

Midterm Study Guide

Midterm will include 50 questions from Chapters 1-10

Two (2) points per question

1) Small businesses are usually not involved in international business given the cost restrictions.

TRUE or FALSE

2) You are a manager at a small business, and the firm's CEO wants the firm to globalize. What suggestions would you offer to accomplish this task? Should the firm globalize? Why or why not?

SHORT ANSWER. 1 paragraph (3-5 sentences)

3) After World War II, international business was primarily triggered by the _____.

- A) loss of high-quality Japanese goods
- B) reduction of tariffs and quotas
- C) improvement of transportation
- D) introduction of the Euro

4) Who are the Four Tigers? Why are they important to international business?

SHORT ANSWER. 1 paragraph (3-5 sentences)

5) Companies doing international business are more likely to be successful when they _____.

- A) conduct frequent performance appraisals
- B) understand local market characteristics
- C) employ primarily local managers
- D) rely on experienced expatriates

6) Parker Manufacturing is considering relocating its headquarters from its current location in Vancouver, British Columbia. Executives at Parker want the firm to be located with the majority of other MNCs in the world. Which location would be most appropriate?

- A) Zurich
- B) Boston
- C) Tokyo
- D) London

7) Ellis Electronics is a U.S. firm with operations in Saudi Arabia. Ellis has learned that it may face expropriation. What would be the most likely result of such actions?

- A) higher operating costs
- B) loss of future profits
- C) higher security costs
- D) loss of assets

8) The United States limits foreigners to _____ ownership of U.S. television and radio stations.

- A) 25 percent
- B) 49 percent
- C) 67 percent
- D) 99 percent

9) According to the text, the third major source of motion pictures is _____.

- A) Nollywood
- B) Dollywood
- C) Bollywood
- D) Hollywood

10) Identify the major areas of social responsibility for international business.

SHORT ANSWER. 1 paragraph (3-5 sentences)

11) Which of the following is most susceptible to ethical variations in international business?

- A) advertising
- B) working conditions
- C) insurance benefits
- D) employee skills

12) Which of the following statements is most likely true about firms with formal codes of ethics?

- A) Virtually all ethical issues are eliminated from the firm.
- B) Ethical training is unnecessary, redundant, and too costly to be effective.
- C) Organizational practices and a strong ethical corporate culture are essential.
- D) Individual codes must be developed and implemented for each subunit in the firm.

13) Since World War II, world trade has _____.

- A) grown slightly
- B) shrunk slightly
- C) shrunk significantly
- D) grown dramatically

14) In 2016, total international merchandise trade accounted for about _____ percent of the world's GDP.

- A) 12
- B) 21
- C) 44
- D) 59

15) In 2017, China accounted for approximately _____ of the world's merchandise exports.

- A) 13.2 percent
- B) 25 percent
- C) 40 percent
- D) 55 percent

16) Ellis, a manager at an MNE, is studying international trade theories. In his current position, Ellis would most likely use this knowledge to _____.

- A) lobby for trade policy changes
- B) identify promising export and investment opportunities
- C) predict factors that motivate trade
- D) analyze foreign exchange markets

17) The World Bank can only make a loan if there is a reasonable expectation that it will be repaid.

TRUE or FALSE

18) Which country holds the largest bloc of votes in the World Bank?

- A) the United Kingdom
- B) the United States
- C) Germany
- D) Japan

19) What determines a country's borrowing power from the IMF?

- A) country size
- B) loan size
- C) a quota
- D) aggregate demand

20) Whistle-blowing is generally considered unwelcome by most Japanese firms.

TRUE or FALSE

21) The _____ is directed against international firms that traffic in the assets of U.S. companies that were confiscated by the Cuban government in 1959.

- A) Bay of Pigs Declaration
- B) Anti-Castro Act
- C) Helms-Burton Act
- D) Freeport McMoRan Doctrine

22) Which of the following is a characteristic of the Latin American negotiating style?

- A) impatience with documentation
- B) hiding of emotions
- C) drawn-out decision making
- D) a lack of loyalty to employer

23) The rising value of the Canadian dollar relative to the U.S. dollar has which of the following effects?

- A) Canadian imports to the United States are down.
- B) Canadian vacationers pay higher costs for trips to the United States.
- C) Canadian consumers pay higher prices for U.S.-made goods.
- D) Canadian retailers in border towns lose customers to U.S. stores.

24) What most likely happens when the price of yen falls?

- A) the quantity of yen demanded goes down
- B) the demand curve slopes downward
- C) the demand curve slopes upward
- D) the value of yen fluctuates

25) Which of the following is not an example of a participant in the foreign exchange market?

- A) Pakistani tourists exchanging rupees for British pounds at a bank in London
- B) British retailer Marks and Spencer purchasing appliances from a British supplier
- C) the U.S. government arranging a multimillion-dollar loan to Mexico
- D) Toyota exporting cars to Canada from factories in Japan

26) A call option _____.

- A) is a privately traded currency vehicle available only through stockbrokers
- B) grants the right to buy a specified amount of foreign currency at a set price
- C) allows the holder to buy foreign exchange at the wholesale rate
- D) is another term for currency future

27) _____ is a commodity that consists of currencies issued by countries other than one's own.

- A) Eurozone
- B) Foreign exchange
- C) Floating exchange
- D) International monetary fund

28) The price of foreign exchange is set by _____.

- A) the international monetary fund
- B) the gold standard
- C) demand and supply in the marketplace
- D) administrators of the World Bank

29) Which country has been particularly successful at nurturing domestic industries through government intervention?

- A) China
- B) India
- C) Germany
- D) Japan

30) Free trade _____.

- A) is another term for managed trade
- B) implies that the national government exerts minimal influence on the exporting and importing decisions of private firms
- C) proposes that national governments should directly help domestic firms by providing export subsidies and tax breaks
- D) suggests that the national government should actively intervene to ensure that domestic firms' exports receive an equitable share of foreign markets and that imports are controlled to minimize losses of domestic jobs and market share in specific industries

31) Fair trade is sometimes called _____.

- A) managed trade
- B) manipulated trade
- C) illusory trade
- D) right trade

32) The "level playing field" argument is primarily used to justify government policies that _____.

- A) reduce import tariffs
- B) restrict foreign competition
- C) establish regional trade blocs
- D) manipulate foreign exchange

33) The _____ holds that a country must be self-sufficient in critical raw materials, machinery, and technology or it will be vulnerable to foreign threats.

- A) national defense argument
- B) infant industry argument
- C) industrial policy
- D) strategic trade theory

34)) Strategic trade theory applies best to which industry identified below?

- A) air transportation
- B) commercial aircraft construction
- C) farming
- D) automobile manufacturing

35) What is the best means of promoting economic development in Mexico?

- A) trade
- B) mercantilism
- C) protectionism
- D) export substitutions

36) GATT is an acronym for _____.

- A) General Argument for Taxes and Tariffs
- B) General Agreement on Tariffs and Trade
- C) Group Accord on Trade Tendencies
- D) Grace, Action, Trust, and Trade

37) What organization replaced the GATT?

- A) World Bank
- B) World Trade Organization
- C) International Trade Commission
- D) NAFTA

38) The cumulative effect of GATT in developed countries was a _____.

- A) substantial reduction in tariffs
- B) small increase in tariffs
- C) substantial increase in tariffs
- D) reduction in world trade

39) Now that it has gained entry to the World Trade Organization, China represents a threat to Mexico as a low-cost manufacturing location.

TRUE or FALSE

40) Which of the following countries are not part of the North American Free Trade Agreement (NAFTA)?

- A) United States
- B) Canada
- C) Mexico
- D) Honduras

41) A(n) _____ eliminates trade barriers among member countries.

- A) free trade area
- B) customs union
- C) common market
- D) economic union

42) The integration of markets, nation-states, and technologies in a way that is enabling individuals, corporations, and nation-states to reach around the world farther, faster, deeper, and cheaper than ever before is referred to as _____.

- A) international business organization
- B) market internationalization
- C) economic integration
- D) globalization

43) Which of the following is the most likely reason that firms globalize?

- A) boredom with existing markets
- B) the divesting of low-cost resources
- C) leveraging core competencies
- D) competing for public prestige

44) Sam's Club purchases kalamata olives from Greece for sale in its stores. Which international business activity does this represent?

- A) exporting
- B) importing
- C) merchandising
- D) franchising

45) Which of the following could be considered a major reason that a city would want to host the Olympic Games?

- A) to prevent the economic growth of competing nations
- B) the long-term benefits of tourism
- C) to test the capacity of national infrastructure
- D) to promote international harmony

46) Hinduism is the dominant religion in India.

TRUE or FALSE

47) Countries designated "middle income" have per capita incomes of _____.

- A) less than \$995
- B) between \$1,025 and \$12,476
- C) between \$12,477 and \$23,221
- D) between \$23,222 and \$34,021

48) _____ is the money sent out of a politically or economically unstable country to one perceived as a safe haven.

- A) Invoicing currency
- B) Flight capital
- C) Capital substitution
- D) Foreign currency

49) Which of the following markets has the GREATEST impact on the world's current economic activity?

- A) United States
- B) European Union
- C) China
- D) Japan

50) One likely consequence of the diminishing Arctic ice cap is _____.

- A) less war
- B) more affordable utility rates for lesser-developed nations
- C) an increase in regional tourism
- D) the creation of the Northwest Passage

51) _____ is the foundation of the legal systems in the United Kingdom and its former colonies.

- A) Common law
- B) Civil law
- C) Religious law
- D) Bureaucratic law

52) Common law has evolved differently in each common law country. Thus, laws affecting business practices vary somewhat among these countries, creating potential problems for the uninformed international businessperson.

TRUE or FALSE

53) _____ is political risk that affects only a specific firm or firms within a specific industry.

- A) Inclusive political risk
- B) Exclusive political risk
- C) Micropolitical risk
- D) Macropolitical risk

54) Operating risk occurs when the property of an MNE is threatened through either confiscation or expropriation.

TRUE or FALSE

55) Industries that are most vulnerable to nationalization are those that lack mobility, such as mining and oil refining.

TRUE or FALSE

56) Which of the following is not a component of social structure?

- A) individual roles
- B) stratification of society
- C) individual mobility within society
- D) societal dress codes within regions

57) Businesses in _____ discourage nepotism while in _____ family ties are crucial to ensure the growth of a company.

- A) the U.S.; China
- B) China; Germany
- C) Saudi Arabia; the United Kingdom
- D) France; the United States

58) Which country listed below is a group-focused society?

- A) Japan
- B) Germany
- C) Ireland
- D) Canada

59) Quadro Tires is an MNE with facilities in Australia, Ireland, Canada, and the United States. Which of the following is the least likely problem that Quadro experiences in global management?

- A) political risks
- B) cultural differences
- C) language complications
- D) supply chain variations

60) Which regulation prohibits the offering of bribes to any foreign government official in order to influence official actions or policies of that official or to gain or retain business?

- A) Foreign Corrupt Practices Act
- B) Helms-Burton Act
- C) Alien Tort Claims Act
- D) Disclosure of Conflict Act

61) What is the purpose of the Alien Tort Claims Act?

- A) It protects individuals from human rights abuses.
- B) It eliminates bribery in international business transactions.
- C) It inspects working conditions of factories in developing countries.
- D) It prohibits conflicts of interest among employees of international businesses.

62) Companies that are socially responsible to their investors do which of the following?

- A) provide appropriate information to shareholders and investors
- B) fail to use corporate resources judiciously
- C) thwart appropriate accounting procedures
- D) manipulate stock prices

63) The term _____ refers to those people and organizations that are directly affected by the practices and performance of an organization.

- A) corporate customers
- B) permanent employees
- C) community stockholders
- D) stakeholders

64) The primary purpose of the Kimberley Process is to eliminate the smuggling and corruption associated with the South African diamond industry.

TRUE or FALSE

65) The _____ of a good is the value of what is given up to get the good.

- A) relative cost
- B) opportunity cost
- C) absolute cost
- D) discount cost

66) Saudi Arabia has large crude oil reserves, and Bangladesh has a large pool of skilled workers. These are both examples of _____.

- A) factor endowments
- B) economies of scope
- C) production factors
- D) opportunity costs

67) In the _____ stage of the international product life cycle, the product becomes commodity-like and price becomes very important.

- A) new product
- B) maturing product
- C) standardized product
- D) international product

68) Which theory of international trade explains that success in international trade comes from the interaction of four country- and firm-specific elements?

- A) national competitive advantage
- B) country similarity
- C) absolute advantage
- D) relative factor endowments

69) Which of the following is considered a form of intellectual property?

- A) real estate
- B) human resources
- C) a brand name
- D) capital investments

70) An _____ is the price of one currency in terms of a second currency.

- A) export rate
- B) exchange rate
- C) excise tax rate
- D) interest payment

71) The _____ records international transactions.

- A) balance of payments accounting system
- B) international accounting standards
- C) gold standard procedure
- D) ISO 9000 system

72) The _____ records the levels of gold, convertible currencies, special drawing rights, and reserve positions at the IMF held by a national government.

- A) current account
- B) capital account
- C) debt account
- D) official reserves account

73) Which term refers to linking a currency value to the value of gold?

- A) exchanging
- B) pegging
- C) pledging
- D) standardizing

74) The _____ refers to an international monetary system in which countries agreed to buy or sell their paper currencies in exchange for gold on the request of any individual or firm and to allow the free export of gold.

- A) foreign exchange system
- B) free market system
- C) gold standard
- D) mercantilism

75) The international monetary system provides a mechanism for _____.

- A) establishing global accounting standards
- B) enforcing the payment of importing tariffs and fees
- C) correcting imbalances between a country's international payments and its receipts
- D) increasing a country's paper currency value in comparison to the global gold standard