# *Test Bank for International Management-Culture Strategy and Behavior 12th Edition by Doh, Luthans, Gaur*

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Correct answers located at the end of the chapter.

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

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

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.
   - ⊙ true
   - ⊙ false

4) The United Nations (U.N.) has increasingly embraced social media as a tool to enhance diplomacy and understanding worldwide.
   - ⊙ true
   - ⊙ false

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).
   - ⊙ true
   - ⊙ false

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.
   - ⊙ true
   - ⊙ false

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

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

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

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

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

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

13) Despite being unable to take full advantage of globalization, the future potential of many African countries is promising.

- ⊙ true
- ⊙ false

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

- ⊙ true
- ⊙ false

15) Despite the rising anti-globalization sentiments and increased protectionist policies during 2017–2021, the U.S. remains one of the most welcoming environments for foreign investors.

- ⊙ true
- ⊙ false

16) The ultimate objective of the European Union (EU) is to eliminate all trade barriers among member countries.

- ⊙ true
- ⊙ false

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.

- ⊙ true
- ⊙ false

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

- ⊙ true
- ⊙ false

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.

- ⦾ true
- ⦾ false

20) Saudi Arabia is the largest oil producer in the Arab world.

- ⦾ true
- ⦾ false

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

- ⦾ true
- ⦾ false

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

A) internationalization
B) offshoring
C) globalization
D) outsourcing

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

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

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

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.

25) Critics of globalization believe that

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.

26) The subcontracting or contracting out of activities to external organizations that had previously been performed within the firm is called_________.

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

27) _________is the process by which companies undertake some activities at foreign locations instead of in their countries of origin.

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

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.

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

29) The_________ is a free trade agreement among the United States, Canada, and Mexico that has removed most barriers to trade and investment among these countries.

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

30) Identify a true statement about the "Development Round," a new round of negotiations successfully launched by the members of the World Trade Organization (WTO) at Doha, Qatar in November 2001.

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.

31) The United States, Canada, and Mexico make up the_________, which removed most barriers to trade among these countries and created the world's largest free trade zone.

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

32) Agreements like NAFTA/USMCA and CAFTA-DR

A) not only reduce barriers to trade but also require additional domestic business and legal 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.

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

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.

34) According to some critics, agreements like NAFTA/USMCA and CAFTA-DR

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.

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

A) Association of Southeast Asian Nations (ASEAN).

B) South Asian Free Trade Area (SAFTA).

C) Southeast Asia Common Market.

D) Asian Economic Union.

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

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

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

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.

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

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 double from 20 percent in 2003 to more than 40 percent by 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.

39) _________is the term used to indicate the amount of money spent on property, plant, and equipment in another country.

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

40) According to the World Trade Organization, in 2019 merchandise exports

A) reached $19 trillion.
B) declined for the first time since 1983.
C) remained consistent.
D) decreased by almost 50 percent.

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

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)

42) The Trans-Pacific Partnership (TPP) was a trade agreement among 12 Pacific Rim countries, including

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

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

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

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.

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

D) socialist economy

45) Identify a characteristic of a market economy.

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.

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

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.

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.

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

48) In a__________ economy, some sectors reflect private ownership and the freedom and flexibility of the law of demand, while other sectors are subject to government planning.

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

49) Identify a characteristic of a mixed economy.

A) It is comparable to a monopoly.
B) It contains the least restriction as allocation of resources is determined by the law of demand.
C) It allows competition to thrive while the government can extend assistance to companies or individuals.
D) It explicitly controls the price of goods and services.

50) The challenge for the future of the European Union is to

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.

51) __________is the United States' largest trading partner, a position it has held for many years.

A) England

B) Canada

C) Japan

D) Mexico

52) Because of NAFTA/USMCA, Mexican businesses

A) have become the major economic power in Latin America.

B) are able to take advantage of the U.S. market.

C) experience a tremendous increase in transportation costs.

D) experience a significant increase in labor costs.

53) In the context of established economies, the United States has considerable foreign direct investment in__________.

A) the Netherlands

B) Mexico

C) the United Kingdom

D) Canada

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

A) The free-market-based economy of this region allows considerable freedom in the decision-making processes of private firms.

B) The command economy of this region allows for higher 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.

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

A) Brazil

B) Argentina

C) Mexico

D) Chile

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

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

57) 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_________.

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

58) In the context of established economies, which of the following observations about NAFTA/USMCA is *incorrect*?

A) Mexican businesses are able to take advantage of the U.S. market by producing goods for the U.S. 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.

59) A major development in South America is

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.

60) The ultimate objective of the European Union is to

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.

61) In the context of established economies, the European Union

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.

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

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

63) 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.

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

64) 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.

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

65) 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.

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

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

A) South Korea, Hong Kong, and Singapore.
B) Afghanistan, Bangladesh, and Taiwan.
C) Mongolia, Yemen, and Pakistan.
D) Bhutan, Nepal, and Oman.

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

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.

68) In__________, chaebols are very large, family-held conglomerates that have considerable political and economic power.

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

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

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.

70) Which of the following countries was among the world's 10 most competitive nations in 2019?

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

71) What is a multinational corporation? Why would a company want to be a multinational corporation?

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

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

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

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

# Answer Key

Test name: Chapter 01

1) FALSE
2) FALSE
3) FALSE
4) TRUE
5) TRUE
6) TRUE
7) FALSE
8) TRUE
9) FALSE
10) TRUE
11) TRUE
12) FALSE
13) TRUE
14) FALSE
15) TRUE
16) TRUE
17) FALSE
18) TRUE
19) TRUE
20) TRUE
21) TRUE
22) C
23) D
24) D
25) B
26) D
27) C
28) A
29) D
30) B
31) C
32) A
33) B
34) C
35) A
36) D
37) B

38) B
39) B
40) A
41) A
42) A
43) A
44) A
45) B
46) D
47) B
48) C
49) C
50) D
51) B
52) B
53) D
54) A
55) C
56) D
57) C
58) C
59) B
60) B
61) A
62) D
63) B
64) B
65) A
66) A
67) D
68) C
69) C
70) B
71) Essay
72) Essay
73) Essay
74) Essay
75) Essay