

CHAPTER 2—THE GLOBAL MARKETPLACE AND GOVERNMENTS' ROLES**MULTIPLE CHOICE**

1. Which of the following characteristics is exhibited by a company that has a global vision?
- being interested in nothing more complicated than exporting
 - having a very nationalistic view of the world
 - recognizing and reacting to international business opportunities
 - following its competition into foreign markets

ANS: C PTS: 1 REF: 2-46 OBJ: 1
BLM: A

2. Which of the following are goods and services that are made in one country and sold to other countries?
- tangibles
 - countertrades
 - exports
 - imports

ANS: C PTS: 1 REF: 2-48 OBJ: 1
BLM: U

3. Which of the following are products that are bought from one country for use in another just as Canada buys coffee from Columbia?
- tariffs
 - tangibles
 - imports
 - exports

ANS: C PTS: 1 REF: 2-48 OBJ: 1
BLM: A

4. Canada buys copper from Chile's Escondido copper mine. The copper is used to make wiring for the Canadian telecommunications industry and for many other purposes. For Canada, the copper is an example of which of the following?
- tariff
 - export
 - embargo
 - import

ANS: D PTS: 1 REF: 2-48 OBJ: 1
BLM: A

5. Canadian manufacturers sell automobiles in South Korea. To South Korea, the automobiles represent which of the following?
- countertrades
 - exports
 - import
 - exchanges

ANS: C PTS: 1 REF: 2-48 OBJ: 1
BLM: A

6. Bombardier sells trains to European countries. To the European countries, these trains are an example of which of the following?
- imports
 - countertrades
 - intangibles
 - exports

ANS: A PTS: 1 REF: 2-48 OBJ: 1
BLM: A

7. Which of the following is defined as the difference in value of a country's exports and imports over a period of time?
- federal deficit
 - federal surplus
 - balance of trade
 - balance of exchange

ANS: C PTS: 1 REF: 2-48 | 2-49 OBJ: 1
BLM: U

8. A country that exports more goods than it imports is said to exhibit which of the following?
- a favourable balance of payment
 - a negative trade deficit
 - a favourable balance of trade
 - an unfavourable balance of trade

ANS: C PTS: 1 REF: 2-48 | 2-49 OBJ: 1
BLM: U

9. A country that imports more goods than it exports is said to exhibit which of the following?
- a positive trade surplus
 - an unfavourable balance of trade
 - a favourable balance of trade
 - a positive balance of payment

ANS: B PTS: 1 REF: 2-48 | 2-49 OBJ: 1
BLM: U

10. In 2009, Argentina exported \$25.3 billion and imported products valued at \$9 billion. Argentina exhibited which of the following?
- a positive balance of payment
 - a negative trade deficit
 - a favourable balance of trade
 - a negative balance of trade

ANS: C PTS: 1 REF: 2-48 | 2-49 OBJ: 1
BLM: A

11. Romania has imports of \$16.7 billion and has an unfavourable balance of trade. This means that Romania has which of the following?
- less than \$16.7 billion in exports
 - exactly \$16.7 billion in exports
 - more than \$16.7 billion in exports
 - low inflation

ANS: A PTS: 1 REF: 2-48 | 2-49 OBJ: 1
BLM: A

12. In 2009, Albania exported \$340 million and imported products valued at \$1.5 billion. Albania would exhibit which of the following?
- a negative balance of trade
 - a negative trade deficit
 - a unfavourable balance of trade
 - a negative balance of payment

ANS: C PTS: 1 REF: 2-48 | 2-49 OBJ: 1
BLM: A

13. Azerbaijan has imports of \$1.8 billion and has a favourable balance of trade. This means that Azerbaijan has which of the following?
- less than \$1.8 billion in exports
 - more than \$1.8 billion in exports
 - low inflation
 - exactly \$1.8 billion in exports

ANS: B PTS: 1 REF: 2-48 | 2-49 OBJ: 1
BLM: A

14. In 2009, Argentina exported \$25.3 billion and imported products valued at \$9 billion. What does the difference between the dollar value of its exports and imports represent?
- a positive exchange rate
 - a trade deficit
 - a positive balance of payment
 - a trade surplus

ANS: D PTS: 1 REF: 2-49 OBJ: 1
BLM: A

15. In 2010, Albania exported \$340 million and imported products valued at \$1.5 billion. What does the difference between the dollar value of its exports and imports represent?
- its positive exchange rate
 - its positive balance of payment
 - its trade deficit
 - its trade surplus

ANS: C PTS: 1 REF: 2-49 OBJ: 1
BLM: A

16. The difference between a country's total payments to other countries and its total receipts from other countries is represented by which of the following?
- a. financial surplus
 - b. financial deficit
 - c. balance of payments
 - d. balance of trade

ANS: C PTS: 1 REF: 2-49 OBJ: 1
BLM: U

17. The balance of payments is the summary of a country's financial transactions with another country. Which of the following would you expect to see in such a summary?
- a. foreign aid
 - b. current inflation rate
 - c. political focus
 - d. government deficit figures

ANS: A PTS: 1 REF: 2-49 OBJ: 1
BLM: A

18. Imagine you are trying to gather the information needed to calculate the balance of payments for an Eastern European country. To do your calculations, you would need to have information on which of the following?
- a. military expenditures to train its forces at home
 - b. its current inflation rate
 - c. its corporate tax rates
 - d. foreign aid the country receives

ANS: D PTS: 1 REF: 2-49 OBJ: 1
BLM: A

19. Which of the following represents the total amount of money that flows into and out of a country?
- a. the balance of trade
 - b. the balance of payments
 - c. the federal deficit
 - d. the balance of exchange

ANS: B PTS: 1 REF: 2-49 OBJ: 1
BLM: U

20. Which of the following represents the value of one currency in terms of another?
- a. the balance of payments
 - b. the exchange rate
 - c. the investment exchange
 - d. the balance of trade

ANS: B PTS: 1 REF: 2-50 OBJ: 1
BLM: U

21. When Steve went to Mexico, he found that he could go to his bank and trade his 100 Canadian dollars for 750 Mexican pesos (the nation's currency). This is an example of 7.5 Mexican pesos representing which of the following?
- the foreign trade rate
 - the balance of payments
 - the international trade rate
 - the exchange rate

ANS: D PTS: 1 REF: 2-50 OBJ: 1

BLM: A

22. Which of the following terms means that prices of currencies vary based upon demand and supply of that currency?
- variable trade
 - the international trade rate
 - the floating exchange rate
 - variable costs

ANS: C PTS: 1 REF: 2-51 OBJ: 1

BLM: U

23. Which of the following is the reduction of a currency's value relative to another currency?
- deregulation
 - currency levelling
 - devaluation
 - exchange depreciation

ANS: C PTS: 1 REF: 2-51 OBJ: 1

BLM: U

24. Which of the following terms best describes the reduction of value, if, during the past decade, the Canadian dollar's value has been reduced relative to most other world currencies?
- deregulation
 - re-evaluation
 - comparative disadvantage
 - devaluation

ANS: D PTS: 1 REF: 2-51 OBJ: 1

BLM: A

25. The karakul is a breed of Central Asian sheep that produces curly, glossy wool for the manufacturing of warm hats and coats. Since the breed can be grown only in Central Asia, this region can be said to have which of the following?
- absolute advantage
 - total advantage
 - advantageous distinction
 - comparative advantage

ANS: A PTS: 1 REF: 2-51 OBJ: 2

BLM: A

26. Venezuela can grow and sell cut flowers for floral bouquets more easily and more cheaply than most other countries can produce the same flowers. When it comes to flowers, Venezuela has which of the following?
- comparative advantage
 - advantageous competency
 - absolute advantage
 - total advantage

ANS: A PTS: 1 REF: 2-51 | 2-52 OBJ: 2
BLM: A

27. If a country specializes in goods that it can produce most readily and cheaply and trades those goods for the goods that another country can produce most readily and cheaply, then both countries are exercising which of the following principles?
- distinctive advantage
 - comparative advantage
 - absolute advantage
 - parallel competencies

ANS: B PTS: 1 REF: 2-51 | 2-52 OBJ: 2
BLM: A

28. A policy of permitting the people of a country to buy and sell where they please, without restrictions, is called which of the following?
- protectionism
 - free trade
 - premium exchange
 - comparative advantage

ANS: B PTS: 1 REF: 2-52 OBJ: 2
BLM: U

29. Which of the following best describes an effect of free trade?
- It establishes artificial barriers to trade.
 - It allows companies to conduct business without licences.
 - It permits people to buy and sell where they please.
 - It contributes to protectionism.

ANS: C PTS: 1 REF: 2-52 OBJ: 2
BLM: U

30. Which of the following best describes protectionism?
- It uses artificial barriers to protect home products.
 - It is based on the concept of absolute advantage.
 - It allows people to buy and sell where they please.
 - It prohibits tariffs, embargoes, and import quotas.

ANS: A PTS: 1 REF: 2-52 OBJ: 2
BLM: U

31. Why do many people fear trade and globalization?
- Many fear that free trade and globalization lead to increased productivity.
 - Many fear that an open economy spurs innovations with fresh ideas from abroad.
 - Many fear that trade and globalization will lead to massive job losses.
 - Many fear that trade and globalization will increase per capita income.

ANS: C PTS: 1 REF: 2-52 OBJ: 2
BLM: A

32. Which of the following is a benefit associated with free trade and globalization?
- a closed economy
 - increased per capita income
 - declining productivity
 - an increase in the number of better-paying jobs

ANS: B PTS: 1 REF: 2-52 OBJ: 2
BLM: U

33. What are the benefits associated with free trade and globalization?
- higher probability that inflation will arrest economic growth
 - prevents employers from using pay cuts to threaten employees
 - decreased per capita income
 - an open economy that spurs innovation

ANS: D PTS: 1 REF: 2-52 OBJ: 2
BLM: U

34. Which of the following is an example of a natural trade barrier?
- price
 - exchange controls
 - product characteristic
 - distance

ANS: D PTS: 1 REF: 2-52 OBJ: 3
BLM: U

35. A natural barrier that faces Argentina when it sells beef to Siberia is which of the following?
- exchange controls
 - custom regulations
 - distance
 - government controls

ANS: C PTS: 1 REF: 2-52 OBJ: 3
BLM: A

36. The Caucasus Mountains along the northeastern border of Georgia make it difficult for the nation to trade with other former Soviet republics that are to its north and east. The mountain range acts as which type of barrier or deterrent?
- a natural blockage
 - a natural embargo
 - a natural trade barrier
 - an infrastructure deterrent

ANS: C PTS: 1 REF: 2-52 OBJ: 3
BLM: A

37. Which of the following is a tax levied by a nation on imported goods?

- a. an embargo
- b. a boycott
- c. a premium
- d. a tariff

ANS: D
BLM: U

PTS: 1

REF: 2-53

OBJ: 3

38. China imposes a 45 percent tax on the market value of all chickens that are imported from other countries into China. What would be another name for this type of tax?

- a. a tariff
- b. a quota system
- c. a subsidy
- d. an embargo

ANS: A
BLM: A

PTS: 1

REF: 2-53

OBJ: 3

39. An argument in favour of protective tariffs is the “infant-industry argument.” Which of the following statements would reflect that argument?

- a. Infant industries should be protected from established foreign competition.
- b. Infant industries should be exempt from antitrust laws.
- c. Any industry dealing with products for infants should be protected.
- d. Infant industries need government loans.

ANS: A
BLM: A

PTS: 1

REF: 2-53

OBJ: 3

40. Which of the following is a protectionist argument that says Canada should use tariffs to keep foreign labour from taking away Canadian jobs?

- a. job equity principle
- b. statement of job security
- c. minimum-job employment agreement
- d. job-protection argument

ANS: D
BLM: A

PTS: 1

REF: 2-53

OBJ: 3

41. Which of the following is an argument for tariffs that protect domestic businesses and workers?

- a. the protection of industries and technology vital to defence preparedness
- b. the maintenance of improved quality of products to protect consumers
- c. the quota system argument
- d. the protection of large, established businesses

ANS: A
BLM: U

PTS: 1

REF: 2-53

OBJ: 3

42. Besides tariffs, a government can use a number of other tools to restrict trade. Which of the following is a tool aimed at restricting trade?
- a. an embargo
 - b. a subsidy
 - c. an export quota
 - d. a currency exchange control

ANS: A PTS: 1 REF: 2-53 OBJ: 3
BLM: U

43. Which of the following are limitations on the quantity of certain types of goods that can be imported over a period of time?
- a. subsidies
 - b. embargo levels
 - c. export quotas
 - d. import quotas

ANS: D PTS: 1 REF: 2-54 OBJ: 3
BLM: U

44. Which of the following terms refers to a total prohibition against importing certain products?
- a. a boycott
 - b. a restrictive limit
 - c. an embargo
 - d. a tariff

ANS: C PTS: 1 REF: 2-54 OBJ: 3
BLM: U

45. In 1914, the United States prohibited the importation of Mexican avocados even though Mexico is the world's largest producer of the fruit. This prohibition remained in effect until 1996. The ban on importing Mexican avocados is an example of which type of restriction?
- a. boycott
 - b. import quota
 - c. embargo
 - d. tariff

ANS: C PTS: 1 REF: 2-54 OBJ: 3
BLM: A

46. Which of the following are laws that require a company earning foreign currency from its exports to sell the foreign currency to a control agency, usually a central bank?
- a. currency policies
 - b. laws of balanced exchange
 - c. favourable exchange regulations
 - d. exchange controls

ANS: D PTS: 1 REF: 2-54 OBJ: 3
BLM: U

47. Which of the following statements applies most accurately to dumping?
- Dumping is legal provided that it is government subsidized.
 - Most industrialized nations have passed laws to make dumping illegal.
 - Canada has not been a victim of dumping.
 - Dumping is a form of export quota.

ANS: B PTS: 1 REF: 2-54 OBJ: 4
BLM: A

48. In 1997, Russia and Ukraine exported carbon steel plate into Canada at a price much lower than the countries charged for the identical steel in their home markets. Russia and Ukraine were engaged in which of the following activities?
- add-on pricing
 - dumping
 - unloading
 - export pricing

ANS: B PTS: 1 REF: 2-54 OBJ: 4
BLM: A

49. By using split-run magazines (modifying the U.S. edition so they contain Canadian ads), U.S. magazine publishers can offer lower rates to advertiser and sell the magazines for less money than Canadian publishers can. According to the CMPA, the U.S. magazine publishers are engaged in which of the following?
- unloading
 - dumping
 - export pricing
 - add-on pricing

ANS: B PTS: 1 REF: 2-54 OBJ: 4
BLM: A

50. The Uruguay Round of trade negotiations is best described by which of the following?
- It was the most ambitious global trade agreement ever negotiated.
 - It created the General Agreement on Tariffs and Trades (GATT).
 - It actually increased tariffs by 10 percent worldwide.
 - It was an agreement to lower trade barriers that existed in the South American countries.

ANS: A PTS: 1 REF: 2-54 | 2-55 OBJ: 4
BLM: A

51. Which of the following agreements dramatically lowered trade barriers worldwide and created the new World Trade Organization (WTO)?
- Maastricht Treaty
 - Uruguay Round
 - North American Free Trade Agreement
 - Mercosur

ANS: B PTS: 1 REF: 2-54 | 2-55 OBJ: 4
BLM: U

52. The World Trade Organization (WTO) is best described by which one of the following?
- It includes all of the countries that signed the Uruguay Round.
 - It is controlled by the United States.
 - It has emerged as the world's most powerful institution for reducing trade barriers and opening markets.
 - It does not yet have an effective dispute settlement procedure but will before the year 2010.

ANS: C PTS: 1 REF: 2-55 OBJ: 4
BLM: U

53. Which of the following organizations were formed with the original purpose of helping build infrastructure in developing countries and helping relieve the debt burden of these countries?
- the International Funding Bank
 - the Central Bank
 - the World Bank
 - the Bank of Canada

ANS: C PTS: 1 REF: 2-55 OBJ: 4
BLM: U

54. The World Bank's emphasis has recently shifted from helping to build the infrastructure of developing countries to which of the following goals?
- developing new agricultural techniques for developing countries
 - purchasing food for the population of developing countries
 - building highways, schools, and hospitals for developing countries
 - offering loans to help to relieve the debt burden of developing countries

ANS: D PTS: 1 REF: 2-55 OBJ: 4
BLM: U

55. Which of the following is an international bank that normally provides short-term loans to countries that are unable to meet their budgetary expenses?
- the Financial Investment Fund
 - the North Atlantic Trade Bank
 - the International Monetary Fund
 - the World International Federation

ANS: C PTS: 1 REF: 2-55 OBJ: 4
BLM: U

56. Which of the following is best described by the term "preferential tariff"?
- The tariff applies only to luxury items.
 - The tariff limits the number of products that can be imported from particular countries.
 - Tax is placed on countertrades.
 - Tariff advantages are given to one country over others.

ANS: D PTS: 1 REF: 2-56 OBJ: 5
BLM: U

57. When South Korea reduces the tariff that Japan (but only Japan) has to pay when it imports cameras into South Korea, which of the following best describes the action?
- a biased tariff
 - a differential duty
 - a preferential tariff
 - a nontariff

ANS: C PTS: 1 REF: 2-56 OBJ: 5
BLM: A

58. Nations sometimes form free-trade associations and establish areas where there are few, if any, export and import duties or other regulations that would act as barriers to trade among partners. Which of the following best describes the result of this behaviour?
- preferred tariff pacts
 - free trade zones
 - interaction zones
 - customary-duty areas

ANS: B PTS: 1 REF: 2-56 OBJ: 5
BLM: A

59. Which of the following represents the world's largest free-trade zone?
- the North Atlantic Treaty Organization
 - the North American Free Trade Agreement
 - the European Union
 - the International Monetary Fund

ANS: B PTS: 1 REF: 2-56 OBJ: 5
BLM: U

60. Which of the following activities is the least costly and least risky method for selling a product on the global market?
- licensing
 - exporting
 - franchising
 - contract manufacturing

ANS: B PTS: 1 REF: 2-59 OBJ: 5
BLM: U

61. The BC Cherry Growers sells much of its locally grown produce to Taiwan. Which of the following would be the easiest and least expensive way for the growers' association to sell to global markets?
- licensing
 - importing
 - exporting
 - contract manufacturing

ANS: C PTS: 1 REF: 2-59 OBJ: 5
BLM: A

62. U.S. plane manufacturer McDonnell-Douglas has authorized Mitsubishi Heavy Industries, a Japanese company, to use its trademarks, patents, and other proprietary knowledge to manufacture F-15 fighter planes. Mitsubishi Heavy Industries pays McDonnell-Douglas. This is an example of which of the following activities?
- contract manufacturing
 - licensing
 - importing
 - franchising

ANS: B PTS: 1 REF: 2-59 OBJ: 6
BLM: A

63. The Sara Lee Company sells the Hanes brand of hosiery in North America. The manufacturer of this hosiery brand in Great Britain sells it under the brand name of Pretty Polly. The Sara Lee Company is using which of the following activities to broaden its global marketing base without investing in overseas plants and equipment?
- contract manufacturing
 - a cooperative agreement
 - a joint venture
 - a licensing agreement

ANS: A PTS: 1 REF: 2-59 OBJ: 6
BLM: A

64. A domestic firm may decide to sign an agreement for the production of its goods by an established foreign manufacturer. Such private-label manufacturing by a foreign company is known as which of the following?
- duplicate labelling
 - franchising
 - international labelling
 - contract manufacturing

ANS: D PTS: 1 REF: 2-59 OBJ: 6
BLM: A

65. Capital Radio PLC, the United Kingdom's biggest commercial radio firm announced in 2002 that it would cooperate with Walt Disney Co. to create a radio network for children under the age of 16. The company will broadcast to a potential audience of 25 million under the name Capital Disney. This new radio network will be created as the result of which of the following arrangements?
- an international partnership
 - a joint venture
 - a joint cooperative
 - an oligopoly

ANS: B PTS: 1 REF: 2-59 OBJ: 6
BLM: A

66. An enterprise in which two or more firms or investors (including governments) share ownership of a business and its property rights is known as which of the following?
- a cooperative
 - a joint venture
 - an international partnership
 - a cartel

ANS: B PTS: 1 REF: 2-59 | 2-60 OBJ: 6
BLM: A

67. When a French company brings its patents on digital telephone switches, and AT&T provides the marketing know-how to a business relationship, which of the following arrangements is occurring?
- a joint venture
 - an international partnership
 - an oligopoly
 - a joint cooperative

ANS: A PTS: 1 REF: 2-59 | 2-60 OBJ: 6
BLM: A

68. Active ownership of a foreign company, with direct investors having either a controlling or a large minority interest in the firm, is best described by which of the following activities?
- an international corporation
 - a limited partnership
 - an international cooperative
 - direct foreign investment

ANS: D PTS: 1 REF: 2-60 OBJ: 6
BLM: U

69. Grand Metropolitan, a British company, purchased North American-based Pillsbury Co. in order to expand its product line and the market for its existing consumer products. Metropolitan's purchase was an example of which of the following activities?
- direct foreign investment
 - an international corporation
 - an international cooperative
 - a limited partnership

ANS: A PTS: 1 REF: 2-60 OBJ: 6
BLM: A

70. Japanese automobile manufacturer Mazda began production of the Premacy SUV in Haikou, China, at a plant it built in the Chinese province and expected to make 20,000 autos in 3 years. Mazda is using which action to engage in global trading?
- direct foreign investment
 - an international cooperative
 - a limited partnership
 - an international corporation

ANS: A PTS: 1 REF: 2-60 OBJ: 6
BLM: A

71. Which of the following is a form of trading arrangement in which part or all of the payment for purchased goods or services is in the form of other goods and services?
- a. a countertrade
 - b. a counteroffer
 - c. a nonfinancial exchange
 - d. a counteraction

ANS: A PTS: 1 REF: 2-60 OBJ: 6
BLM: U

72. Pierre Cardin gives technical advice on textile manufacturing to China and in exchange receives silk and cashmere. This is an example of which of the following?
- a. counteroffer
 - b. joint venture
 - c. countertrade
 - d. contra-deal

ANS: C PTS: 1 REF: 2-60 OBJ: 6
BLM: A

73. Which of the following is the sense of national consciousness that boosts the culture and interests of one country over those of all other countries?
- a. multinationalism
 - b. unionism
 - c. federalism
 - d. nationalism

ANS: D PTS: 1 REF: 2-60 OBJ: 7
BLM: U

74. One of the difficulties in doing business in France is that often the business must be conducted in French. Therefore, which of the following attitudes appear to be extremely important in France?
- a. unionism
 - b. nationalism
 - c. federalism
 - d. multinationalism

ANS: B PTS: 1 REF: 2-60 OBJ: 7
BLM: A

75. Which of the following concepts best represents a country's set of beliefs, values, and social norms shared by members of society that determines what is socially acceptable?
- a. traditions
 - b. regulations
 - c. laws
 - d. culture

ANS: D PTS: 1 REF: 2-61 OBJ: 7
BLM: U

76. Bribery translates to *kuroi kiri* (black mist) in Japan, *schmiergeld* (grease money) in Germany, and *baksheesh* (tip or gratuity) in the Middle East. This differing way of looking at bribes is descriptive of differences in which of the following?
- trade regulations
 - nationalistic standards
 - local laws
 - culture

ANS: D PTS: 1 REF: 2-61 OBJ: 7
BLM: A

77. Spanish customers view toothpaste as a cosmetic while consumers in the Netherlands view it as a necessary part of daily hygiene and use three times as much their Spanish counterparts. This example illustrates the importance of which of the following when marketing this product?
- cultural differences
 - nationalistic standards
 - local content laws
 - expropriation laws

ANS: A PTS: 1 REF: 2-61 OBJ: 7
BLM: A

78. Which of the following is part of a nation's infrastructure?
- its railroads
 - its lakes
 - its rivers
 - its mountain ranges

ANS: A PTS: 1 REF: 2-61 | 2-63 OBJ: 7
BLM: U

79. Which of the following is described by the fact that Algeria includes 3973 km of railroads, 104 000 km of roads, and 54 paved airports?
- infrastructure
 - natural advantage
 - ethnocentrism
 - cultural environment

ANS: A PTS: 1 REF: 2-61 | 2-63 OBJ: 7
BLM: A

80. Which of the following move resources, goods, services, and skills across national boundaries without regard to the country in which they are headquartered?
- borderless corporations
 - international monopolies
 - cartels
 - multinational corporations

ANS: D PTS: 1 REF: 2-63 OBJ: 8
BLM: U

81. The Ford Motor Company has invested \$6 billion to build a “world car,” the midsize Mondeo. The car was designed in the United States, Germany, and the United Kingdom to be adaptable to any market in the world. Which type of organization best describes Ford?
- multinational
 - interpartnership
 - nationalistic
 - intercultural

ANS: A PTS: 1 REF: 2-63 OBJ: 8

BLM: A

82. Which of the following is one of the advantages associated with multinational corporations?
- They have easy access to financial resources.
 - They have the ability to shift production from one country to another.
 - They have no need to be concerned about foreign currency regulations.
 - They have no need to worry about social and cultural issues.

ANS: B PTS: 1 REF: 2-63 | 2-64 OBJ: 8

BLM: A

83. The most fundamental reason for the growth in world trade is probably due to which of the following?
- cultural differences
 - the creation of free-trade areas
 - fluctuating exchange rates
 - the need for businesses to expand their markets

ANS: D PTS: 1 REF: 2-64 OBJ: 8

BLM: A

84. Which of the following is an accelerating trend in the economies of India and China?
- importance of technical and managerial skills
 - dominance in mass production
 - cheap assembly labour
 - movement toward political stability

ANS: A PTS: 1 REF: 2-65 OBJ: 8

BLM: U

TRUE/FALSE

1. Having a global vision simply means having a willingness to sell outside one’s national borders if, and when, the opportunity arises.

ANS: F PTS: 1 REF: 2-46 OBJ: 1

BLM: U

2. Mines in South Africa produce diamonds and sell them to retailers in the United States. To South African miners, diamonds are an export.

ANS: T PTS: 1 REF: 2-48 OBJ: 1

BLM: A

3. Farmers in the United States sell peanuts to Canada. To Canadians, the peanuts are an export.

ANS: F PTS: 1 REF: 2-48 OBJ: 1
BLM: A

4. The difference in value between a country's imports and exports is called its balance of payments.

ANS: F PTS: 1 REF: 2-48 OBJ: 1
BLM: U

5. Latvia had a favourable balance of trade last year when it exported \$2.3 billion and imported \$3.9 billion.

ANS: F PTS: 1 REF: 2-48 | 2-49 OBJ: 1
BLM: A

6. The exchange rate is the interest rate that foreign banks receive when borrowing money from Canada.

ANS: F PTS: 1 REF: 2-50 OBJ: 2
BLM: U

7. According to the principle of comparative advantage, each country should specialize in the products that it can produce most readily and cheaply and trade those products for products that foreign countries can produce most readily and cheaply.

ANS: T PTS: 1 REF: 2-51 OBJ: 2
BLM: U

8. The opposite of free trade is nationalism.

ANS: F PTS: 1 REF: 2-52 OBJ: 2
BLM: U

9. The tax that Canada imposes on imported carbon steel products is called a tariff.

ANS: T PTS: 1 REF: 2-53 OBJ: 3
BLM: U

10. Limitations on the quantity of certain types of goods that can be imported over a period of time are called import quotas.

ANS: T PTS: 1 REF: 2-54 OBJ: 3
BLM: U

11. When a country sells its products in a foreign country at a cheaper price than usual, and sometimes even at a loss, it is dumping products.

ANS: T PTS: 1 REF: 2-54 OBJ: 4
BLM: A

12. The Uruguay Round of trade negotiation is an agreement that affects trade only among Latin American countries.
- ANS: F PTS: 1 REF: 2-54 OBJ: 4
BLM: U
13. The International Monetary Fund (IMF) was created to promote trade through financial cooperation by working to eliminate trade barriers.
- ANS: T PTS: 1 REF: 2-55 OBJ: 4
BLM: U
14. If Syria gives Lebanon a tariff advantage over other countries, Lebanon has been given a biased tariff.
- ANS: F PTS: 1 REF: 2-56 OBJ: 5
BLM: U
15. Canada, the United States, and Mexico signed the North American Free Trade Agreement (NAFTA).
- ANS: T PTS: 1 REF: 2-56 OBJ: 5
BLM: U
16. In international licensing, the licensor is the domestic firm that allows the licensee to use its trademark or brand.
- ANS: T PTS: 1 REF: 2-59 OBJ: 6
BLM: U
17. When a domestic company allows a foreign firm to use its brand in exchange for royalty fees, it is called a joint venture.
- ANS: F PTS: 1 REF: 2-59 OBJ: 6
BLM: A
18. When Coca-Cola sends cases of Coke to France and receives sparkling water as payment, a countertrade has taken place.
- ANS: T PTS: 1 REF: 2-60 OBJ: 6
BLM: A
19. A countertrade in international terms pertains to the sale of retail goods that are usually sold “over the counter.”
- ANS: F PTS: 1 REF: 2-60 OBJ: 6
BLM: U
20. A good product transcends cultural barriers. It does not need to be changed to suit different countries or cultures.
- ANS: F PTS: 1 REF: 2-61 OBJ: 7
BLM: U

21. Some multinational corporations are so large that they resemble small countries.

ANS: T PTS: 1 REF: 2-63 OBJ: 8
BLM: U

22. Regardless of its size, a multinational corporation has only one corporate headquarters.

ANS: F PTS: 1 REF: 2-63 OBJ: 8
BLM: U

23. The need for businesses to expand their markets is one of the most fundamental reasons for the growth in world trade.

ANS: T PTS: 1 REF: 2-64 OBJ: 8
BLM: U

SHORT ANSWER

1. How would you describe the balance of trade in a country that exports more than it imports?

ANS:
as having a favourable balance of trade or a trade surplus

PTS: 1 REF: 2-48 | 2-49 OBJ: 1 BLM: A

2. What happens when a country lowers the value of its currency relative to other countries?

ANS:
devaluation

PTS: 1 REF: 2-51 OBJ: 1 BLM: U

3. There are certain types of wood that are available only from trees grown in the Brazilian rain forest. What kind of advantage does this give Brazil over all other nations who might want to import these exotic woods?

ANS:
absolute

PTS: 1 REF: 2-51 OBJ: 2 BLM: A

4. What term has the opposite meaning from “protectionism”?

ANS:
free trade

PTS: 1 REF: 2-52 OBJ: 2 BLM: U

5. There are arguments for and against the use of tariffs. What are the most likely reasons that a cattle-producing country like Argentina might have a tariff on the importation of beef?

ANS:

to protect domestic business and workers

PTS: 1 REF: 2-53 OBJ: 3 BLM: A

6. What new trade organization was created by the Uruguay Round to replace the old General Agreement on Tariffs and Trade (GATT)?

ANS:

the World Trade Organization

PTS: 1 REF: 2-54 | 2-55 OBJ: 4 BLM: U

7. List the two international financial organizations that are instrumental in fostering global trade.

ANS:

the World Bank and the International Monetary Fund (IMF)

PTS: 1 REF: 2-55 OBJ: 4 BLM: U

8. What three companies were the initial signers of the North American Free Trade Agreement?

ANS:

Canada, United States, and Mexico

PTS: 1 REF: 2-56 OBJ: 5 BLM: U

9. Companies can use several methods to participate in the global marketplace. To which of the methods is franchising most closely related?

ANS:

licensing

PTS: 1 REF: 2-59 OBJ: 6 BLM: U

10. Briefly explain how an exchange of merchandise can occur without involving cash or any other form of financial consideration.

ANS:

by using countertrades or bartering

PTS: 1 REF: 2-60 OBJ: 6 BLM: U

11. In order to show a commercial on South Korean television, a company like Gillette must film the commercial using South Korean actors. What political consideration is most likely responsible for this legal requirement?

ANS:

nationalism

PTS: 1 REF: 2-60 | 2-61 OBJ: 7 BLM: A

12. How does an infrastructure influence a country's economic development?

ANS:

An infrastructure is the basic institutions and public facilities on which an economy's development depends.

PTS: 1 REF: 2-61 | 2-63 OBJ: 7 BLM: A

13. What do you call companies that move resources, goods, services, and skills across national boundaries without regard to the country in which their headquarters are located?

ANS:

multinational corporations

PTS: 1 REF: 2-63 OBJ: 8 BLM: A

14. What is the most fundamental reason for the growth in world trade?

ANS:

the need for businesses to expand their market

PTS: 1 REF: 2-64 OBJ: 9 BLM: A