MULTIPLE CHOICES 100% (2.5% each)

1. An MNE is
   1) any business that is headquartered in two or more nations
   2) any business that has productive activities in two or more countries
   3) a government-sponsored firm that is jointly owned by multiple nations
   4) a joint venture between firms from different countries

2. The ______ 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 member states.
   1) International Monetary Fund
   2) World Bank
   3) United Nations
   4) World Trade Organization

3. The ______ focuses on low-interest rate loans to cash-strapped governments in poor nations that wish to undertake significant infrastructure investments.
   1) the International Monetary Fund
   2) the World Trade Organization
   3) the United Nations
   4) the World Bank

4. Which of the following does not help create an economic system that is favorable to international business?
   1) decreased privatization
   2) widespread deregulation
   3) open markets
   4) falling trade and investment barriers

5. For international companies ______ creates a more favorable environment for international business.
   1) collectivism
   2) dictatorships
   3) totalitarianism
   4) individualism

6. The most common form of theocratic totalitarianism is based on
   1) Islam
   2) Christianity
   3) a non secular philosophy
   4) collectivism

7. Confucianism
   1) has strong religious ideology
   2) revolves around personal salvation and the supernatural
   3) teaches the importance of attaining personal salvation through right action
   4) is dominant throughout parts of Africa and Latin America

8. A society in which the ties between individuals were loose and individual achievement and freedom were highly valued would be reflected in the ______ dimension of Hofstede’s study.
   1) individualism vs. collectivism
   2) masculinity vs. femininity
   3) uncertainty avoidance
   4) power distance
9. Hofstede’s uncertainty avoidance dimension considered
   1) the extent to which different cultures socialized their members into accepting ambiguous situations
      and tolerating uncertainty
   2) the relationship between gender and work roles
   3) how a society deals with the fact that people are unequal in physical and intellectual capabilities
   4) the relationship between the individual and his or her fellows

10. The belief in the superiority of one’s own culture is known as
    1) ethnocentrism  2) geocentrism  3) polycentrism  4) sociocentrism

11. The most common ethical issues in international business involve all of the following except
    1) human rights  2) the moral obligation of multinational corporations
    3) shareholder protection  4) environmental regulations

12. According to _________ the social responsibility of business is to increase profits, so long as the company stays within the rules of law.
    1) the naive immoralist  2) the righteous moralist
    3) cultural relativism  4) the Friedman doctrine

13. According to Ricardo, limiting the imports of textiles in the U.S.
    1) only serves the interest of domestic producers
    2) is beneficial to U.S. consumers
    3) hurts American textile producers and their employees
    4) has little effect on the U.S. population as a whole

14. _________ suggests the interplay between the proportions in which the factors of production are available in different countries and the proportions in which they are needed for producing particular goods help explain international trade patterns.
    1) Ricardo  2) Heckscher-Ohlin  3) Vernon  4) Porter

15. Which theory stresses that in some cases countries specialize in the production and export of particular products not because of underlying differences in factor endowments but because in certain industries the world market can support only a limited number of firms?
    1) Balanced trade  2) Heckscher-Olin  3) New trade  4) Product life-cycle

16. By lowering production costs, _________ help domestic producers compete against foreign imports.
    1) tariffs  2) duties  3) quotas  4) subsidies

17. When goods are being sold cheaper at home, or below their cost of production _________ has occurred.
    1) market saturation  2) price undercutting  3) production efficiency  4) dumping
18. A Greenfield investment
   1) is a form of FDI that involves the establishment of a new operation in a foreign country
   2) involves a 7 percent investment in a foreign business entity
   3) involves a merger with a foreign business
   4) occurs when a firm acquires another company in a foreign country

19. When brand loyalty, customer relationships, or distribution systems are important, ______ investments are appropriate.
   1) merger and acquisition
   2) Greenfield
   3) portfolio
   4) new construction

20. ______ is more expensive and more risky than ________.
   1) exporting, licensing
   2) licensing, FDI
   3) exporting, FDI
   4) FDI, licensing

21. According to ________, FDI will be preferred whenever there are impediments that make both exporting and the sale of know-how difficult and/or expensive.
   1) internalization theory
   2) internationalization theory
   3) perfect markets theory
   4) small markets theory

22. Within the free market framework, the MNE is:
   1) an instrument that oppresses developing nations
   2) an instrument for dispersing the production of goods and services to the most efficient locations around the globe
   3) an instrument that fails to distinguish between efficient locations and inefficient locations for the production of goods and services around the world
   4) an extension of the policies of industrialized nations

23. A ________ occurs when a country imports more goods, services, and income than it exports.
   1) debit account surplus
   2) current account surplus
   3) debit account deficit
   4) current account deficit

24. Home country policies designed to encourage outward FDI include all of the following except
   1) capital assistance
   2) tax incentives
   3) capital outflow limits
   4) foreign risk insurance

25. Canada, Mexico, and the United States have implemented
   1) NAFTA
   2) MERCOSUR
   3) APEC
   4) FTAA
26. Which of the following selections accurately depicts the levels of economic integration from least integrated to most integrated?
   1) Common market, economic union, full political union, free trade area, and customs union
   2) Common market, economic union, full political union, free trade area, and customs union
   3) Free trade area, customs union, common market, economic union, and full political union
   4) Full political union, free trade area, common market, customs union, and economic union

27. To establish a _____ there must be a significant degree of harmony and cooperation on fiscal, monetary, and employment policies.
   1) customs union
   2) common market
   3) free trade area
   4) free trade zone

28. _____ suggests that given relatively efficient markets, the price of a basket of goods should be roughly equivalent in each country.
   1) the theory of efficient markets
   2) the law of one price
   3) the theory of price inflation
   4) Purchasing Power Parity

29. Economic theory suggests that when inflation is expected to be high
   1) interest rates will be low
   2) exchange rates will be high
   3) the International Fisher Effect does not hold
   4) interest rates will be high

30. Some countries, while not adopting a formal pegged rate, try to hold the value of their currency within some range against an important reference currency such as the U.S. dollar. This is often referred to as:
   1) phantom float
   2) shadow float
   3) dirty float
   4) indirect float

31. Responding to _________ requires that a firm differentiate its product offering and marketing strategy from country to country in an effort to respond to differences in consumers tastes and preferences, business practices, distribution channels, competitive conditions, and government policies.
   1) pressure for cost reductions
   2) pressure for experience effects
   3) pressure for location economies
   4) pressure to be locally responsive

32. When a firm has a strategic goal of pursuing a low cost strategy on a global scale, the firm should follow
   1) a global standardization strategy
   2) a localization strategy
   3) an international strategy
   4) a transnational strategy
33. In transnational firms, the need to realize location and experience curve economies requires some degree of ______ control over global production centers. However, the need for local responsiveness dictates the ______ of many operating decisions, particularly for marketing, to foreign subsidiaries.
   1) integrated, parallel decentralization
   2) decentralized, centralization
   3) integrated, parallel centralization
   4) centralized, decentralization

34. In firms pursuing a ______ strategy, each national operation is a stand-alone entity and can be judged on its own merits.
   1) localization
   2) area
   3) international
   4) matrix

35. Firms engaging in ______ with a local company can benefit from a local partner’s knowledge of the host country’s competitive conditions, culture, language, political systems, and business systems.
   1) turnkey projects
   2) joint ventures
   3) Greenfield investments
   4) licensing arrangements

36. Firms form strategic alliances for all of the following reasons except
   1) strategic alliances facilitate entry into a foreign market
   2) strategic alliances allow firms to combine finances and avoid costly and risky foreign exchange transactions
   3) strategic alliances allow firms to share the fixed costs and risks in new product development
   4) strategic alliances enable firms to bring together complementary skills and assets that neither company could easily develop on its own

37. If market segments transcend national borders,
   1) the company should develop unique products for each national market
   2) the company can view the global market as a single entity and pursue a standardized strategy
   3) a localization strategy would be appropriate
   4) consumers have differing purchasing behavior in different nations

38. The extent to which the place of manufacturing influences product evaluations is known as
   1) source effects
   2) country of origin effects
   3) noise effects
   4) location effects

39. A(n) ______ staffing policy requires host country nationals to be recruited to manage subsidiaries, while parent company nationals occupy key positions at corporate headquarters.
   1) polycentric
   2) geocentric
   3) ethnocentric
   4) transcentric

40. The most common method by which firms transfer funds from foreign subsidiaries to the parent is:
   1) transfer prices
   2) fronting loans
   3) dividend remittances
   4) royalty payments