urban planner's ideal model and the leader and financial center of Southeast Asia. It is a major success story, and its solid foundation leaves only the question of how to continue expanding in the face of increasing international competition.

22) C
Globalization can be defined as the process of social, political, economic, cultural, and technological integration among countries around the world. Evidence of globalization can be seen in increased levels of trade, capital flows, and migration.

23) D
International management is the process of applying management concepts and techniques in a multinational environment and adapting management practices to different economic, political, and cultural contexts.

24) D

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An MNC is a firm that has operations in more than one country, international sales, and a mix of nationalities among managers and owners.

25) B
In the context of globalization, critics believe that growing trade deficits and slow wage growth are damaging economies. They also believe that globalization may be moving too fast for some emerging markets, which could result in economic collapse.

26) D
Outsourcing is the subcontracting or contracting out of activities to external organizations that had previously been performed by a firm.

27) C
Offshoring is the process by which companies undertake some activities at offshore locations instead of in their countries of origin.

28) A
The WTO is the global organization of countries that oversees rules and regulations for international trade and investment, including agriculture, intellectual property, services, competition, and subsidies.

29) D
The United States, Canada, and Mexico make up the North American Free Trade Agreement (NAFTA), which in essence has removed all barriers to trade among these countries and created a huge North American market.

30) B

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During the Development Round in which the members of the World Trade Organization (WTO) met, in November 2011, and successfully launched a new round of negotiations at Doha, Qatar, there was a lack of consensus among WTO members regarding agricultural subsidies and the issues of competition and government procurement.

31) C
The United States, Canada, and Mexico make up the North American Free Trade Agreement (NAFTA), which in essence has removed all barriers to trade among these countries and created a huge North American market.

32) A
Agreements like NAFTA and CAFTA not only reduce barriers to trade but also require additional domestic legal and business reforms in developing nations to protect property rights.

33) B
Demographic changes are projected to occur globally, and the most dramatic impact will be seen in the developed nations. In Japan, the number of nonworkers will be nearly equal to that of workers by 2050. Both Japan and South Korea will face a loss of over 25 percent of their working-class population.

34) C
According to some critics, agreements like North American Free Trade Agreement (NAFTA) and Central American Free Trade Agreement (CAFTA) do not go far enough in ensuring worker rights. They also believe that the agreements do not go far enough in ensuring environmental standards.

35) A

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The Association of Southeast Asian Nations (ASEAN) is made up of Indonesia, Malaysia, the Philippines, Singapore, Brunei, Thailand, Cambodia, Laos, Myanmar, and Vietnam.

36) D
Purchasing power parity (PPP) is a method that adjusts GDP to account for different prices in countries.

37) B
Unlike the Group of Seven (G7) economies, the Emerging Seven (E7) economies are located throughout Latin America and Asia. In March 2006, the term E7 was coined by PricewaterhouseCoopers (PwC) to describe seven major emerging economies of Brazil, China, India, Indonesia, Mexico, Russia, and Turkey that are expected to expand significantly in the coming decades.

38) B
According to the reports that were released in 2004 and 2011 by the Goldman Sachs global economics team, the BRIC (Brazil, Russia, India, and China) economies' share of world growth could rise significantly from 2003 to 2025. It could rise from 20 percent in 2003 to more than 40 percent in 2025. The reports also predicted that the BRIC's total weight in the world economy would rise from approximately 10 percent in 2004 to more than 20 percent in 2025.

39) B
Foreign direct investment (FDI) is the term used to indicate the amount invested in property, plant, and equipment in another country.

40) A
According to the World Trade Organization, in 2017 merchandise exports reached $17.5 trillion, and commercial services exports reached $6.8 trillion.

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41) A
Thomas Friedman, in his book *The World Is Flat*, identified 10 "flatteners" that have hastened the globalization trend, including the fall of the Berlin Wall, offshoring, and outsourcing, which have combined to dramatically intensify the effects of increasing global linkages.

42) A
The Trans-Pacific Partnership (TPP) is a trade agreement among 12 Pacific Rim countries, including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.

43) A
The economy of China is projected to become the largest by 2050 using market exchange rates. China would surge past the United States and Japan as the largest world economic power by 2050.

44) A
A command economy is comparable to a monopoly in the sense that an organization, in this case the government, has explicit control over the price and supply of a good or service.

45) B
A market economy exists when private enterprise reserves the right to own property and monitor the production and distribution of goods and services while the state simply supports competition and efficient practices. Management is particularly effective here since private ownership provides local evaluation and understanding, opposed to a nationally standardized archetype.

46) D

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Unlike a market economy, a command economy is characterized by an ignorance of demographic information by management. In a market economy, individuals within the community disclose wants, needs, and desires to which businesses may appropriately respond.

47) B
A market economy exists when private enterprise reserves the right to own property and monitor the production and distribution of goods and services while the state simply supports competition and efficient practices.

48) D
The challenge for the future of the European Union is to absorb its eastern neighbors, the former communist-bloc countries. This could result in a giant, single European market. In fact, a unified Europe could become the largest economic market in terms of purchasing power in the world.

49) B
Canada is the United States' largest trading partner, a position it has held for many years.

50) B
In 1994, the United States, Canada, and Mexico enacted the North American Free Trade Agreement (NAFTA), which, in essence, removed all barriers to trade among these countries and created the world's largest free trade zone. Because of NAFTA and its successor, the United States-Mexico-Canada Agreement (USMCA), Mexican businesses are finding themselves able to take advantage of the U.S. market by producing goods for the U.S. market that were previously purchased by the United States from Asia.

51) D

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In the context of established economies, the United States has considerable foreign direct investment in Canada.

52) A
The free-market-based economy of North America allows considerable freedom in decision-making processes of private firms.

53) C
By the early 1990s Mexico had recovered from its economic problems of the previous decade and had become the strongest economy in Latin America.

54) D
U.S. firms maintain particularly dominant global positions in technology-intensive industries, including computing (hardware and services), telecommunications, media, and biotechnology.

55) C
A factory, the majority of which are located in Mexican border towns, that imports materials and equipment on a duty- and tariff-free basis for assembly or manufacturing and re-export is referred to as a maquiladora.

56) C
Mexican firms, taking advantage of a new arrangement that the government has negotiated with the EU, can also now export goods into the European community without having to pay a tariff.

57) B
Despite the ups and downs, a major development in South America is the growth of intercountry trade, spurred on by the progress toward free-market policies.

58) C

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A survey of businesspeople from Argentina, Brazil, Chile, Colombia, and Venezuela found that the U.S. market, on average, was more important for them than any other market.

59) B
The ultimate objective of the European Union is to eliminate all trade barriers among member countries (like between the states in the United States).

60) A
In the context of established economies, the European Union's goal of a single currency and a regional central bank has finally largely become a reality.

61) C
In the context of emerging and developing economies in Central and Eastern Europe, lack of public security is a pervasive challenge in Russia. Persistent crime and corruption also attribute to its pervasive set of challenges.

62) D
The Czech Republic, Hungary, and Poland receive the most media coverage and are among the largest of the former communist countries.

63) D
Poland's economy has done relatively well. Its economy was the only economy in the European Union to continue to grow during the global recession of 2008-2009.

64) B

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A keiretsu can be defined as an organizational arrangement in Japan in which a large, often vertically integrated group of companies cooperate and work closely with each other to provide goods and services to end users. Its members may be bound together by cross-ownership, long-term business dealings, interlocking directorates, and social ties.

65) B
Ministry of International Trade and Industry (MITI) is a Japanese governmental agency that identifies and ranks national commercial pursuits and guides the distribution of national resources to meet these goals.

66) A
In the context of established economies, despite setbacks, Japan remains a formidable international competitor and is well poised in all three major economic regions: the Pacific Rim, North America, and Europe.

67) A
In addition to Japan and China, the important economies in Asia are South Korea, Hong Kong, Singapore, and Taiwan.

68) D
Foreign businesses need to maintain a delicate balance between the communist and the capitalist systems in China. Most MNCs find it very difficult to do business in and with China.

69) C
In South Korea, chaebols are very large, family-held Korean conglomerates that have considerable political and economic power.

70) C

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Indians are known for their advanced information technology expertise. This is one of the reasons that make India attractive to multinationals, especially U.S. and British firms.

71) B
In 2018, the 10 most competitive nations were the United States of America (USA), Hong Kong SAR, Singapore, the Netherlands, Switzerland, Denmark, the United Arab Emirates (UAE), Norway, Sweden, and Canada.

72) A multinational corporation is a firm that has operations in more than one country, international sales, and a nationality mix of managers and owners. Firms pursue international markets to increase their sales and net income. In recent years such well-known American MNCs as Apple, Oracle, Coca-Cola, Ford Motor Company, ExxonMobil, Caterpillar, Walmart, Microsoft, and Google have all earned more annual revenue in the international arena than they have in the United States.

73) The United States, Canada, and Mexico make up the North American Free Trade Agreement (NAFTA), which in essence has removed all barriers to trade among these countries and created the world's largest free trade zone. A number of economic developments have occurred because of this agreement and are designed to promote commerce in the region. Some of the more important developments include (1) the elimination of tariffs as well as import and export quotas; (2) the opening of government procurement markets to companies in the other two nations; (3) an increase in the opportunity to make investments in each other's country; (4) an increase in the ease of travel between countries; and (5) the removal of restrictions on agricultural products, auto parts, and energy goods.

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74) A market economy exists when private enterprise reserves the right to own property and monitor the production and distribution of goods and services while the state simply supports competition and efficient practices. Management is particularly effective here since private ownership provides local evaluation and understanding, opposed to a nationally standardized archetype. This model contains the least restriction as the allocation of resources is roughly determined by the law of demand. Since the interaction of the community and firms guides the system, organizations must be as versatile as the individual consumer. Competition is fervently encouraged to promote innovation, economic growth, high quality, and efficiency. The government may prohibit such things as monopolies or restrictive business practices in order to maintain the integrity of the economy.

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75) The European Union (EU) has made significant progress over the past two decades in becoming a unified market. In the early 2000s, the EU consisted of 15 nations: Austria, Belgium, Denmark, Finland, France, Germany, the United Kingdom, Greece, the Netherlands, Ireland, Italy, Luxembourg, Portugal, Spain, and Sweden. In May 2004, 10 additional countries, primarily located in Central and Eastern Europe, joined the EU: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. In January 2007, Romania and Bulgaria acceded to the EU, and in July 2013, Croatia became the newest and the 28th member of the EU. Not only have most trade barriers between the member nations been removed, but a subset of 19 European countries have adopted a unified currency called the euro. As a result, it is now possible for customers to compare prices between most countries and for business firms to lower their costs by conducting business in one uniform currency.

With access to the entire pan-European market, large multinational companies (MNCs) can now achieve the operational scale and scope necessary to reduce costs and increase efficiencies. Even though long-standing cultural differences remain, and the EU has recently experienced some substantial challenges, including the planned exit of the United Kingdom in 2019 (coined "Brexit"), the EU remains more integrated as a single market than the North American Free Trade Agreement (NAFTA) and its successor, the United States-Mexico-Canada Agreement (USMCA), the U.S.-Dominican Republic-Central American Free Trade Agreement (CAFTA-DR), or the allied Asian countries.

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76) During the 1970s and 1980s, Japan's economic success had been without precedent. The country had a huge positive trade balance, the yen was strong, and the Japanese became recognized as the world leaders in manufacturing and consumer goods. Analysts ascribe Japan's phenomenal success to a number of factors. Some areas that have received a lot of attention are the Japanese cultural values supporting a strong work ethic and group/team effort, consensus decision making, the motivational effects of guaranteed lifetime employment, and the overall commitment that Japanese workers have to their organizations.
However, at least some of these assumptions about the Japanese workforce have turned out to be more myth than reality and some of the former strengths have become weaknesses in the new economy. Some of the early success of the Japanese economy can be attributed to the Ministry of International Trade and Industry (MITI). Another major reason for Japanese success may be the use of keiretsus. Being able to draw from the resources of the other parts of the keiretsu, a Japanese MNC often can get things done more quickly and profitably than its international competitors.
Despite setbacks, Japan remains a formidable international competitor and is well poised in all three major economic regions: the Pacific Rim, North America, and Europe.

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