

**TEST BANK**

# **International Business**

**Competing in the Global Marketplace**

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**12th Edition**

**International  
Business**  
Competing in the Global Marketplace  
12e



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G. Tomas M. Hult

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***International Business, 12e (Hill)***

**Chapter 1 Globalization**

1) Since Wally's Whistles is a medium-size business, it wouldn't benefit from globalization.

Answer: FALSE

Explanation: A company does not have to be the size of multinational giants to facilitate, and benefit from, the globalization of markets. In the United States, for example, according to the International Trade Administration, more than 300,000 small and medium-size firms with fewer than 500 employees exported in 2017, accounting for 98 percent of the companies that exported that year.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Understand

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2) Globalization of production can help companies lower their overall cost structure or improve the quality or functionality of their product offering.

Answer: TRUE

Explanation: The globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production. By doing this, companies hope to lower their overall cost structure or improve the quality or functionality of their product offering, thereby allowing them to compete more effectively.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Analytical Thinking

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3) Johann's business does not make consumer products; therefore, it would not be likely to participate in global markets.

Answer: FALSE

Explanation: Most global markets currently are not markets for consumer products—where national differences in tastes and preferences are still often important enough to act as a brake on globalization—but markets for industrial goods and materials that serve a universal need the world over.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

4) Outsourcing is a process that is limited to manufacturing enterprises.

Answer: FALSE

Explanation: Early outsourcing efforts were primarily confined to manufacturing activities. Increasingly, however, companies are taking advantage of modern communications technology, particularly the Internet, to outsource service activities to low-cost producers in other nations.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

5) The World Bank has focused on policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties.

Answer: FALSE

Explanation: The World Trade Organization is primarily responsible for policing the world trading system and making sure nation-states adhere to the rules laid down in trade treaties signed by WTO member states. The World Bank was set up to promote economic development.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

6) When Cyprus had a financial crisis, it went to the World Bank, known as the lender of last resort, to bail it out.

Answer: FALSE

Explanation: The IMF was established to maintain order in the international monetary system. It is often seen as the lender of last resort to nation-states whose economies are in turmoil and whose currencies are losing value against those of other nations.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

7) One of the UN's central mandates is the promotion of higher standards of living, full employment, and conditions of economic and social progress and development.

Answer: TRUE

Explanation: Although the UN is perhaps best known for its peacekeeping role, one of the organization's central mandates is the promotion of higher standards of living, full employment, and conditions of economic and social progress and development—all issues that are central to the creation of a vibrant global economy.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

8) The Uruguay Round, finalized in December 1993, reduced protection for patents, trademarks, and copyrights.

Answer: FALSE

Explanation: Under the umbrella of GATT, the most recent negotiations to be completed, known as the Uruguay Round, were finalized in December 1993. The Uruguay Round provided enhanced protection for patents, trademarks, and copyrights.

Difficulty: 1 Easy

Topic: Drivers of Globalization

Learning Objective: 01-02 Recognize the main drivers of globalization.

Bloom's: Remember

AACSB: Knowledge Application

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9) "Beggars thy neighbor" retaliatory trade policies involved countries progressively lowering trade barriers against each other, which contributed to the Great Depression of the 1930s.

Answer: FALSE

Explanation: The typical aim of tariffs on imports of manufactured goods was to protect domestic industries from foreign competition. One consequence, however, was "beggars thy neighbor" retaliatory trade policies, with countries progressively raising trade barriers against each other. Ultimately, this depressed world demand and contributed to the Great Depression of the 1930s.

Difficulty: 1 Easy

Topic: Drivers of Globalization

Learning Objective: 01-02 Recognize the main drivers of globalization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

10) Rivers Inc., a U.S.-based sports apparel manufacturer, sets up a production unit in China to take advantage of the lower labor costs there. This is an example of foreign direct investment.

Answer: TRUE

Explanation: Foreign direct investment (FDI) occurs when a firm invests resources in business activities outside its home country.

Difficulty: 2 Medium

Topic: Drivers of Globalization

Learning Objective: 01-02 Recognize the main drivers of globalization.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

11) World Bank gives aid of \$100 million to Kenya for creating rural health care facilities. This is an example of foreign direct investment.

Answer: FALSE

Explanation: Foreign direct investment (FDI) occurs when a firm invests resources in business activities outside its home country.

Difficulty: 2 Medium

Topic: Drivers of Globalization

Learning Objective: 01-02 Recognize the main drivers of globalization.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

12) The lowering of barriers to international trade enables firms to view the world, rather than a single country, as their market.

Answer: TRUE

Explanation: The lowering of barriers to international trade enables firms to view the world, rather than a single country, as their market.

Difficulty: 1 Easy

Topic: Drivers of Globalization

Learning Objective: 01-02 Recognize the main drivers of globalization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

13) According to WTO data, the volume of world merchandise trade has grown faster than the world economy since 1950.

Answer: TRUE

Explanation: According to WTO data, the volume of world merchandise trade has grown faster than the world economy since 1950.

Difficulty: 1 Easy

Topic: Drivers of Globalization

Learning Objective: 01-02 Recognize the main drivers of globalization.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

14) The cost of microprocessors continues to fall, while their power increases. This statement supports the predictions made by Moore's Law.

Answer: TRUE

Explanation: The cost of microprocessors continues to fall, while their power increases (a phenomenon known as Moore's Law, which predicts that the power of microprocessor technology doubles and its cost of production falls in half every 18 months).

Difficulty: 1 Easy

Topic: Drivers of Globalization

Learning Objective: 01-02 Recognize the main drivers of globalization.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

15) Foreign direct investment by non-U.S. firms increased because they wanted to disperse production activities to optimal locations and to build a direct presence in major foreign markets.

Answer: TRUE

Explanation: As the barriers to the free flow of goods, services, and capital fell, and as other countries increased their shares of world output, non-U.S. firms increasingly began to invest across national borders. The motivation for much of this foreign direct investment by non-U.S. firms was the desire to disperse production activities to optimal locations and to build a direct presence in major foreign markets.

Difficulty: 2 Medium

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

16) A current trend in international business is the decline of medium-sized and small multinationals, known as mini-multinationals.

Answer: FALSE

Explanation: Since the 1960s, two notable trends in the demographics of the multinational enterprise have been (1) the rise of non-U.S. multinationals and (2) the growth of mini-multinationals.

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

17) The globalization of the world economy has resulted in a relative increase in the dominance of U.S. firms in the global marketplace.

Answer: FALSE

Explanation: By 2017, some 27 percent, or 540 firms, of the Top 2000 global firms are now U.S. multinationals, a drop of 236 firms in only about a decade and a half. Japanese and U.K. firms also saw declines in inclusion among the Top 2000 firms in the world. The globalization of the world economy has resulted in a relative decline in the dominance of U.S. firms in the global marketplace

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

18) Because Russia has shown signs of shifting back toward greater state involvement in economic activity and authoritarian government, doing business in Russia is considered risky.

Answer: TRUE

Explanation: Disturbing signs of growing unrest and totalitarian tendencies continue to be seen in several Eastern European and Central Asian states, including Russia, which has shown signs of shifting back toward greater state involvement in economic activity and authoritarian government. Thus, the risks involved in doing business in such countries are high, but so may be the returns.

Difficulty: 1 Easy

Topic: The Changing Nature of the Global Economy

Learning Objective: 01-03 Describe the changing nature of the global economy.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

19) According to globalization critics, the decline in unskilled wage rates is due to the migration of low-wage manufacturing jobs offshore and a corresponding reduction in demand for unskilled workers.

Answer: TRUE

Explanation: Globalization critics argue that the decline in unskilled wage rates is due to the migration of low-wage manufacturing jobs offshore and a corresponding reduction in demand for unskilled workers.

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

20) Evidence suggests that technological change has had a bigger impact than globalization on the declining share of national income enjoyed by unskilled labor.

Answer: TRUE

Explanation: Evidence suggests that technological change has had a bigger impact than globalization on the declining share of national income enjoyed by unskilled labor.

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

21) According to supporters of free trade, as countries get richer they commit greater violation of environmental and labor regulations.

Answer: FALSE

Explanation: Supporters of free trade and greater globalization argue that tougher environmental regulations and stricter labor standards go hand in hand with economic progress. In general, as countries get richer, they enact tougher environmental and labor regulations.

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

22) According to critics of globalization, today's interdependent global economy limits a nation's national sovereignty.

Answer: TRUE

Explanation: A concern voiced by critics of globalization is that today's increasingly interdependent global economy shifts economic power away from national governments and toward supranational organizations such as the World Trade Organization, the European Union, and the United Nations.

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Understand

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

23) According to supporters of debt relief, new democratic governments in poor nations should not be forced to honor debts incurred by corrupt and dictatorial predecessors.

Answer: TRUE

Explanation: Supporters of debt relief argue that new democratic governments in poor nations should not be forced to honor debts that were incurred and mismanaged long ago by their corrupt and dictatorial predecessors.

Difficulty: 1 Easy

Topic: The Globalization Debate

Learning Objective: 01-04 Explain the main arguments in the debate over the impact of globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

24) A firm needs to become a multinational enterprise to engage in international business.

Answer: FALSE

Explanation: An international business is any firm that engages in international trade or investment. A firm does not have to become a multinational enterprise, investing directly in operations in other countries, to engage in international business, although multinational enterprises are international businesses.

Difficulty: 2 Medium

Topic: Challenges and Opportunities Created by Globalization

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

25) Managing an international business is quite similar to managing a domestic business.

Answer: FALSE

Explanation: International business differs from domestic business because of the greater complexity of managing an international business. In addition to the problems that arise from the differences between countries, a manager in an international business is confronted with a range of other issues that the manager in a domestic business never confronts.

Difficulty: 2 Medium

Topic: Understanding the Differences Between International and Domestic Business

Learning Objective: 01-05 Understand how the process of globalization is creating opportunities and challenges for business managers.

Bloom's: Analyze

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

26) \_\_\_\_\_ refers to the shift toward a more integrated and interdependent world economy

A) Outsourcing

B) International marketing

C) Privatization

D) Globalization

Answer: D

Explanation: This is the definition of globalization.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

27) In 2008 and 2009, the \_\_\_\_\_ became the forum through which major nations attempted to launch a coordinated policy response to the global financial crisis, which started in America.

- A) GATT
- B) Group of Ten (G20)
- C) Group of Twenty (G20)
- D) World Trade Organization

Answer: C

Explanation: Originally, the G20 was established to formulate a coordinated policy response to financial crises in developing nations. In 2008 and 2009, it became the forum through which major nations attempted to launch a coordinated policy response to the global financial crisis that started in America and then rapidly spread around the world.

Difficulty: 1 Easy

Topic: What Is Globalization?

Learning Objective: 01-01 Understand what is meant by the term globalization.

Bloom's: Remember

AACSB: Knowledge Application

Accessibility: Keyboard Navigation

28) The Uruguay Round provided

- A) reduced protection for patents, trademarks, and copyrights.
- B) enhanced protection for patents, trademarks, and copyrights.
- C) increased trade barriers.
- D) reduced coverage of services and manufactured goods.

Answer: B

Explanation: Under the umbrella of GATT, the most recent negotiations to be completed, known as the Uruguay Round, were finalized in December 1993. The Uruguay Round provided enhanced protection for patents, trademarks, and copyrights.

Difficulty: 2 Medium

Topic: Drivers of Globalization

Learning Objective: 01-02 Recognize the main drivers of globalization.

Bloom's: Apply

AACSB: Knowledge Application

Accessibility: Keyboard Navigation