TT TEXTBOOK TESTBANKS

Test Bank for Understanding Business The Core 3rd Nickels

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Understanding Business The Core Edition 3 by Nickels

CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

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

1) Today, most companies doing business globally believe it is important for their employees to have experience working in other countries.
   ⊚ true
   ⊚ false

2) Importing is the selling of products to another country.
   ⊚ true
   ⊚ false

3) Exporting is the selling of products to another country.
   ⊚ true
   ⊚ false

4) China imports more products and services than any nation in the world.
   ⊚ true
   ⊚ false

5) The United States is the largest exporter in the world.
   ⊚ true
   ⊚ false

6) Competition among exporting nations is mild.
   ⊚ true
   ⊚ false

7) One reason countries trade with other countries is that even technologically advanced nations cannot produce all the products their people want and need.
   ⊚ true
   ⊚ false

8) Free trade is the movement of goods and services between nations without political or economic barriers.
   ⊚ true
   ⊚ false

9) Global trade is the exchange of goods and services between countries.
   ⊚ true
   ⊚ false

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10) Global trade includes the exchange of art, sports, and medical advances.
    - ⊙ true
    - ⊙ false

11) Achieving an absolute advantage is the basis for most global trade today.
    - ⊙ true
    - ⊙ false

12) Comparative advantage theory states that a country should sell to other countries those products that it produces most efficiently and buy from other countries those products it cannot produce as efficiently.
    - ⊙ true
    - ⊙ false

13) A country has an absolute advantage if the production of a specific product is higher in quality than all other nations.
    - ⊙ true
    - ⊙ false

14) Today, there are more countries that have some form of absolute advantage in a product or service, than years ago.
    - ⊙ true
    - ⊙ false

15) Free trade results in a mutually beneficial exchange between and among nations.
    - ⊙ true
    - ⊙ false

16) All companies and workers benefit from free trade.
    - ⊙ true
    - ⊙ false

17) An example of a U.S. import would be the purchase of pharmaceutical drugs from India by U.S. companies.
    - ⊙ true
    - ⊙ false

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18) According to the theory of comparative advantage, a country should buy from other countries those goods it produces most efficiently.
   - ⦾ true
   - ⦾ false

19) For its citizens to enjoy the highest standard of living possible, comparative advantage theory states that all nations should strive to become self-sufficient.
   - ⦾ true
   - ⦾ false

20) Products made in Mexico are sold in the United States because these two nations agree to eliminate economic and political barriers between nations. They participate in free trade.
   - ⦾ true
   - ⦾ false

21) Shortly after graduating college, Camilla went to work for the family's company in Houston. Camilla's father and uncle started a company that buys unprocessed cocoa beans from Columbia, and brings them into the United States for resale to various chocolate manufacturers. The company is in the export business.
   - ⦾ true
   - ⦾ false

22) Mango plantations in Hawaii cannot produce nearly enough of all the mangoes consumed by Americans. The fact that the United States grows and sells mangoes gives it a comparative advantage for this product. It is not an absolute advantage, however, which is why the United States chooses to import mangoes from South America, as well.
   - ⦾ true
   - ⦾ false

23) Since it is difficult for small companies to compete in the global market, global trade today is limited to major corporations.
   - ⦾ true
   - ⦾ false

24) Many students in studying abroad programs at U.S. colleges and universities have discovered profitable opportunities by importing goods from their home countries into the United States.
   - ⦾ true
   - ⦾ false

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25) Small businesses account for about one-third of all exporting out of the United States.
- ⊙ true
- ⊙ false

26) Just about anything that can be sold in the United States can also be sold to buyers in other countries.
- ⊙ true
- ⊙ false

27) Foreign travel can help in identifying global business opportunities.
- ⊙ true
- ⊙ false

28) If your business has an outstanding product, exporting offers a quick, easy, no-hassle way to improve your profitability.
- ⊙ true
- ⊙ false

29) U.S. exports boost the U.S. economy.
- ⊙ true
- ⊙ false

30) A favorable balance of trade occurs when the value of a country's imports exceeds the value of its exports.
- ⊙ true
- ⊙ false

31) A favorable balance of trade occurs when the value of a country's exports exceeds its imports.
- ⊙ true
- ⊙ false

32) The balance of payments measures the inflows and outflows of money from tourism, foreign aid, military expenditures, and foreign investments as well as flows resulting from exports and imports.
- ⊙ true
- ⊙ false

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33) A trade deficit is the same as an unfavorable balance of trade.
- ⊙ true
- ⊙ false

34) The United States enjoys a trade surplus in the global market.
- ⊙ true
- ⊙ false

35) The United States' highest trade deficit is with China.
- ⊙ true
- ⊙ false

36) Even though the United States exports a vast amount of goods globally, it exports a much lower percentage of its products than other countries do.
- ⊙ true
- ⊙ false

37) Dumping is the practice of selling products in foreign markets at lower prices than what domestic firms are charging for the same product.
- ⊙ true
- ⊙ false

38) In order to prevent dumping, U.S. law stipulates that foreign firms selling similar products as domestic firms to U.S. customers must charge the same as what U.S. firms charge.
- ⊙ true
- ⊙ false

39) The United States currently enjoys a favorable balance of trade with the rest of the world.
- ⊙ true
- ⊙ false

40) A favorable balance of trade occurs when the value of a nation's exports exceeds its imports.
- ⊙ true
- ⊙ false

41) A country that exports more than it imports automatically has an unfavorable balance of trade.
- ⊙ true
- ⊙ false

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42) Though illegal in the United States, some firms will practice dumping in order to gain a foothold in a new market.
   - ⊚ true
   - ⊚ false

43) As the most powerful economy in the world, the United States does not need to concern itself with having an unfavorable balance of payments.
   - ⊚ true
   - ⊚ false

44) The *Connecting through Social Media* box describes the increasing importance of social media influencers to global companies of all sizes.
   - ⊚ true
   - ⊚ false

45) A country exports $350 million of goods and services and imports $180 million of goods and services. This country has an unfavorable balance of trade of $170 million.
   - ⊚ true
   - ⊚ false

46) If tourists from London spend money shopping, gambling, and dining in Las Vegas, it will increase the United States' unfavorable balance of payments.
   - ⊚ true
   - ⊚ false

47) A Chilean copper manufacturer started selling certain categories of copper in the United States. However, the Chilean manufacturer is selling the copper at a price significantly lower than it sells the same product back in Chile. This practice may be a violation of U.S. law.
   - ⊚ true
   - ⊚ false

48) If South Korean auto manufacturers, such as Hyundai and Kia, invest billions of dollars in the United States to build new factories, warehouses, and offices, these investments will increase *favorably* the balance of payments for the United States.
   - ⊚ true
   - ⊚ false

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49) When the United States provides foreign aid to countries abroad, a balance of payments outflow occurs.
- ⦾ true
- ⦾ false

50) If the value of French exports coming to the United States is greater than the value of the goods France buys from the United States. This results in a U.S. trade deficit with France.
- ⦾ true
- ⦾ false

51) When competing in global markets, business organizations utilize a variety of strategies to reach foreign buyers.
- ⦾ true
- ⦾ false

52) Through licensing, domestic firms give foreign manufacturers/producers the right to produce their product and use their trademark in exchange for royalties.
- ⦾ true
- ⦾ false

53) When a firm agrees to license its product, it gains publicity but gives up all revenues.
- ⦾ true
- ⦾ false

54) Franchising is popular both domestically and internationally.
- ⦾ true
- ⦾ false

55) An advantage of licensing is that licensors spend little or no money to produce and market their products. These costs are paid for by the licensees.
- ⦾ true
- ⦾ false

56) The U.S. government is reducing the number of Export Assistance Centers due to a decrease in global competition.
- ⦾ true
- ⦾ false

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57) Export-trading companies assist businesses in reaching buyers and dealing with customs, documentation, and payment.
   - ⊚ true
   - ⊚ false

58) One disadvantage of licensing is the relatively high cost of entering a foreign market.
   - ⊚ true
   - ⊚ false

59) One advantage of licensing as a strategy to enter the global market is the sharing of trade secrets.
   - ⊚ true
   - ⊚ false

60) While franchising is popular in the United States, it is not an accepted strategy for firms in the global market.
   - ⊚ true
   - ⊚ false

61) One advantage of franchising is that the parent corporation does not need to concern itself with adapting to the culture of another country.
   - ⊚ true
   - ⊚ false

62) Licensing is when a firm pays foreign manufacturers to produce its product. The foreign manufacturer places the domestic company's label on the products.
   - ⊚ true
   - ⊚ false

63) Contract manufacturing allows a company to experiment in a new market without having to incur heavy start-up costs.
   - ⊚ true
   - ⊚ false

64) Contract manufacturing is a form of outsourcing.
   - ⊚ true
   - ⊚ false

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65) A joint venture is a partnership in which two or more companies join to undertake a major project.
- ⊙ true
- ⊙ false

66) Two competing firms would have no reason to enter into a joint venture.
- ⊙ true
- ⊙ false

67) A disadvantage of creating a foreign subsidiary is the loss of control over technology and expertise used in the production of the product.
- ⊙ true
- ⊙ false

68) Foreign direct investment refers to the buying of goods produced in another country.
- ⊙ true
- ⊙ false

69) Expropriation occurs when a host government takes over the assets of a foreign company.
- ⊙ true
- ⊙ false

70) A corporation that manufactures or markets its products in many different countries and has multinational stock ownership and management can be classified as a multinational corporation.
- ⊙ true
- ⊙ false

71) Firms with a physical presence in several different nations are considered multinational corporations.
- ⊙ true
- ⊙ false

72) Sovereign wealth funds are investment funds controlled by governments that hold large stakes in foreign companies.
- ⊙ true
- ⊙ false

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73) Due to government restrictions, U.S. firms have not benefited from sovereign wealth fund investments.
   - ⦾ true
   - ⦾ false

74) One characteristic of an international joint venture is all parties sharing the risk of a major project.
   - ⦾ true
   - ⦾ false

75) A firm looking to enter a foreign market with a limited investment should consider licensing.
   - ⦾ true
   - ⦾ false

76) A firm may export everything it produces overseas and still not be considered a multinational.
   - ⦾ true
   - ⦾ false

77) Strategic alliances almost always result in one company taking over the financial interests of another company.
   - ⦾ true
   - ⦾ false

78) Governments directly participate in global markets through sovereign wealth funds.
   - ⦾ true
   - ⦾ false

79) Global marketing strategies all involve the same amount of risk.
   - ⦾ true
   - ⦾ false

80) According to the *Adapting to Change box,* global franchises like McDonald's became a global powerhouse by insisting that franchisees adhere to its strict signage, layout, and menu guidelines developed in the United States.
   - ⦾ true
   - ⦾ false

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81) When Nestlé, a Swiss company, purchased Ralston Purina, a U.S. company, Ralston Purina became a foreign licensee.

- ⊙ true
- ⊙ false

82) Contract manufacturing is a low-cost way for firms like Adidas to outsource the production of its apparel and footwear.

- ⊙ true
- ⊙ false

83) Kelvin has a successful business selling men's hair and beard grooming products. In order to expand his business, Kelvin wants to partner with firms in Saudi Arabia to manufacture and sell his products, but you suggest he license it to foreign companies and agree to royalties when they create the formula and sell it. Your advice makes better sense.

- ⊙ true
- ⊙ false

84) A Volkswagen assembly plant in Ohio is an example of foreign direct investment in the United States.

- ⊙ true
- ⊙ false

85) Disney contracted with a firm in France to open a Disneyland theme park in Paris. This is an example of a joint venture.

- ⊙ true
- ⊙ false

86) Advanced Fitness has avoided contract manufacturing its weight training equipment abroad since it cannot afford major start-up costs. The company decides instead to investigate a joint venture with a similar firm. Advance Fitness has made the right decision.

- ⊙ true
- ⊙ false

87) If Elevation Brewing company pays a fee to Anheuser-Busch InBev for the right to brew and distribute Budweiser beer in Brazil, Elevation Brewing is the licensor and the fee paid is a royalty.

- ⊙ true
- ⊙ false

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88) The purchase of U.S.-based Anheuser-Busch by Belgian brewer InBev is an example of foreign direct investment.
- ⊙ true
- ⊙ false

89) The website for Packer Production Technologies notes that it manufactures commercial machine parts at its headquarters in Nebraska, and also has a physical presence in Canada and Mexico. Packer Production is an example of a multinational company.
- ⊙ true
- ⊙ false

90) In recent years, the United Arab Emirates' government has invested billions of dollars in foreign companies, including several U.S. companies. This move constitutes the creation of a sovereign wealth fund, an emerging type of foreign direct investment.
- ⊙ true
- ⊙ false

91) Sociocultural, economic, and legal/regulatory hurdles cause significant challenges in global trade.
- ⊙ true
- ⊙ false

92) From a sociocultural perspective, U.S. businesspeople are often accused of ethnocentricity.
- ⊙ true
- ⊙ false

93) Successful multinational corporations disregard cultural differences between countries where they own property and perform business transactions.
- ⊙ true
- ⊙ false

94) Sociocultural differences that affect global businesses include customs, language, and religion.
- ⊙ true
- ⊙ false

95) In the past, foreign companies have adapted to U.S. culture more easily than U.S. firms have adapted to foreign cultures.
- ⊙ true
- ⊙ false

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96) Effective human resource management styles are easily transferable from one culture to another.
- ⊙ true
- ⊙ false

97) Effective marketing strategies focus on the product and ignore the sociocultural differences in the global environment.
- ⊙ true
- ⊙ false

98) Many U.S. companies fail to think globally.
- ⊙ true
- ⊙ false

99) Conducting business in global markets is made easier by the central system of laws that have been put in place.
- ⊙ true
- ⊙ false

100) The Foreign Corrupt Practices Act of 1978 created an advantage for American businesspeople to compete in global markets.
- ⊙ true
- ⊙ false

101) An exchange rate is the value of one nation's exports relative to the exports of other nations.
- ⊙ true
- ⊙ false

102) Under a system of floating exchange rates, the value of a country's currency is determined by government regulation.
- ⊙ true
- ⊙ false

103) Devaluation refers to a decline in the value of a nation's currency relative to other currencies.
- ⊙ true
- ⊙ false

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104) Bartering is the exchange of goods or services for other goods or services without the exchange of money.

- ⦾ true
- ⦾ false

105) Countertrading is a form of exchange where firms will put certain products "on the counter" offering them to foreign customers at a cheaper price than what they would offer them to domestic customers.

- ⦾ true
- ⦾ false

106) To increase the export potential of its products, a nation's government might intervene and readjust the value of its currency.

- ⦾ true
- ⦾ false

107) Currency fluctuations can be an advantage to firms trading in the global market.

- ⦾ true
- ⦾ false

108) Technological differences can prevent some companies from successfully doing business abroad.

- ⦾ true
- ⦾ false

109) The introduction of standardized international laws regulating business organizations has greatly simplified global trade.

- ⦾ true
- ⦾ false

110) The same proven management styles used by companies in their domestic operations should automatically be employed in their foreign subsidiaries.

- ⦾ true
- ⦾ false

111) A devaluation of the U.S. dollar would make American goods cheaper to foreign buyers.

- ⦾ true
- ⦾ false

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112) From a sociocultural perspective, foreign companies have experienced a good amount of success in adapting their products and services to the U.S. market.

- ⊙ true
- ⊙ false

113) When it comes to ethics, successful American businesspeople are encouraged to follow the local customs and policies of the countries in which they are doing business.

- ⊙ true
- ⊙ false

114) Since patent and copyright laws are the same in all nations, they are not of much impact to firms that compete globally.

- ⊙ true
- ⊙ false

115) American businesspeople often fail to adapt to foreign markets because they feel that the American culture is superior to other cultures in the world.

- ⊙ true
- ⊙ false

116) Differences in electrical systems throughout the world could weaken a U.S. firm's ability to sell its products to other countries.

- ⊙ true
- ⊙ false

117) There's a problem overseas of the reproduction of music originally recorded by popular American artists. It seems that a recording made in the United States can be copied within a couple of hours and then immediately sold abroad. The U.S. government is able to readily prosecute these foreign companies.

- ⊙ true
- ⊙ false

118) A United States company won a large contract with a company in Germany by giving government and company representatives American cars. The company also promised to provide monetary gifts in exchange for the business. Fortunately, U.S. law, under the Foreign Corrupt Practices Act, permits U.S. companies to operate in this manner.

- ⊙ true
- ⊙ false

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119) During his trip to Italy, Brian found that his U.S. dollars did not stretch as far as he had hoped. Every time he exchanged U.S. dollars for euros, he gave up *more* dollars in exchange for fewer euros. Obviously, at this point in time, the dollar was weak against the euro.

- ⊙ true
- ⊙ false

120) The Midland Scooter Company recently entered into an agreement with a large Japanese retailer to distribute its scooters in Japan. The company sees itself in a favorable position because the yen is gaining strength compared to the U.S. dollar making it cheaper for Japanese customers to buy U.S. products.

- ⊙ true
- ⊙ false

121) A well-known American celebrity, promoted a line of perfume that was accused of supporting child labor in an overseas factory. Although the celebrity's image was immediately tarnished, she quickly was able to close down the unethical operation due to a violation of international law.

- ⊙ true
- ⊙ false

122) VR Entertainment, Inc. needs a special silicon substrate to manufacture its products. The company executives know that Merkor Silicon, Inc. is the best in the world at efficiently mass-producing the product. This Indian company agrees to supply the silicon to VR Entertainment if it obtains a certain quantity of gaming hardware in return from VR Entertainment. This beneficial exchange is described as countertrading.

- ⊙ true
- ⊙ false

123) Dahlia connected with the culture of Madagascar when she created lamba hoany (a native garment) with artful messages to save the more than 150 rare species of animals that inhabit Madagascar. In contrast to many Americans trying to do business abroad, Dahlia successfully adapted her message to the native culture when she imprinted it on the native garment.

- ⊙ true
- ⊙ false

124) Trade protectionism is the use of government regulations to encourage the import of goods and services.

- ⊙ true
- ⊙ false

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125) Countries often use trade protectionism measures to protect their domestic industries from foreign competition.
- ⊙ true
- ⊙ false

126) Under mercantilism, the basic economic idea was to achieve a favorable balance of trade.
- ⊙ true
- ⊙ false

127) Protective tariffs are designed to raise money for the government.
- ⊙ true
- ⊙ false

128) An import quota is a complete ban on the import or export of certain products.
- ⊙ true
- ⊙ false

129) A complete ban on the import or export of a specific good is called an embargo.
- ⊙ true
- ⊙ false

130) Restrictive standards that detail exactly how a product must be sold in a country are examples of protective tariffs.
- ⊙ true
- ⊙ false

131) Though not as specific or formal as tariffs, nontariff barriers can be just as detrimental to free trade.
- ⊙ true
- ⊙ false

132) The main goal of the General Agreement on Tariffs and Trade (GATT) was to reduce trade restrictions among world nations.
- ⊙ true
- ⊙ false

133) The World Trade Organization (WTO) mediates trade disputes among nations.
- ⊙ true
- ⊙ false

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134) The World Trade Organization (WTO) was established to foster trade among nations by encouraging the removal of tariffs and embargoes by participating nations.

- ⊙ true
- ⊙ false

135) A common market is a group of countries that have no internal tariffs among member nations, yet have a common external tariff.

- ⊙ true
- ⊙ false

136) A major goal of the Mercosur common market consisting of several South American countries is to better expand the movement of goods and services.

- ⊙ true
- ⊙ false

137) In 1999, the European Economic Community adopted a common currency known as the euro.

- ⊙ true
- ⊙ false

138) CAFTA permits the United States, Canada, and Mexico to reduce trade barriers with one another while maintaining independent trade agreements with other countries.

- ⊙ true
- ⊙ false

139) Under NAFTA, attempts to boost job growth, fight poverty, improve environmental controls, and close the wage gap between Mexico and the United States largely failed.

- ⊙ true
- ⊙ false

140) In 2020, the USMCA was ratified to allow the United States to enter into a trade agreement with Mexico, Chile, and Argentina.

- ⊙ true
- ⊙ false

141) The USMCA attempts to remedy the shortcomings of NAFTA, in part, by providing guidelines covering digital trade, anticorruption, and good regulatory practices between the United States, Mexico, and Canada.

- ⊙ true
- ⊙ false

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142) According to the theory of mercantilism, a country should develop policies that encourage a favorable balance of trade.

- ⊚ true
- ⊚ false

143) The principle of mercantilism encouraged nations to keep economics separate from politics.

- ⊚ true
- ⊚ false

144) If a protective tariff is placed on an imported product, the added cost will go to the government.

- ⊚ true
- ⊚ false

145) The ban on the sale of Cuban cigars in the United States is an example of an import quota.

- ⊚ true
- ⊚ false

146) Imported olive oils from Italy often sell at a higher price than similar oils produced in California. This is due to the protective tariff importers pay for the foreign oils.

- ⊚ true
- ⊚ false

147) The purpose of enacting some type of protectionist policy toward foreign goods is to limit competition from abroad, particularly when the country has domestic companies that produce and sell the same products and services.

- ⊚ true
- ⊚ false

148) The United States-Mexico-Canada Agreement (USMCA) requires member nations to negotiate uniform trade agreements with nonmember nations.

- ⊚ true
- ⊚ false

149) With the achievements of the General Agreement on Tariffs and Trade (GATT) and the World Trade Organization (WTO), nearly all barriers to trade expansion have been removed.

- ⊚ true
- ⊚ false

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150) The objectives of the North American Free Trade Agreement (NAFTA) include allowing free immigration among Canada, Mexico, and the United States.

- ⊙ true
- ⊙ false

151) The African Continental Free Trade Area (AfCFTA) is the smallest free-trade area in the world in terms of member nations.

- ⊙ true
- ⊙ false

152) The Regional Comprehensive Economic Partnership is a new trade agreement that will eventually eliminate more than 90 percent of tariffs among the 15 member countries located in South America.

- ⊙ true
- ⊙ false

153) One of the rules of a common market is that all participating nations will uphold a common external tariff on goods and services imported from countries that are not of the trading bloc. Goods imported from nonmember countries are more expensive than goods coming from member countries.

- ⊙ true
- ⊙ false

154) If two nations have a trade dispute, the World Trade Organization may be asked to mediate and provide a decision within one year's time.

- ⊙ true
- ⊙ false

155) A small nation, is developing its microchip industry and is struggling to keep up with larger international manufacturers. Other countries in its trading bloc have agreed on an import quota on other nations, which limits the number of microchips that any country in the trading bloc can buy from other microchip manufacturers. This strategy is necessary to help this country's microchip industry while it is in its infancy.

- ⊙ true
- ⊙ false

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156) A small specialty cheese retailer in Madison, Wisconsin sells dozens of different types of cheese from all parts of the world—Switzerland, France, Spain, as well as domestic cheeses from its home state of Wisconsin. The domestic cheese sells for less than $2.00 per pound, while all the international cheeses are priced at over $4.00 per pound. Clearly, there is an embargo on international food products.

- ⊙ true
- ⊙ false

157) A nation requires that all imported beverages be contained in clear, well-labeled recyclable glass bottles. Several international beverage manufacturers refuse to trade with the country because the cost of glass bottles cuts into their profits to the point where it just isn't worth it. This country has created a nontariff barrier.

- ⊙ true
- ⊙ false

158) With all its perception of opportunity, the expansion of global trade is still plagued by terrorism, nuclear proliferation, rogue states, and other issues.

- ⊙ true
- ⊙ false

159) China presents enormous trading opportunities. However, due to political concerns in the country, foreign direct investment has halted.

- ⊙ true
- ⊙ false

160) China is currently the largest exporter in the world.

- ⊙ true
- ⊙ false

161) India is an emerging market that presents enormous business opportunities.

- ⊙ true
- ⊙ false

162) Offshore outsourcing is another term used to describe the act of U.S. firms selling their domestically manufactured goods to foreign customers.

- ⊙ true
- ⊙ false

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163) A “second wave” of offshore outsourcing involves sizable numbers of skilled, well-educated, middle-income workers in service-sector jobs.

- ⊙ true
- ⊙ false

164) One advantage of offshore outsourcing is that consumers often benefit from lower prices.

- ⊙ true
- ⊙ false

165) As a way to combat the supply chain disruptions that resulted from the COVID-19 pandemic, many companies are considering *reshoring*.

- ⊙ true
- ⊙ false

166) Only large firms have the resources needed to successfully compete in the global environment.

- ⊙ true
- ⊙ false

167) As predicted, Russia and Brazil have become two major forces in the global market for both imports and exports.

- ⊙ true
- ⊙ false

168) China’s one-party political system, its past human rights abuses, and issues related to counterfeiting of products continue to concern some U.S. firms about doing business there.

- ⊙ true
- ⊙ false

169) In the past few decades, U.S. manufacturers shifted focus from manufacturing and assembling products, to the design and architecture of products. Now, a new shift: the offshore outsourcing of design and architecture can be an even more serious disruption to the U.S. economy.

- ⊙ true
- ⊙ false

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170) Offshore outsourcing may reduce product quality and can therefore cause permanent damage to a company's reputation.

- ⊚ true
- ⊚ false

171) A company just contracted with a firm in the Philippines to provide customer service for its smartphone customers. Although there were cheaper labor markets that the company could have tapped, customers have reported that they understand English-speaking Filipino people better than English-speaking people in other countries. As an outsourcing option, it is a good compromise.

- ⊚ true
- ⊚ false

172) Your college career is coming to an end and you're trying to decide on the last two business electives to take. You are leaning toward international marketing and international financing because you recall reading that opportunities will continue to grow in the developing nations of Asia and Africa.

- ⊚ true
- ⊚ false

173) Recently, you were in contact with merchants from India who have taken an interest in your products and are willing to talk more about contracting to purchase your goods. This opportunity may be just the thing to get your business out of its slump, because you learned in your Introduction to Business class that very few barriers exist between the United States and Indian markets.

- ⊚ true
- ⊚ false

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

174) ___________ is the selling of products to another country.

A) In-trading
B) Exporting
C) Importing
D) Dumping

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175) __________ is buying products from another country.
- A) Importing
- B) Outsourcing
- C) Retailing
- D) Exporting

176) The largest importing nation in the global market today is
- A) Japan.
- B) Russia.
- C) Germany.
- D) the United States.

177) The two leading exporting nations are
- A) the United States and China.
- B) the United States and Canada.
- C) China and Germany.
- D) China and France.

178) The global market consists of__________ potential customers.
- A) over 7 billion
- B) nearly 500 million
- C) almost 15 billion
- D) about 30 billion

179) Which continent is home to the largest percentage of the world's population?
- A) Africa
- B) Europe
- C) North America
- D) Asia

180) A nation has a__________ in the production of a good or service if it can produce that good or service more effectively or efficiently than it can produce other goods.
- A) domestic advantage
- B) primary efficiency
- C) qualified advantage
- D) comparative advantage

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181) When a country has a monopoly on producing a product or is able to produce it at a cost well below that of all other countries, it has a(n)

A) comparative advantage.
B) absolute advantage.
C) import deficit.
D) trade deficit.

182) The theory of comparative advantage exists because

A) there are too many products and services to choose from today.
B) customers are always comparing the quality of service from companies in the same industry.
C) no nation can produce all the products its people want and need.
D) free-trade agreements became the trend during the past 15 years.

183) One advantage of free trade is

A) jobs are shifted to low-wage global markets.
B) service jobs are moved overseas.
C) advanced production operations are built in low-wage countries.
D) innovation for new products occurs which keeps firms competitively challenged.

184) Which statement characterizes the concept of free trade?

A) Buyers and sellers contract with each other and offer some goods at no cost.
B) Goods and services can be traded freely across borders without political and/or economic barriers.
C) Products move between buyers and sellers without any exchange of currency.
D) Trading partners determine the value of the product and perform a bartering process to exchange goods.

185) Why does it make sense to trade with other nations?

A) After producing all the product and service its people want and need, a nation can sell the excess products to the world.
B) Some nations have lots of natural resources and technological know-how. They have an ethical obligation to offer the rest to other nations.
C) Other nations need foreign currency.
D) A nation will produce what it can produce most efficiently and effectively and buy from other nations what they can produce most efficiently and effectively.

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186) Which statement is the best description of comparative advantage?

A) The best way for a nation to ensure full employment is to be completely self-sufficient and not at all reliant on trading with other nations.

B) Each nation should produce those goods that it can produce more efficiently and effectively than other nations, and buy the goods it cannot produce as efficiently as the nations that can.

C) The nation that has the largest reserves of gold and other highly valued natural resources will enjoy a position of comparative advantage in trade relationships.

D) A nation should produce those goods for which domestic demand is comparatively strong, and should import those goods for which domestic demand is comparatively weak.

187) The theory of__________ states that a nation should produce and sell goods to other countries that it produces most efficiently, and buy goods from other nations that they produce more efficiently.

A) comparative advantage

B) absolute advantage

C) mercantilism

D) bilateral advantage

188) Free trade between nations generally results in

A) industrialized nations gaining at the expense of developing nations.

B) an increase of jobs in developed nations.

C) mutually beneficial exchange relationships.

D) higher prices for imported goods.

189) A free-trade agreement is unlikely to result in

A) pay increases for domestic workers.

B) higher-priced imports.

C) decreased innovation.

D) productivity declines.

190) A country is extremely efficient in the mining of steel. However, its climate and terrain make it difficult to produce wheat. According to the theory of comparative advantage, this country should

A) produce both steel and wheat in order to remain self-sufficient.

B) watch the global market to see which product is bringing the highest price.

C) import the resources needed to produce wheat.

D) concentrate its production on steel and buy wheat from an efficient producer.

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191) Suppose one developing nation is efficient at producing most of the quinoa consumed around the world. Although there are other areas in the world where the seed will grow, the vast majority of the quinoa sold is imported from this nation. This nation would then have a(n)__________ advantage in the production of quinoa.

A) relative
B) comprehensive
C) absolute
D) tertiary

192) Devin, a citizen of Canada, says that his laptop was made in Japan. Devin purchased a(n)

A) imported item.
B) exported item.
C) protected good.
D) generic good.

193) A small firm specializing in underground sprinkler systems has a manufacturing plant in Illinois, although it ships its sprinkler systems to dealers throughout the United States, Canada, and Mexico. This firm participates in the global market through

A) importing.
B) dumping.
C) exporting.
D) balancing trade.

194) A rare variety of the ginkgo tree seems to grow only in Thailand. Researchers have discovered its seeds have potential healing properties for some forms of cancer. Which statement describes this situation?

A) Thailand has a near absolute advantage in this plant.
B) Thailand has a comparative advantage in this plant.
C) Thailand's agricultural industry is considered perfect competition.
D) Thailand's agricultural industry participates in monopolistic competition.

195) Many of the toys sold in the United States are imported from Taiwan because the Taiwanese can produce these products more efficiently than U.S. companies. This is an example of__________ advantage.

A) bilateral
B) comparative
C) absolute
D) unilateral

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196) Climate and terrain in several South American countries are conducive to growing coffee beans efficiently. While other countries have the ability to grow the bean, they are not as efficient and effective because of short seasons and climate concerns. This fact would lead you to believe that these South American countries have a(n)__________ advantage in the production of coffee.

A) comparative
B) absolute
C) unprotected
D) progressive

197) The only deposits of a rare and sought-after mineral are found in Indonesia. Since no other nation has similar deposits of this mineral, Indonesia has a(n)__________ in this mineral.

A) protected advantage
B) diversified benefit
C) absolute advantage
D) relative internal benefit

198) A large U.S.-based mechanical engineering firm, wants to enter the global market. Upon careful analysis of the market, they will find that global trade

A) opportunities are diminishing.

B) is dominated by emerging, developing countries.
C) is big business today and is expected to be more important in the future.
D) is only profitable for small and mid-sized companies.

199) Clive works for his family's company in New York. Clive's father and uncle started a company that buys minerals from South Africa, and brings them into the United States. Clive's job is to broker trades with mines in South Africa. Clive is a(n)

A) exporter.
B) quota manager.
C) importer.
D) domestic trader.

200) Fred Bergsten of the Institute for International Economics estimates that every $1 billion of U.S. exports

A) replaces 250 service-sector jobs with 25 manufacturing jobs in the United States.
B) causes lost revenues for the U.S. federal government.
C) results in reduced profits for U.S. businesses.
D) generates over 7,000 jobs in the United States.

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201) A favorable balance of trade occurs when the value of
A) imports equals the value of exports.
B) the cash inflows equals the value of the cash outflows.
C) imports is less than the value of exports.
D) the dollar is greater than the value of the euro.

202) An unfavorable balance of trade occurs when the value of
A) imports equals the value of exports.
B) imports exceeds the value of exports.
C) cash inflows is equal to the value of cash outflows.
D) exports exceeds the value of imports.

203) The___________ is the total value of a nation's exports compared to its imports measured over a specific period of time.
A) balance of payments
B) balance of trade surplus
C) balance of trade deficit
D) balance of trade

204) The___________ is the difference between money flowing into a country from exports, and money leaving the country for imports, plus money flows coming from other factors such as tourism, foreign aid, military expenditures, and foreign investment.

A) balance of payments
B) balance of trade surplus
C) balance of cash flows
D) balance of trade

205) A country's balance of payments includes which item?
A) foreign aid
B) domestic unemployment
C) domestic inflation rates
D) foreign inflation rates

206) What item is taken into consideration when calculating a country's balance of payments?
A) military expenditures
B) state unemployment
C) domestic inflation rates
D) foreign inflation rates

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207) Since 1975, the United States has had a(n)
A) export surplus.
B) import surplus.
C) trade surplus.
D) trade deficit.

208) __________ is the practice of selling a product in foreign countries for a lower price than the good is sold in the producing country.
A) Deflating
B) Countertrading
C) Inflating
D) Dumping

209) When Molson Coors Beverage Company sells Coors beer made in the United States, to Germany, the sales of its product would be classified as a U.S.
A) countertrade arrangement.
B) export.
C) import.
D) foreign aid shipment.

210) Compared to China, Germany, and Japan, the United States exports
A) almost none of its products.
B) a much lower percentage of products.
C) a much higher percentage of products.
D) mostly its domestically undesirable products.

211) An important principle for firms desiring to export is
A) sell to countries with high standards of living.
B) keep in mind that American methods are probably always best.
C) find a need in the global market and fill it.
D) if your product sells well in the United States, it will sell well globally.

212) The business strategy behind dumping is to
A) gain a foothold in a new market.
B) better utilize e-commerce opportunities.
C) avoid trade protectionist laws.
D) achieve eligibility for foreign aid.

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213) Reviewing the recent experience of the United States in global markets reveals that the U.S has

A) a merchandise trade surplus with the rest of the world.
B) a large trade deficit with China.
C) avoided becoming a debtor nation.
D) gained a reputation for dumping many of its products.

214) According to the *Connecting through Social Media* box, which generational cohort is most likely to follow product recommendations from influencers?

A) Millennials
B) Generation Z
C) Baby boomers
D) Generation X

215) The value of goods imported into France exceeds the value of French exports. This indicates that France

A) has an exchange rate decrease.
B) utilizes high tariffs.
C) has a budget deficit.
D) has a trade deficit.

216) Current trade data shows that one wealthy country in Europe exports far more to other nations than it imports. This country has

A) an unfavorable balance of trade.
B) a trade surplus.
C) a trade deficit.
D) a low balance of trade.

217) South Korean automobile producers sold more of their Korean production overseas than they sold in South Korea. Their business strategy emphasizes

A) importing.
B) licensing.
C) dumping.
D) exporting.

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218) Finnigan's Finds sells clothing from around the world in the United States. Finnigan regularly travels overseas to find the best and most unusual shirts, dresses, and pants that foreign producers have to offer. Finnigan is a(n)

A) importer.
B) licensee.
C) dumper.
D) exporter.

219) Last year, a small nation imported goods totaling $400 million and exported products totaling $93 million. This nation experienced a(n)

A) unfavorable balance of trade.
B) favorable balance of trade.
C) trade surplus.
D) benefit from membership in a free-trade zone.

220) Last year, a country reported that it had a favorable balance of trade even though it imported $9 billion worth of goods. This indicates that the country

A) exported $9 billion worth of goods.
B) exported more than $9 billion worth of goods.
C) overpriced the value of its exports.
D) exported less than $9 billion worth of goods.

221) A small country recently reported that its imports for the previous year were $7 billion greater than its exports. During the same period, the country reported a favorable balance of payments. This information suggests

A) The country has misstated information in its report. It must have had a balance of payments deficit since more money flowed out for imports than flowed into the country for its exports.
B) The country's gold and other precious metal reserves increased in value.
C) Money inflows from tourism, foreign aid, foreign investment, and other sources more than offset the country's trade deficit.
D) This country devalued its currency to obtain a more favorable exchange rate.

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222) The president of Smith Pharmaceuticals just testified before Congress. He urged them to limit the flow of imported diabetic medications into the country. He stated that these imports were priced lower than foreign producers were charging for them in their own countries. He believes foreign producers are

A) dumping.
B) exercising trade deficits.
C) promoting free trade.
D) exhibiting ethnocentricity.

223) What pricing strategy are foreign firms required by law to use according to U.S. anti-dumping policies?

A) Prices must include 10% overhead costs and an 8% profit margin.
B) Prices must meet or exceed those for similar U.S. products.
C) Prices must fall below those charged in the producing nation by 8%.
D) Prices must include a profit margin of at least 10%.

224) Granting a foreign company the right to manufacture your product or to use your firm's trademark in return for a fee is called

A) a joint venture.
B) contract manufacturing.
C) licensing.
D) outsourcing.

225) The fee paid to a firm in a licensing agreement that gives another firm the right to manufacture their product or use its trademark is called

A) a tariff.
B) a royalty.
C) a licensee.
D) an outsource agreement.

226) What is a major advantage of licensing?

A) These arrangements almost always lead to a joint venture.
B) The bulk of the revenues gained by the licensee come back to the licensor.
C) Your company name does not need to be associated with the product in a foreign country.
D) There is very little cost to the licensor.

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227) What is a disadvantage of licensing?

A) It can be very costly for the licensor.

B) The licensee can decide to end the contract at a moment's notice.

C) Your company's image is never permitted to be associated with the product, even though you are the developer.

D) The potential exists for loss of technology or trade secrets.

228) The federal government created__________ to help small and medium-sized businesses get involved in exporting.

A) the World Trade Organization

B) Federal Export Loan Banks

C) Export Assistance Centers

D) the Federal Trade Promotion Commission

229) __________ are specialists that match buyers and sellers from different countries and provide services to ease the process of entering global markets.

A) Export-trading companies

B) Licensees

C) Strategic alliances

D) Contract manufacturers

230) Export-trading companies

A) enter into joint ventures with firms wanting to export goods and services.

B) are government-owned businesses that help companies go global.

C) connect sellers in the United States with buyers in other nations, and help with customs, documentation, and payments.

D) are similar to a corporation that sells franchises.

231) __________ is an arrangement whereby someone with a good idea for a business sells the rights to use the business name and sell the parent company's product or service to others in a given territory in a specified manner.

A) Franchising

B) Contract manufacturing

C) Import trading

D) Export-trading

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232) When a company's strategy is__________, the firm makes arrangements for a foreign manufacturer to produce the product. The domestic company's label and/or trademark are attached to the completed product.

A) franchising
B) contract manufacturing
C) import sourcing
D) export-trading

233) A__________ is a partnership in which two or more companies (often from different countries) join together and share the risk and costs in order to undertake a major project.

A) multinational cooperative
B) joint venture
C) franchisee transfer
D) recruit affiliation

234) A__________ represents a long-term partnership between two or more companies established to help each firm build competitive market advantages, without sharing the cost of risk.

A) multinational cooperative
B) shared venture
C) global franchise
D) strategic alliance

235) An advantage of forming a joint venture is

A) no shared costs or risk.
B) a perpetual arrangement.
C) shared marketing and management expertise.
D) guaranteed profits for all parties.

236) What form of foreign direct investment takes place when a domestic company purchases a company in a foreign country to produce a similar product or service?

A) licensing
B) a joint venture
C) a foreign subsidiary
D) a host company

237) When foreign firms build production facilities in the United States, they are engaging in
A) exporting.
B) foreign direct investment.
C) importing.
D) countertrading.

238) A risk unique to firms with direct investment in a foreign country is the potential takeover of the firm's assets by the government of that country. This takeover is called a(n)
A) hostile takeover.
B) embargo.
C) appropriation.
D) expropriation.

239) A(n)__________ is a firm that has made sizeable investments and has a physical presence in several foreign countries as a manufacturer and marketer of products and services.
A) strategic alliance
B) multinational corporation
C) host company
D) import trading company

240) A fast-growing form of foreign direct investment is__________, which are government-controlled investments in foreign companies.
A) sovereign wealth funds
B) multinational wealth funds
C) government mutual funds
D) government managed funds

241) A specialized organization that assists businesses in creating relationships with foreign customers and suppliers is known as a(n)
A) export-trading company.
B) international brokerage house.
C) private licensor.
D) global trade bank.

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242) What is a benefit of contracting with export-trading companies?
- A) They are the experts in establishing trading partners abroad and negotiating all the details in retaining customers.
- B) They are experts in staying out of the financial transactions of establishing new markets.
- C) They will always assume the risk if your product does not sell to the foreign customer.
- D) They keep you legal because they serve as the franchisor and make certain that your products meet ISO requirements.

243) One of the purposes of Export Assistance Centers is to
- A) help multinational corporations reach agreements with foreign governments.
- B) provide subsidies to domestic firms hurt by foreign dumping.
- C) provide trade-finance support for small and medium-sized firms involved in direct exporting.
- D) encourage domestic firms to enter into joint ventures.

244) Licensing is a popular strategy because
- A) it boosts domestic market revenues.
- B) the licensee has incentive to work hard and succeed because they have borne the cost.
- C) licensees spend little or no money to produce and market their products.
- D) there are seldom any long-term contractual requirements.

245) Using contract manufacturing as a strategy to reach global markets gives firms the advantage of
- A) expert and experienced laborers.
- B) reduced financial risks.
- C) guaranteed sales.
- D) currency stability.

246) Which statement highlights one reason why firms may decide to form a joint venture?
- A) They may wish to contract manufacture with each other.
- B) They will save time to market if they pool their technological know-how.
- C) These arrangements are always less risky than strategic alliances.
- D) These arrangements avoid the temptation to tap into marketing and management expertise of the parent companies.

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247) For a firm to be considered a multinational corporation, which condition must be true?
- A) It must have manufacturing facilities and a physical presence in several countries.
- B) Its marketing arm must be based at the company's world corporate headquarters.
- C) Stock ownership must be domestic.
- D) All transactions must be financed through the International Monetary Fund.

248) A fast-growing form of foreign direct investment is sovereign wealth funds (SWFs). Why do these investments by governments with surplus cash flows worry trade experts?
- A) SWFs invest in high-risk start-ups with no proven history of producing goods and services that developing or developed countries need. They may likely undermine the years of development of growing economies.
- B) SWFs have a greater risk of going bankrupt than other investments because governments are not good at running businesses.
- C) Some fear that governments investing their SWFs in large firms may gain control of natural resources, sensitive technologies, and the decision making of management.
- D) Some trading experts believe that SWFs are supported by terrorist organizations, and their strategy is an indirect way to undermine international security.

249) In the *Adapting to Change* box, "A World of Options under the Golden Arches," the textbook highlights one reason McDonald's has become a global powerhouse. Which statement best describes what led to McDonald's success?

- A) McDonald's was careful to include regional tastes along with its traditional burgers and fries.
- B) McDonald's kept to what it did best and only served its American menu overseas.
- C) McDonald's licensed all its overseas restaurants.
- D) McDonald's participates in contract manufacturing.

250) When entering a foreign market, Exotic Beverages entered into an agreement with a local firm to manufacture and market Exotic Beverage's line of juice drinks. This is an example of
- A) licensing.
- B) franchising.
- C) foreign direct investment.
- D) foreign subsidiaries.

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251) A small firm wants to begin exporting its products. The company needs advice about how to get started, as well as trade-finance support. The federal government has established__________ to help companies like this.

A) the World Trade Commission
B) Export Assistance Centers
C) export-trading companies
D) Federal Reserve Banks

252) The farro seed is in high demand in wealthy countries but is not farmed in those countries. The vast majority of all farro production comes from small farmers in the Middle East who farm at high elevations. The seed is now considered an important__________ for these Middle Eastern countries.

A) foreign direct investment
B) licensed product
C) export
D) import

253) RC Cola entered into a long-term contract with a European beverage company. The contract calls for the European firm to produce and market RC Cola products in the country. RC Cola will receive royalties on each case of soda sold. This is an example of

A) licensing.
B) a joint venture.
C) a foreign subsidiary.
D) foreign direct investment.

254) A German firm and a firm based in Japan recently produced a new electric car with rechargeable batteries that can be driven at high speeds for long distances. The two firms shared the investment, each contributing important technological expertise to the effort. These firms entered into a(n)__________ to build this car.

A) joint venture
B) licensing agreement
C) multinational export agreement
D) multinational limited partnership

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255) Trimax Industries__________ its products in foreign countries, where labor is less expensive and production sites are owned by other companies. This strategy allows Trimax Industries to experiment in new markets without incurring the large start-up costs involved with building its own production facilities.

A) contract franchises
B) pays governments to market
C) globally licenses
D) contract manufactures

256) If a Belgium chocolate firm purchases an ice cream manufacturer located in the United States, the U.S. ice cream manufacturer becomes a

A) global franchise.
B) global joint venture.
C) foreign subsidiary.
D) contract manufacturer.

257) Which statement is true of multinational corporations?

A) Rather than manage manufacturing and marketing facilities overseas, most multinational corporations attempt to enter global markets by exporting domestically produced goods.
B) Most multinational corporations are small- to medium-sized firms.

C) Because of political and economic concerns, most multinational corporations choose to ignore investment opportunities outside North America.
D) Only those firms with a physical presence in different nations qualify as multinational corporations.

258) A large consumer products company reported that it owns and operates 95 companies worldwide with 13% of its sales coming from Europe, 38% from Asia, 36% from the United States, and 13% from other parts of the world. Clearly, this company can be identified as

A) a sovereign wealth fund.
B) a multinational corporation.
C) a foreign subsidiary.
D) an expropriated organization.

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259) Pacific Growers ships all of the apples from its orchards in the Pacific Northwest to a single buyer in Australia. The firm's entire profits are derived from this international transaction. Pacific Growers is

A) an example of a multinational corporation.
B) not a multinational corporation.
C) contributing to the U.S. balance of trade deficit.
D) benefitting greatly from the establishment of the USMCA.

260) Star Energy refines and markets its energy products in different nations around the world. In addition, Star's stockholders and managers come from many different nations. If some of the nations where it operates decided to take over the assets of the company, this act would constitute

A) patent infringement.
B) expropriation.
C) an illegal activity.
D) a hostile takeover.

261) What term describes the set of values, beliefs, rules, language, and institutions held by a specific group of people?

A) culture
B) ethnocentricity
C) institutional society
D) customs

262) What term describes an attitude that your own culture is superior to other cultures?

A) primary culture
B) ethnocentricity
C) cultural institutionalism
D) social myopia

263) What is ethnocentricity?

A) a desire to incorporate customs of other cultures into your own
B) a belief that your culture is superior to others
C) an awareness of other cultures when conducting business transactions
D) a refusal to incorporate regional culture into products you market overseas

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264) Which sociocultural force can have the most significant impact on global business operations?
- A) religion
- B) universal sales standards
- C) single-phase marketing
- D) natural resources

265) Which term represents the value of one nation's currency relative to the currencies of another country?
- A) devaluation
- B) currency rate
- C) exchange rate
- D) standard of living

266) Global financial markets operate under a system of__________, where the supply and demand for various currencies will determine their value at any moment in time.
- A) living wages
- B) comparative advantage
- C) floating exchange rates
- D) borrowing rates

267) __________ is the exchange of merchandise or services for other merchandise or services without the exchange of money.
- A) Exporting
- B) Bartering
- C) Importing
- D) Factoring

268) If a nation's currency is weak, people may have to fall back on
- A) exporting.
- B) bartering.
- C) importing.
- D) factoring.

269) __________ is lowering the value of a nation's currency relative to other currencies.
- A) Revaluation
- B) Deflation
- C) Devaluation
- D) Negative valuation

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270) A complex form of bartering in which several countries may be involved, each trading products and services for the products and services of another country is referred to as

A) venture bartering.
B) global monetarism.
C) countertrading.
D) global counter-exchange.

271) Under the floating exchange rate system, the value of a country's currency is determined by

A) the monetary authorities of that country.
B) the Organization for Economic Cooperation and Development.
C) the currency's supply and demand in the global market.
D) the International Monetary Fund.

272) The legislation that prohibits U.S. businesses from making "questionable" or "dubious" payments to foreign officials to secure business contracts is the

A) Foreign Corrupt Practices Act.
B) Foreign Anti-Trust Act.
C) Multinational Collusion law.
D) Global Good Conduct law.

273) Which statement describes laws and regulations in global markets?

A) There is not a central system of law in existence.
B) The World Trade Organization dictates global law for all markets.
C) Most trading partners will default to the laws that govern the seller's home country.
D) With the exception of labor relations, most laws are pretty standard across global markets.

274) To understand legal and regulatory conditions and be successful in global markets, it's often useful to contact

A) the local Better Business Bureau.
B) local businesspeople in the host countries.
C) the Regional Economic Development Trading Desk (REDTD).
D) the Organization for Economic Cooperation and Development (OECD).

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275) People from other nations sometimes comment on the ethnocentric attitudes of U.S. businesspeople. This indicates that American businesspeople

A) are respectful of local cultures and customs.
B) quickly accept the suggestions and ideas of others.
C) believe that American culture is superior to all others.
D) celebrate the many ethnic groups that make up American life.

276) A sociological challenge that must be overcome in order to be successful in the global market is

A) a lack of cultural understanding.
B) an overly anxious desire to please at all cost.
C) inequality of global natural resources.
D) wealth management.

277) ___________ differences such as insufficient electrical power and transportation systems can present special problems for U.S. firms when attempting to enter global markets.

A) Physical and environmental
B) Legal and regulatory
C) Economic
D) Governmental

278) In some countries it is customary to pay government officials to secure necessary business contracts and permits. American businesses must follow U.S. law and cannot make these payments according to the

A) Foreign Antitrust Act.
B) Foreign Corrupt Practices Act.
C) Multinational Collusion Law.
D) World Trade Organization's code of ethics.

279) Under a system of floating exchange rates, changes in the value of the U.S. dollar relative to other currencies are the result of

A) negotiated rate adjustments between the U.S. government and the World Trade Organization.
B) decisions made by the Federal Reserve Board of Governors in order to implement monetary policy.
C) fluctuations in the world price of gold.
D) changes in the supply of and/or demand for dollars in the global currency market.

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280) If global trade experts predict that the value of the dollar will soon fall, it will result in
- A) both the prices of imported goods rising and prices of U.S. goods sold overseas rising, as well.
- B) prices of imported goods rising, but prices of U.S. goods sold overseas falling.
- C) prices of imported goods falling and prices of U.S. goods sold overseas falling, as well.
- D) prices of imported goods falling, but prices of U.S. goods sold overseas rising.

281) Nora is typical of many U.S. businesspeople. She feels the U.S. culture defines the model for the rest of the world, and that the "American way" of doing things is the best. Nora is guilty of
- A) ethnic plagiarism.
- B) ethnocentricity.
- C) culture shock.
- D) multiculturalism.

282) In order to level the playing field in trade between the United States and China, U.S. policymakers have called upon China's government to allow the yuan to float freely, as other world currencies. Through government regulation, China maintains an undervalued currency, which results in
- A) more buying power for Chinese consumers who want to purchase U.S. goods and goods from other countries.
- B) maintaining robust Chinese exports and a favorable balance of trade for China.
- C) developing better relations with industrialized countries who want to increase the value of their exports.
- D) stability and strength of the Chinese yuan against the U.S. dollar and the euro.

283) Workers in Country A expect managers to forcefully tell employees what to do, how to do it, and when. On the other hand, workers in Country B prefer to take part in workplace decision making. The difference between the workers in these two countries represents a(n)______ management challenge for firms trading in the global market.
- A) geo-political
- B) economic
- C) sociocultural
- D) regulatory

Understanding Business The Core Edition 3 by Nickels

284) A company in Canada recently agreed to trade lumber to an American importer in return for American-made furniture. This arrangement is an example of

A) a joint venture.
B) a nontariff trade.
C) dumping.
D) barter.

285) To manufacture its hydraulic lifts, Lift High Inc., needs a special oil it can only import from a company in Saudi Arabia. In turn, that company can only produce the oil with ingredients it obtains from the exclusive producer in Iran. The company in Iran agrees to provide the ingredients to the company in Saudi Arabia in exchange for a quantity of hydraulic lifts from Lift High, Inc. This beneficial exchange is a form of

A) balanced trading.
B) contract manufacturing.
C) third-party purchasing.
D) countertrading.

286) A powerful foreign government official approaches your company and requests a large sum of money. In return for this bribe, he promises your company will receive preferential treatment in all future government contracts. You quickly refuse his request, explaining that the___________ Act of the United States prohibits you from making such payments.

A) Federal Trade Commission
B) Sherman Anti-trust
C) Foreign Corrupt Practices
D) Ethical Practices

287) U.S. recording studios have found that artists' music is copied and sold overseas within 24 hours of the music selling in the U.S. market. As a student who is now aware of the challenges businesses face in global trade, which statement do you think is an accurate representation of this situation?

A) The copying and selling of the artist's original music is illegal and enforceable by international copyright law.
B) The copying and selling of the artist's music is legal due to the fact that are no online copyright laws.
C) United States copyright laws do not necessarily apply globally.
D) Copyright laws only protect the artist, but not the recording studios.

Understanding Business The Core Edition 3 by Nickels

288) An American company recently won a huge contract with a company in Burma, by gifting the Burmese government officials with American cars and an assurance of monetary gifts. Clearly, this procedure

A) violates the Foreign Corrupt Practices Act.
B) violates the Fair and Balanced Competitive Practices Act.
C) defines the common business practices of the foreign nation and should be respected.
D) defines the terms of the business contract, and as long as both parties sign, the agreement is binding.

289) When studying abroad last year, Nikolas found that his U.S. dollars didn't stretch as far as he had expected. Each time he exchanged his dollars for euros, he had to give up more dollars in exchange for fewer euros. The exchange rate indicates

A) the dollar has gained strength against the euro.
B) the euro is weak against the dollar.
C) the euro has gained strength against the dollar.
D) the demand for dollars is stronger than the demand for euros.

290) The Razor-Sharp Knife Company recently entered into an agreement with a large Japanese retailer to distribute its knives in Japan. The Razor-Sharp Company sees itself in a favorable position because

A) the yen is gaining strength compared to the U.S. dollar, making it cheaper for Japanese customers to buy American products.
B) the yen is down against the U.S. dollar, making it cheaper for Japanese customers to buy American products.
C) it was traditionally against Japanese culture to ride bicycles, so the U.S. bike company would be dealing with a niche market.
D) the Japanese do not permit foreign direct investment. American companies will make all the bikes in the United States, which creates more jobs on American soil.

291) While Tamika is vacationing on a Caribbean cruise, she decides to purchase all her souvenirs in the Bahamas because the exchange rate would be to her benefit. This means the currency in the United States

A) is weak against the Bahamian dollar.
B) will be about equal to the Bahamian dollar; otherwise, it would not be a good exchange.
C) is devalued.
D) has strength against the Bahamian dollar.

Understanding Business The Core Edition 3 by Nickels

292) Bart's Fish and Tackle, an American retail store, buys most of its inventory from South American countries. Bart's Fish and Tackle would benefit if the value of the dollar__________ relative to the currencies of the countries from which it imports.

A) rose
B) fell
C) remained constant
D) floated unpredictably

293) In his effort to avoid domestic competition, the owner of HD Plumbing sets his sights on the growing market of a developing country. Much to his surprise, most of the country's citizens do not yet have indoor plumbing and are accustomed to government-run communal baths. HD Plumbing realizes that its global marketing effort is hampered by

A) legal and regulatory constraints.
B) cultural constraints.
C) physical and environmental constraints.
D) the floating exchange rate.

294) __________ is the use of government regulations to limit the import of goods and services.

A) Trade protectionism
B) Fiscal policy
C) Countertrade policy
D) Monetary policy

295) Which statement is accurate regarding trade protectionism?

A) It always leads to a favorable balance of trade.
B) It is the use of government regulations to limit the import of goods and services.
C) It makes global trade fairer and more balanced.
D) It encourages dumping by foreign industries in the home country.

296) __________ was a seventeenth- and eighteenth-century belief that a nation should try to sell more goods to other nations than it buys from them.

A) Capitalism
B) Comparative advantage
C) Mercantilism
D) Globalism

Understanding Business The Core Edition 3 by Nickels

297) The two basic types of tariffs are
A) goods and services.
B) general and limited.
C) comparative and absolute.
D) revenue and protective.

298) A__________ tariff is designed to raise the price of imported products so that domestic goods are more competitively priced.
A) protective
B) restrictive
C) progressive
D) revenue

299) __________ tariffs are designed to raise money for the government.
A) Regulatory
B) Revenue
C) Fiscal
D) Protective

300) In an effort to protect domestic jobs, some countries will place a limit on the number of certain types of products that can be imported. These limits are called
A) revenue tariffs.
B) protective tariffs.
C) import quotas.
D) market subsidies.

301) A(n)__________ refers to a complete ban on importing or exporting of products from a specific country.
A) absolute tariff
B) protective tariff
C) quota
D) embargo

302) Some governments initiate restrictive standards that detail exactly how a product must be sold in a country. Trade experts call these restrictions
A) monetary tariffs.
B) countertrade policies.
C) nontariff barriers.
D) export constraint policies.

Understanding Business The Core Edition 3 by Nickels

303) The purpose of the General Agreement on Tariffs and Trade (GATT) is to
   A) facilitate global trade.
   B) create common market arrangements in specific geographical regions.
   C) negotiate unfavorable currency exchange rates.
   D) establish a set of international property right laws.

304) The__________ represents the first attempt to establish a truly global mediation center to resolve international trade disputes.
   A) International Trade Court
   B) World Trade Organization
   C) Global Trade Commission
   D) United Nations Arbitration Center

305) The common market known as COMESCA is
   A) a subset of the Mercosur trading bloc.
   B) a subset of the European Union.
   C) composed of Eastern and Southern African nations.
   D) composed of Ecuador, Chile, and Argentina.

306) The European Union created a single monetary unit to replace the national currencies of its member nations. This common currency is known as the
   A) e-dollar.
   B) pound.
   C) lira.
   D) euro.

307) The free-trade area created by NAFTA involved which three countries?
   A) Canada, Nicaragua, and the United States.
   B) Mexico, Panama, and the United States.
   C) Canada, Nicaragua, and Mexico.
   D) Canada, Mexico, and the United States.

308) The common market arrangement that groups Brazil, Argentina, Paraguay, Uruguay, Bolivia, Chile, Colombia, Ecuador, Peru, and Suriname is called
   A) the South American Trade Organization.
   B) the World Trade Organization (WTO).
   C) the Latin Free Trade Zone.
   D) Mercosur.

Understanding Business The Core Edition 3 by Nickels

309) Another name for a common market is
- A) strategic alliance.
- B) trading bloc.
- C) continental community.
- D) economic cooperative.

310) Traders in the seventeenth and eighteenth century were encouraged to focus on selling their nation's goods in the global market to create a favorable balance of trade. Nations attempted to sell more goods to other nations than they bought from other nations. This approach to global trading is called
- A) ethnocentrism.
- B) mercantilism.
- C) protectionism.
- D) isolationism.

311) The motivation behind trade protectionism is
- A) to limit accelerated growth of GDP that would cause inflation to escalate.
- B) to limit the number of domestic companies that compete globally.
- C) to increase the positive economic consequences of one's trade position.
- D) to reduce tariffs on desirable goods.

312) The U.S. embargo against all trade with Cuba most likely is the result of
- A) physical and environmental limitations on trade.
- B) a lack of business opportunities.
- C) currency fluctuations.
- D) poor diplomatic relations.

313) The benefits of protective tariffs are
- A) they decrease the retail price of imported products.
- B) they decrease the cost imported products to the consumer (end user).
- C) they help develop friendlier trade relations with loyal trading partners. Both parties are protected.
- D) they protect domestic jobs by encouraging cost-sensitive consumers to purchase domestic products.

314) The USMCA was created in an attempt to remedy the shortcomings of
- A) Mercosur.
- B) NAFTA.
- C) ASEAN.
- D) COMESA.

Understanding Business The Core Edition 3 by Nickels

315) One objective of the USMCA is to

A) increase trade barriers between the countries involved.
B) decrease investment opportunities in the countries involved.
C) provide new rules covering digital trade, anticorruption, and good regulatory practices.
D) improve working conditions in Central America.

316) American companies that produce sophisticated military weaponry are prohibited from exporting that equipment to unfriendly governments, such as Iran. This complete ban on exporting sensitive technology to specific countries is an example of a(n)

A) import quota.
B) boycott.
C) tariff.
D) embargo.

317) The United States and China continue to spar over sociocultural issues, such as human rights, and economic and financial issues, such as the value of the Chinese yuan against the U.S. dollar. U.S. diplomats assert that these differences continue to bolster China's favorable balance of trade and increase the U.S. trade deficit. The trade protectionist policy exhibited by the Chinese is similar to an economic policy known as__________ that was followed during the seventeenth and eighteenth centuries. This policy resulted in a flow of money to the country that sold the most globally.

A) trade embargoing
B) countertrading
C) profiteering
D) mercantilism

318) The U.S. government announced a strict limit on pharmaceuticals imported from China. This type of trade restriction is called a(n)

A) embargo.
B) revenue tariff.
C) import quota.
D) export cap.

Understanding Business The Core Edition 3 by Nickels

319) If Ireland were to require foreign companies that sell eggs in Ireland to package them in cardboard-type containers and not in Styrofoam containers, this type of requirement is known as a

A) protective tariff.
B) revenue tariff.
C) quota.
D) nontariff barrier.

320) The U.S. government, responding to pressure from political lobbyists representing the U.S. steel industry, will impose a tax on steel products imported from India. This is an example of a(n)

A) protective tariff.
B) revenue tariff.
C) quota.
D) embargo.

321) Having recently found sources of oil on their own land, a newly established nation enacted a tariff on imported petroleum in order to raise money for their new government. This trade restriction is an example of a__________ tariff.

A) revenue
B) protective

C) percentage
D) fixed

322) A small nation has followed protectionist policies for many years. Which action is an example of a nontariff barrier that this nation may have used?

A) Establishment of a tax levied on imported goods so that foreign products are more expensive than competing domestic goods.
B) Establishment of a tax levied on imported goods designed primarily to raise money for the government.
C) Establishment of restrictive quality standards requiring foreign firms to make expensive modifications to their products before they can be imported into the country.
D) Participation in the Uruguay Round of GATT negotiations.

Understanding Business The Core Edition 3 by Nickels

323) U.S. consumers purchasing olives can choose from Spanish-, California-, or Texas-grown varieties. Imported olives are subject to protective tariffs. What does this most likely to mean for U.S. consumers?

A) Domestically grown olives are of higher quality.
B) Consumers will be unable to buy Spanish-grown olives.
C) Domestically grown olives will cost less.
D) Spanish-grown olives will only be available in specialty stores.

324) Belgium, Hungary, Sweden, and Germany are all members of the EU. Which statement is an accurate description of trade between these nations?

A) Belgium and Germany are permitted to engage in free trade due to their proximity to each other. However, Sweden only has free trade with Finland, and Hungary only has free trade with Switzerland, Austria, and Croatia.
B) The EU has abolished internal tariffs at internal borders for these and other member nations and put in place a uniform system for taxing imports.
C) Customs officers that collect tariffs have increased at the internal borders of all EU member nations.
D) Belgium, Hungary, Sweden, and Germany conduct free trade between their nations, but not with other members of the EU.

325) The outlook for growth in global trade appears to be

A) less optimistic than in the past.
B) more interesting yet more challenging every day.
C) unclear, but declining.
D) nonexistent.

326) Global trade with China is

A) too risky and not worth the effort.
B) illegal based on World Trade Organization (WTO) rulings.
C) an emerging business opportunity for several companies.
D) dependent upon the success of multinational corporations.

327) Many business experts contend that__________ will likely be the growth market of the future.

A) Asia
B) Africa
C) Central America
D) the Middle East

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328) The “second wave” of offshore outsourcing refers to
- A) moving jobs to South America in addition to China.
- B) moving skilled service jobs such as those in accounting offshore.
- C) moving jobs to India in addition to China.
- D) moving manufacturing jobs offshore.

329) When U.S. firms choose to hire skilled and unskilled workers in other countries to produce goods and services, rather than producing them in the United States, we refer to this as
- A) offshore procurement.
- B) domestic outsourcing.
- C) foreign distribution.
- D) offshore outsourcing.

330) As students think about a career in the business world today, what is a good strategic suggestion?
- A) Study a foreign language.
- B) Secure a job with a large multinational corporation.
- C) Stay away from franchising due to the saturation of this form of business globally.
- D) Avoid spending a lot of time studying fluctuations in currencies because a global currency is imminent.

331) Because the COVID-19 pandemic caused significant supply chain disruptions throughout the world, many U.S. companies are considering the benefits of
- A) offshore outsourcing.
- B) infant industries.
- C) common markets.
- D) reshoring.

332) Trade experts’ concerns about trading with China include its
- A) young workforce and small population size.
- B) one-party political system, counterfeiting activities, and human rights abuses.
- C) ties with organized labor unions.
- D) economic philosophy that has changed from free market to command economy.

333) What is an advantage of offshore outsourcing?
- A) Companies can create efficiencies by hiring low-wage employees.
- B) Wages increase in the home country.
- C) Product quality improves permitting firms to charge more for their products.
- D) Communication between the company and its customers improves.

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334) Which statement is a good prediction of future occurrences in global markets?
- A) Fortunately, safety issues will become less of a concern as developing nations begin to participate in global trade at a faster pace.
- B) It is doubtful that service and technical jobs such as accounting, legal representation, or financial management will become part of offshore outsourcing.
- C) China will continue to be the only viable global trader in Asia for several years to come.
- D) With the strong growth in technical talent globally, offshore outsourcing should continue to increase.

335) Sven is a flight attendant for a large, international airline. While in China, Sven often finds look-alikes in famous designer brands of watches, handbags, clothing, and golf clubs. In fact, he will often do some shopping for his friends as well. Sven's actions demonstrate
- A) a continual problem with product piracy in China.
- B) how expensive it is to trade with China. People who travel there are really the only ones who can benefit from China trade.
- C) the low level of economic development in China, and the fact that only tourists can afford to purchase name-brand goods in that nation.
- D) the World Trade Organization's encouragement of China to increase its production of counterfeit goods because there is a high demand for these globally.

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

336) Compare and contrast comparative and absolute advantage in global markets. Provide examples.

337) Describe and provide examples of four different strategies for reaching global markets.

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338) Explain and provide at least one example of how sociocultural differences can create trade difficulties in world markets.

339) Explain and provide at least one example of how legal and regulatory forces impede global trade.

340) Define offshore outsourcing and explain its pros and cons.

SECTION BREAK. Answer all the part questions.

341) Ever since he was five years old, Rhett Tenna has had poor eyesight and as an eyeglass wearer he suffered through all the names that went along with it. Rhett eventually switched from glasses to contacts, but he always wondered why his glasses were not fashionable. After graduation from college, Rhett set out on a lifelong goal: to make eyewear synonymous with fashion. He opened a specialty store called "The Eyes Have It." His marketing plan was to remove the social stigma of wearing glasses, and replace it with a sense of flair and high fashion. From the day he opened his first store, Rhett's plan met with resounding success. Today, "The Eyes Have It" has grown from that single outlet to a medium-sized company with dozens of stores located in six states, and a manufacturing plant that turns out designer frames. A recent internal audit, however, suggested a problem that Rhett had not anticipated. The study indicated that the U.S. market is just about saturated and growth of "The Eyes Have It" stores will be very limited. The audit concerned Rhett until he recognized an untapped market existed overseas. If people all over the world have the same problem, the global market opportunities are fantastic! All in favor of going global say: "The Eyes Have It"!

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341.1) At first, Rhett believed he should maintain all of his manufacturing within the United States and simply export his designer frames to foreign sellers. However, he lacked expertise in exporting. Rhett decided to see if the federal government could provide any help by contacting a(n)

A) World Trade Center.
B) Export Assistance Center.
C) Federal Reserve Bank.
D) U.S. Export Savings Bank.

341.2) Although he is confident of success, Rhett is concerned that social, cultural, and economic differences in other nations may create some problems. He believes he should adapt his approach to these differences rather than trying to force the "American way" on foreign consumers. Rhett's attitude suggests that he wants to avoid a(n)__________ approach to business.

A) ethnocentric
B) flexible
C) ethical
D) countercultural

341.3) Rhett heard predictions that the value of the U.S. dollar is likely to increase substantially over the next six months. This should

A) hurt his overseas efforts since his prices will be very high.
B) stop overseas efforts because dollars will not be negotiable.
C) help his overseas efforts since his prices will be lower.
D) force him into accepting no other currency except the dollar.

341.4) Rhett spoke with a Korean company that said it might be interested in producing his products in their market. They would pay him a royalty for what they sold and would bear all the start-up expenses of this effort. This Korean company is proposing a(n)

A) subsidiary agreement.
B) joint venture.
C) export-trading company.
D) licensing agreement.

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341.5) Rhett's company was informed by the Taiwanese Ministry of Trade that it could only export 1.1 million pairs of eyeglasses to the Taiwanese market during a given year. The Taiwanese have imposed a(n)

A) revenue tariff.
B) embargo.
C) import quota.
D) limit order.

341.6) Next year, in order to cut both time and cost in getting new styles to global markets, Rhett plans to__________ a few of his designer lines. Rhett will send his designs to manufacturers in India, Bangladesh, and Turkey who will produce the eyeglasses in facilities in their respective countries. This will not only reduce the cost of labor, but it will also help Rhett reach regional markets in a timely manner.

A) license
B) contract manufacture
C) franchise
D) subsidize

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Answer Key

Test name: Chapter 02

1) TRUE
2) FALSE
3) TRUE
4) FALSE
5) FALSE
6) FALSE
7) TRUE
8) TRUE
9) TRUE
10) TRUE
11) FALSE
12) TRUE
13) FALSE
14) FALSE
15) TRUE
16) FALSE
17) TRUE
18) FALSE
19) FALSE
20) TRUE
21) FALSE

The company is in the business of *importing*. They buy cocoa beans from another nation and bring the product into the United States. Exporting is selling product to another country.

22) FALSE

If the United States cannot produce mangoes as efficiently as other nations (comparative advantage) and is not the only nation in the world that produces mangoes (absolute advantage), then the United States has neither a comparative or an absolute advantage in the production of mangoes.

23) FALSE
24) TRUE
25) TRUE
26) TRUE
27) TRUE
28) FALSE
29) TRUE

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30) FALSE
31) TRUE
32) TRUE
33) TRUE
34) FALSE
35) TRUE
36) TRUE
37) TRUE
38) FALSE
39) FALSE
40) TRUE
41) FALSE
42) TRUE
43) FALSE
44) TRUE
Recent research indicates that half of consumers turn to influencers for purchasing guidance and almost three-quarters of companies with 100 or more employees used influencer marketing in 2022. Companies of all sizes are looking to improve their social media marketing to stay competitive.

45) FALSE
An unfavorable balance of trade, or trade deficit, occurs when the value of imports exceeds that of exports. This example describes a *favorable* balance of trade of $170 million .

46) FALSE
An unfavorable balance of payments occurs when more money is flowing out of a country than is flowing into that country. Foreign tourists spending money in the United States provide an inflow of money.

47) TRUE
U.S. laws against *dumping* are specific and require foreign firms to price their products to include 10% overhead costs plus an 8% profit margin, making the price of goods in the United States at least the same as the price in the home market.

48) TRUE
The balance of payments is the difference between money coming into a country from exports and money leaving the country from imports plus money flows from other sources, including foreign investments.

49) TRUE

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United States dollars spent elsewhere in the form of tourism, foreign aid, military expenditures, and foreign investment are all examples of balance of payments outflows.

50) TRUE
A trade deficit occurs when the value of the country’s imports exceed that of its exports.

51) TRUE
52) TRUE
53) FALSE
54) TRUE
55) TRUE
56) FALSE
57) TRUE
58) FALSE
59) FALSE
60) FALSE
61) FALSE
62) FALSE
63) TRUE
64) TRUE
65) TRUE
66) FALSE
67) FALSE
68) FALSE
69) TRUE
70) TRUE
71) TRUE
72) TRUE
73) FALSE
74) TRUE
75) TRUE
76) TRUE
77) FALSE
78) TRUE
79) FALSE
80) FALSE
McDonald’s became a global powerhouse by being careful to include regional tastes on its menus, appealing to a nation’s specific customs and dietary restrictions.

81) FALSE

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82) TRUE
83) TRUE
84) TRUE
85) TRUE
86) FALSE
87) FALSE
88) TRUE
Foreign direct investment involves the purchase of property, business(es), or another form of investment by a foreign company in another nation other than where the company originates. In this situation, a large Belgian company purchased the assets of another company in the same industry.

89) TRUE
90) TRUE
Sovereign wealth funds are investment funds controlled by governments. These funds purchase the bonds and stock of foreign companies. This is a fast-growing form of foreign direct investment.

91) TRUE
92) TRUE
93) FALSE

94) TRUE
95) TRUE
96) FALSE
97) FALSE
98) TRUE
99) FALSE
100) FALSE
101) FALSE
102) FALSE
103) TRUE
104) TRUE
105) FALSE
106) TRUE
107) TRUE
108) TRUE
109) FALSE
110) FALSE
111) TRUE

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After devaluation, it would take less foreign currency to acquire U.S. dollars. Therefore, foreign buyers would find that it costs less of their currency to buy U.S.-made goods.

112) TRUE
113) FALSE
114) FALSE
115) TRUE
American businesspersons have been accused of being *ethnocentric* because they feel the American culture is superior to all others.

116) TRUE
117) FALSE
U.S. patent and copyright laws do not transcend international borders. What the United States may consider a patent or copyright infringement may not be considered as such in a foreign country.

118) FALSE
119) TRUE
A low value of the dollar means a dollar is traded for less foreign currency. This is the case here. A high value of the dollar means a dollar is trading for more foreign currency.

120) TRUE
121) FALSE
122) TRUE
123) TRUE
124) FALSE
125) TRUE
126) TRUE
127) FALSE
128) FALSE
129) TRUE
130) FALSE
131) TRUE
132) TRUE
133) TRUE
134) FALSE
135) TRUE
136) TRUE
137) TRUE
138) FALSE
139) TRUE

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140) FALSE
141) TRUE
142) TRUE
143) FALSE
144) FALSE
145) FALSE
146) TRUE
147) TRUE
148) FALSE
149) FALSE
150) FALSE
The objectives of NAFTA were to (1) eliminate trade barriers and facilitate cross-border movement of goods and services; (2) promote conditions of fair competition; (3) increase investment opportunities; (4) provide effective protection and enforcement of intellectual property rights; (5) establish a framework for further regional trade cooperation; and (6) improve working conditions in North America.

151) FALSE
152) FALSE
The Regional Comprehensive Economic Partnership is an Asia-Pacific trade agreement whose member countries include China, Japan, and Australia.

153) TRUE
154) TRUE
155) TRUE
156) FALSE
157) TRUE
158) TRUE
159) FALSE
160) TRUE
161) TRUE
162) FALSE
163) TRUE
164) TRUE
165) TRUE
166) FALSE
167) FALSE
168) TRUE
169) TRUE
170) TRUE
171) TRUE

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172) TRUE
173) FALSE
Unfortunately, several trade barriers currently exist between the United States and India. Indian retailers will only buy product from Indian wholesalers. U.S. companies find it difficult to sell directly to Indian retailers.

174) B
175) A
176) D
177) A
178) A
179) D
180) D
181) B
182) C
183) D
184) B
185) D
There are several reasons why countries trade with other countries. First, no nation, not even the most technologically advanced one, can produce all of the products that its people want and need. Second, other nations would seek to trade with that country in order to meet the needs of their own people. Third, some nations have an abundance of natural resources but limited technological know-how, while other countries have sophisticated technology but few natural resources. Global trade enables a nation to produce what it is most capable of producing and to buy what it needs from others in a mutually beneficial exchange relationship.

186) B
The theory of comparative advantage is the guiding principle supporting free trade. It states that each nation should produce and export the goods it produces more effectively or efficiently than other nations and should import the goods produced more efficiently by other nations.

187) A
Comparative advantage is the guiding principle behind international trade. The theory of comparative advantage states that a country should produce and sell to other countries those products that it produces most effectively and efficiently. Countries should buy from other countries those products it cannot produce as effectively or efficiently.

188) C

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Free trade eliminates excessive tariffs and restrictive standards between trading nations. The result is the efficient production of goods and mutually beneficial exchange. However, it is well documented that free-trade agreements between developed and less-developed nations usually result in a loss of jobs for the developed nations.

189) A
With free trade agreements, domestic workers may be forced to accept pay cuts from employers, who can threaten to move their jobs to lower-cost global markets.

190) D
The theory of comparative advantage contends that a nation should produce and export those goods that it produces efficiently and effectively, and import those goods that other countries produce more efficiently and effectively.

191) C
A country has an absolute advantage if it can produce a specific product more efficiently than all other countries.

192) A
Importing is buying products made in another country.

193) C
Exporting is selling products to another country.

194) A
An absolute advantage is defined as an advantage that exists when a country has a monopoly in the production of a certain item, or is able to produce it more efficiently and effectively than all other countries.

195) B
The theory of comparative advantage states that a nation should buy from other countries those products it cannot produce as effectively or efficiently as do those other countries.

196) A
The theory of comparative advantage states that a country should produce and sell to other countries those products that it produces most efficiently.

197) C
A country has an absolute advantage if it has a monopoly on the production of a specific product or natural resource, or is able to produce it more cheaply than all other countries.

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198) C
Data clearly indicate that global trade is big business today. Most U.S. companies cite global expansion as a link to future growth.

199) C
Imports are products and services coming into the country.

200) D
201) C
202) B
203) D
204) A
205) A
206) A
207) D
208) D
209) B
210) B
211) C
Getting started in global markets is often a matter of observing an unfulfilled need and researching how best to meet that need.

212) A
Dumping is sometimes used to unload surplus products in foreign markets or gain a foothold in a new market by offering products for lower prices than domestic competitors do.

213) B
Today, the United States runs its highest trade deficit with China.

214) B
Members of Generation Z are almost twice as likely as Millennials to follow product recommendations from influencers, with many young people trusting influencers even more than their friends when it comes to shopping.

215) D
The balance of trade is the relationship of a country's exports to its imports. A trade deficit occurs when the value of a country's imports exceeds the value of their exports.

216) B

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A favorable balance of trade, or trade surplus, occurs when the value of the country's exports exceeds that of its imports.

217) D
Exporting is selling products to another country.

218) A
Importing is buying products from other countries.

219) A
An unfavorable balance of trade occurs when a country's imports exceed its exports.

220) B
A favorable balance of trade means exports exceed imports. If a country had a favorable balance of trade and imported $9 billion worth of goods, it exported more than $9 billion worth of goods.

221) C
The balance of payments is the difference between money flows into and out of a country from all sources (not just exports and imports). Inflows from other sources (such as tourism or foreign investment) can sometimes offset a balance of trade deficit and result in a favorable balance of payments.

222) A
Dumping is the practice of selling products in foreign countries for less than you charge for the same products in your own country.

223) A
Dumping is the practice of selling products in foreign countries for less than you charge for the same products in your own country. U.S. laws against dumping are specific and require foreign firms to price their products to include 10% overhead costs plus an 8% profit margin.

224) C
225) B
226) D
227) D
228) C
229) A
230) C
231) A
232) B
233) B

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234) D
235) C
236) C
237) B
238) D
239) B
240) A
241) A
Export-trading companies specialize in matching buyers and sellers from different countries.

242) A
Export-trading companies are the experts in matching buyers and sellers. They deal with foreign customs offices, manage banking documentation, ease the selling process, and help exporters get paid.

243) C
The federal government created Export Assistance Centers to provide hands-on exporting assistance and trade-finance support for small and medium-sized businesses desiring to directly export their products.

244) B

Global licensing agreements have several advantages. Through licensing, an organization can gain additional revenues it normally would not have generated in its home market. Foreign licensees often must purchase start-up supplies, component materials, and consulting services from the licensing firm. Licensors spend little or no money to produce and market their products.

245) B
Through contract manufacturing a company can often experiment in a new market without heavy start-up costs. If the brand name becomes a success, the company has penetrated a new market with relatively low risk.

246) B
Benefits of international joint ventures are shared technology and shared risk.

247) A
A multinational corporation is an organization that does manufacturing and marketing in many different countries; it has multinational stock ownership and multinational management.

248) C

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As a fast-growing form of foreign direct investment, sovereign wealth funds (government-owned funds) have invested in several multinational corporations. Some international trade experts fear that the substantial size of these investments may place undue pressure on companies to make management decisions that may undermine U.S. political efforts and individual freedoms. These economic strongholds could gain control of important natural resources and sensitive technologies that could threaten the security of nations.

249) A
When opening restaurants abroad, McDonald's is careful to include menu items to please the regional tastes of its customers while also keeping staples like the Big Mac on its menu.

250) A
Licensing reduces the risk of entering foreign markets. In this case, Exotic Beverages spends little money to produce and market its product in foreign markets. The foreign-based licensee incurs these costs.

251) B
The federal government established Export Assistance Centers to provide hands-on exporting assistance and trade-finance support to small and medium-sized businesses.

252) C

When Middle Eastern farmers cultivate and harvest the farro seed in their country, and then sell it abroad to other markets, they are exporting the product. Exporting is the simplest form of international trade.

253) A
Soft drink companies often enter foreign markets by licensing the right to manufacture their product or use their trademark to a foreign company for a fee (royalty).

254) A
A joint venture is a partnership in which two or more companies (often from different countries) join to undertake a major project.

255) D
Contract manufacturing involves the production of private-label goods by a foreign company to which a domestic company then attaches its own brand name or trademark.

256) C
A foreign subsidiary is a company that is owned and operated in a foreign nation by another company called the parent company.

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257) D
Multinational corporations have multinational stock ownership, and management, as well as a physical presence in different nations.

258) B
Foreign direct investment is the buying of permanent property and businesses in foreign nations. A multinational corporation has a physical presence and investments in several countries.

259) B
A company may be exporting its entire product and deriving 100% of its sales and profits overseas, but that alone would not make it a multinational. A multinational corporation is an organization that has manufacturing and marketing operations in many different countries. It also has multinational stock ownership and multinational management.

260) B
A multinational corporation is an organization that does manufacturing and marketing in many different countries. It also has multinational stock ownership and multinational management. If relationships with host nations should falter, the firm's assets could be expropriated, a term used to describe a foreign government's takeover of a multinational company's assets.

261) A
262) B
263) B
264) A
265) C
266) C
267) B
268) B
269) C
270) C
271) C
272) A
273) A
274) B
275) C
Ethnocentricity is the view that one's culture is superior to all others.

276) A

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The understanding of cultural differences is essential to succeed in global trade. Americans have often been accused of ethnocentricity, which is an attitude that one's own culture is superior to all others. This type of attitude is a hurdle to be overcome in the global marketplace.

277) A
Technological and infrastructure differences and other physical environmental challenges impact the type of products that can be successfully exported to various regions of the world. Many less-developed countries do not have adequate electricity, while other countries do not use the U.S. standard of 110 volts. Inadequate transportation systems can cause distribution problems for perishable food items.

278) B
The Foreign Corrupt Practices Act of 1978 prohibits American businesses from making "questionable" or "dubious" payments to foreign officials to secure business contracts.

279) D
Under a system of floating exchange rates, the value of a currency "floats" according to supply and demand conditions in the market for that currency.

280) B

A fall in the value of the dollar means that American consumers will need more dollars to buy foreign goods, so imports would become more expensive. However, a falling dollar would mean U.S. goods would appear less expensive to foreign purchasers since it would take less foreign currency to purchase them.

281) B
Ethnocentricity is the feeling that one's own culture is superior to all others.

282) B
A favorable balance of trade exists when a country exports a greater value of goods than it imports. By keeping the yuan undervalued compared to other currencies, China makes it more appealing for other countries to purchase its products, and less appealing for its markets to purchase imported goods.

283) C
Sociocultural differences can also have an impact on all functions of business, including human resource management.

284) D

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Barter is the exchange of merchandise for other merchandise without an exchange of money.

285) D
Countertrading is a complex form of bartering in which several countries each trade goods or services for other goods or services.

286) C
The Foreign Corrupt Practices Act prohibits “questionable or dubious payments” to foreign officials to secure business contracts.

287) C
As many global trade experts confirm, U.S. law does not apply everywhere. The laws in many countries are inconsistent with the laws of other countries. What may be considered a grievous business act in China may be acceptable in Korea.

288) A
The Foreign Corrupt Practices Act prohibits U.S. companies from accepting bribes or providing bribes to other firms in order to win business. This law also prohibits questionable payments to foreign officials in order to secure business contracts.

289) C

A low value of the dollar means a dollar is traded for less foreign currency. This is the case here. A high value of the dollar means a dollar is trading for more foreign currency.

290) A
A low value of the dollar means a dollar is traded for less foreign currency. A high value of the dollar means a dollar is trading for more foreign currency. When the U.S. dollar is losing strength against the foreign currency, it is cheaper for foreign customers to buy U.S. products. In this case, the customer will trade fewer yen for the value of the U.S. knives.

291) D
The value of the currency in the United States had strength compared to the value of the Bahamian dollar. She will be able to get more for her money because she will receive more Bahamian currency for each dollar.

292) A
A higher value of the dollar means that a dollar would buy more foreign goods. Inventory costs, therefore, would be reduced for the U.S.-based firm.

293) C

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Physical and environmental challenges can restrict global trade. Some developing nations have primitive transportation and storage systems. People in developing nations lack the common conveniences that U.S. citizens take for granted.

294) A
295) B
296) C
297) D
298) A
299) B
300) C
301) D
302) C
303) A
304) B
305) C
306) D
307) D
308) D
309) B
310) B
The goal of mercantilism was to sell more to other nations than a country bought from other nations in order to bring about a favorable balance of trade.

311) C
Trade protectionism is the use of government regulations to limit the import of goods and services. Those in favor of trade protectionism believe that it helps domestic companies survive (including job survival at these firms) and grow.

312) D
An embargo is a complete ban on the import or export of certain products or the stopping of all trade with a specific country. The United States has imposed embargoes on Iran, Syria, North Korea, and Cuba. The embargo against Cuba has existed since 1962. In 2016, some trade restrictions were lifted and diplomatic relations restored. However, in 2017, diplomatic relations soured and restrictions again were put in place.

313) D
Protective tariffs raise the retail price of imported goods. This provides domestic companies an opportunity to price their products competitively. The domestic companies have more opportunity to keep costs down and grow, prosper, and eventually hire more people.

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314) B
In 2018, leaders from the United States, Mexico, and Canada signed a new trade deal that revised NAFTA known as the United States–Mexico–Canada Agreement (USMCA). The new agreement was ratified in 2020. The USMCA attempts to remedy the past shortcomings of NAFTA.

315) C
The USMCA introduced new rules covering digital trade, anticorruption, and good regulatory practices.

316) D
An embargo is a complete ban on the import or export of certain products.

317) D
Mercantilism is a trade policy first practiced in the seventeenth century that increased trade protectionism and encouraged nations to import fewer goods than they exported. Nations focused on strategies to this end.

318) C
Import quotas limit the number of products in certain categories that can be imported.

319) D
Nontariff barriers are not as specific or formal as tariffs, import quotas, and embargos but can be as detrimental to free trade—such as requiring eggs to be sold only in cardboard-type containers.

320) A
A protective tariff is designed to raise the retail price of imported products so that domestic products will be more competitive.

321) A
Revenue tariffs are designed to raise money for the domestic government.

322) C
A common nontariff barrier is the establishment of special requirements that foreign producers must meet before they can sell their products in a protectionist country.

323) C
Protective tariffs (import taxes) are assessed on imports to protect and grow domestic industries. The protective tariffs raise the price of imported products so domestic goods are more competitively priced.

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324) B
The EU is the European common market. Member nations have a common external tariff, no internal tariffs, and coordinated laws to facilitate exchange among members. Other common markets include Mercosur and the ASEAN. The EU has realized success in continued economic integration as the major way to compete for global business.

325) B
326) C
327) A
328) B
329) D
330) A
331) D
Because the COVID-19 pandemic caused significant supply chain disruptions throughout the world, it caused companies to question the benefits of offshore outsourcing. Many companies have talked about reshoring, which would return production and manufacturing back to the United States.

332) B
Trade experts and other advocacy groups remain concerned about China's one-party political system, documented human rights abuses in China, an increasing Chinese urban population, and China's underground economy that promotes product piracy.

333) A
One advantage of offshore outsourcing is that outsourced work allows companies to create efficiencies that in fact allow them to hire more workers.

334) D
As technical talent grows around the globe, offshore outsourcing will increase. India is providing more sophisticated services with its deep pool of well-educated scientists, engineers, chemists, accountants, lawyers, and physicians.

335) A
Concerns remain about China's significant product piracy and counterfeiting activities.

336) Essay

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Comparative advantage theory states that a country should produce and sell to other countries those products that it produces most efficiently and effectively and should buy from other countries those products it cannot produce as effectively or efficiently. An example of this is the U.S. comparative advantage in the production of wheat. This theory suggests we concentrate our efforts on products such as wheat where we have a comparative advantage and then trade for the purchase of products such as coffee where we lack specific advantages. Absolute advantage occurs when a country has a monopoly on producing a product or is able to produce it at a cost below that of all other countries. Absolute advantage often occurs with such things as mineral deposits. For example, South Africa once had an absolute advantage in diamond production. Today there are very few instances of absolute advantage in global markets. Examples will vary. Students will usually refer to nations that come close to having an absolute advantage in a natural resource. Comparative advantages can span several industries.

337) Essay

Understanding Business The Core Edition 3 by Nickels

There are several strategies a firm can use to reach global markets. Students can choose among the following: Exporting can be accomplished through the use of an export-trading company to assist in facilitating the transfer of goods from a domestic market to an international destination. This is generally considered to be the simplest method of international involvement. Licensing involves an agreement in which a producer (licensor) allows a foreign company (licensee) to produce its products in exchange for a fee (royalties). Disney is an example of a company that is involved in a licensing agreement. The company agrees to permit a foreign company, Oriental Land Company, to open Disneyland in Tokyo and Disney is paid a royalty. Licensing can be a dangerous strategy because the company is transferring technology and possibly creating a future competitor. Franchising is also a method of establishing a presence in a foreign market. Franchising is an arrangement whereby someone with a good idea for a business sells the rights to use the business name and sell a product or service to others in a given territory in a specified manner. McDonald's and Dunkin' Donuts are two excellent examples of multinational franchising. Joint ventures involve a partnership in which two or more companies (often from different countries) join to undertake a major project. Joint ventures allow for shared technology, shared marketing expertise, entry into otherwise closed markets, and shared risks. A strategic alliance is a long-term partnership between two or more companies established to help each company build competitive market advantages. Such alliances can provide firms with access to new markets, capital, and technical expertise. Unlike joint ventures, strategic alliances do not typically involve sharing costs, risks, management, or even profits. Contract manufacturing involves a foreign company producing private-label goods to which a domestic company then attaches its own brand name or trademark. Foreign direct investment is the buying of permanent property and businesses in foreign nations. The most common form of foreign direct investment is a foreign subsidiary, a company that is owned in a foreign country by another company called the parent. Creating foreign subsidiaries is an expanded level of international involvement whereby a company that is owned by another company operates in a foreign market. Gerber Baby Foods, Ralston Purina, Chef America, Lean Cuisine, and Dryer's Ice Cream are all foreign subsidiaries of Swiss-based Nestlé. Examples of strategies for reaching global markets may vary.

338) Essay

Examples will vary. Cultural differences clearly exist among nations. Americans have often been guilty of not recognizing these differences by being ethnocentric. In other words, we believe our culture is superior to all others. Religion is a part of culture and can have important impact on a firm's business operations. Work behaviors and attendance on the job can be specifically affected by religion. Cultural differences can also have an impact on such important business functions as human resource management. Workers' attitudes toward work and managers can be a reflection of culture. Marketing strategies also have to carefully take culture into consideration. Attitudes toward factors such as time, change, competition, natural resources, achievement, and even work itself can be definitively influenced by a person's culture.

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339) Essay
Examples will vary. In global markets, there is no central system of government that writes and enforces international trade laws. Laws and regulations are inconsistent from one nation to the next. For example, bribery between buyers and sellers is acceptable business behavior in many countries, but U.S. law (under the Foreign Corrupt Practices Act of 1978) prohibits U.S. companies from offering or accepting bribes in doing business. Besides bribery, nontariff barriers and counterfeiting tactics make it difficult to do business abroad.

340) Essay
Offshore outsourcing is the purchase of goods and services from foreign sources outside a firm rather than providing them within the company. Goods and services are usually outsourced to low-wage markets in the world. The pros of offshore outsourcing include: (1) less-strategic tasks can be outsourced globally so that companies can focus on areas in which they can excel and grow; (2) outsourced work allows companies to create efficiencies that in fact let them hire more workers; (3) consumers benefit from lower prices generated by effective use of global resources and developing nations grow, thus fueling global economic growth. The cons of offshore outsourcing include: (1) jobs may be lost permanently and wages fall due to low-cost competition offshore; (2) offshore outsourcing may reduce product quality and can therefore cause permanent damage to a company's reputation; (3) communication among company members, with suppliers, and with customers becomes much more difficult.

341) Section Break
341.1) B
Export Assistance Centers were established by the federal government to provide hands-on exporting assistance and trade-finance support to small and medium-sized businesses.

341.2) A
Ethnocentricity is the belief that the American way of doing things is superior to everyone else’s.

341.3) A
An increase in the value of the dollar will make American goods more expensive because it takes more foreign currency to buy U.S. goods. Foreign customers will exchange more of their currency for U.S. dollars.

341.4) D
Licensing is an agreement in which a producer allows a foreign company to produce its products in exchange for royalties.

341.5) C

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The term that describes the limiting of the number of products in certain categories that can be imported is an import quota.

341.6) B
Contract manufacturing is when a foreign manufacturer produces and private-labels goods for a domestic company. Contract manufacturing enables a company to experiment in a new market without heavy start-up costs. It also can significantly reduce the cost of labor.