

## Chapter 02

### The Political, Legal, and Technological Environment

#### True / False Questions

1. The Arab Spring was the first sign of unrest in the Middle East in two centuries.

True   False

2. As was true with previous rebellions in the region, the Arab Spring led to real reforms at a deliberate pace.

True   False

3. Before he was overthrown, Mubarak of Egypt had been one of the most powerful leaders in the region for 30 years.

True   False

4. Evidence shows that the initial "Day of Revolt" in Egypt in 2011 was coordinated online through Twitter.

True   False

5. Many firms try to work collaboratively with governments as new laws, policies, and regulations are introduced.

True   False

6. The rapid changes in the technological environment of global business is an ongoing challenge for international managers.

True False

7. The domestic and international political environment has a major impact on multinational corporations.

True False

8. Collectivism emerged in Italy and France as "national socialism."

True False

9. Great Britain's Labour Party practices "democratic socialism."

True False

10. According to the text, Russia presents the extreme example of how the political environment impacts on international management.

True False

11. Common law is derived from Roman law and is found in the non-Islamic and non-socialist countries such as France, some countries in Latin America and even Louisiana in the United States.

True False

12. The doctrine of civility holds that there must be mutual respect for the laws, institutions, and government of other countries in the manner of jurisdiction over their own citizens.

True False

13. Under the act of state doctrine, all acts of other governments are considered to be valid by U.S. courts, even if such acts are inappropriate in the United States.

True False

14. The FCPA makes it illegal to influence foreign officials through the granting of favorable tariff rates.

True False

15. The objectives of the FCPA were to stop U.S. MNCs from initiating or perpetuating corruption in foreign governments and to upgrade the image of both the United States and its businesses abroad.

True False

16. The current move toward privatization by an increasing number of countries is an example of the changing international regulatory environment.

True False

17. Trade agreements do not require that trade benefits accorded to one nation be extended to other nations that are party to that agreement.

True False

18. Embedded learning technology will allow thinking to occur in machines.

True False

19. One reason for the rapid increase in telecommunications services is that many countries believe that without an efficient communications system, their economic growth may stall.

True False

20. Technology does not have the potential to displace employees holding positions traditionally reserved for human thinking.

True False

## Multiple Choice Questions

21. Which of the following statements is untrue?

- A. Social media is an organizing tool.
- B. Social media is an unreliable form of journalism.
- C. Various groups have used social media to gather support.
- D. Social media impacts international business ventures.

22. The Arab Spring began in:

- A. Egypt
- B. Bahrain
- C. Tunisia
- D. Syria

23. Northern Africa and the Middle East independent protests that led to government reforms between 2010 and 2011 did not include this country.

- A. Yemen
- B. Egypt
- C. Libya
- D. Iran

24. Social media can positively impact international business by:

- A. Facilitating a fast transition to more open trade and business dealings
- B. Increasing shipping and logistical costs of goods
- C. Limiting the economic effects to the country experiencing unrest
- D. Stabilizing fuel costs

25. In a business context, individualism is synonymous with:

- A. Collectivism
- B. Socialism
- C. Totalitarianism
- D. Capitalism

26. Aristotle and David Hume contributed to the principle of:

- A. Socialism
- B. Collectivism
- C. Individualism
- D. Communism

27. Which two countries led the effort to mobilize public and private support for Greece in 2010?

- A. France and Germany
- B. Britain and France
- C. Spain and France
- D. Germany and Britain

28. One of the biggest impediments to attracting more foreign investment in Russia is:

- A. Legal mandates
- B. Economic opportunities
- C. Political corruption
- D. Religious practices

29. Communism as an economic system has failed due to the tendency of common goals to stunt:

- A. Progress and individual creativity
- B. Individual productivity
- C. Individual freedom
- D. Profit and growth

30. Governmental power in a democracy is limited by:

- A. The accountability of the elected representatives to the general public
- B. Individual freedom-such as freedom of expression and assembly
- C. The police force which is independent of the state
- D. Limiting the number of terms for which a representative may be elected

31. Political repression and denial of rights and civil liberties are dominant ideals of:

- A. Totalitarianism
- B. Socialist democracy
- C. Collectivism
- D. Monarchy

32. The totalitarian form of government is to be seen in:

- A. Singapore and Cambodia
- B. Germany and Italy
- C. Latin America only
- D. Vietnam, Cuba, and North Korea

33. Multinational corporations in China are faced with a multitude of problems **except**:
- A. Government regulations
  - B. Questionable treatment of foreign firms
  - C. Market growth opportunities
  - D. Understanding what is needed from investors, resulting in mixed signals
34. \_\_\_\_ law comes from English law and is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand, and others.
- A. Civil or code
  - B. Islamic
  - C. Socialist
  - D. Common
35. Identify from the following the correct statement on civil law.
- A. It comes from English law and is found in nonsocialist countries
  - B. It is to be found in countries of Central Asia
  - C. It is derived from Roman law and is found in nonsocialist countries such as France
  - D. It is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand and other nations
36. The \_\_\_\_ holds that governments have the right to rule themselves as they see fit.
- A. Principle of sovereignty
  - B. Nationality principle
  - C. Territoriality principle
  - D. Protective principle

37. International law includes the following types of jurisdictional principles:
- A. Nationality, territoriality, and protective
  - B. Territoriality, sovereignty, and nationality
  - C. Good citizenship, territoriality, and protective
  - D. Protective, comity, and sovereignty
38. The \_\_\_\_ principle holds that every country has jurisdiction (authority or power) over its citizens no matter where they are located.
- A. Comity
  - B. Nationality
  - C. Territoriality
  - D. Sovereignty
39. The \_\_\_\_ principle holds that every nation has the right of jurisdiction within its legal territory.
- A. Sovereignty
  - B. Protective
  - C. Territoriality
  - D. Nationality
40. The \_\_\_\_ principle holds that every country has jurisdiction over behavior that adversely affects its national security, even if that conduct occurred outside the country.
- A. Territoriality
  - B. Nationality
  - C. Sovereignty
  - D. Protective



41. The \_\_\_\_ holds that there must be mutual respect for the laws, institutions, and the government of other countries in the matter of jurisdiction over their own citizens.
- A. Doctrine of protectionism
  - B. Doctrine of civility
  - C. Doctrine of mutual understanding
  - D. Doctrine of comity
42. U.S. laws require equality in the workplace for all employees. U.S. citizens who take a job in Germany cannot sue their German employer under the provisions of U.S. law for failure to provide equal opportunity for them. This is in line with the:
- A. Principle of sovereignty
  - B. Nationality principle
  - C. Doctrine of comity
  - D. Act of state doctrine
43. Under the \_\_\_\_, all acts of other governments are considered to be valid by U.S. courts, even if such acts are inappropriate in the United States.
- A. Act of state doctrine
  - B. Act of international civility
  - C. Act of judicial sovereignty
  - D. Act of international understanding
44. Countries have the legal right to refuse admission of foreign citizens and to impose special restrictions on the following *except*:
- A. Conduct
  - B. Right of travel
  - C. Spending
  - D. What business they may conduct

45. The statute that makes it illegal to influence foreign officials through personal payment of political contributions is referred to as the:
- A. Fairness in International Affairs Act
  - B. Foreign Corrupt Practices Act
  - C. Global Ethics Act
  - D. Fair Treatment of Foreign Citizens Act
46. Critics of the Foreign Corrupt Practices Act feared the loss of sales to foreign competitors, especially in those countries where:
- A. Customs are adhered to
  - B. Political stability exists
  - C. Common law is applicable
  - D. Bribery is an accepted means
47. It was reported that since the passage of the Foreign Corrupt Practices Act (FCPA):
- A. MNCs could not function within the set guidelines
  - B. Algeria and Saudi Arabia no longer allowed U.S. firms to do business there
  - C. There was a 30 percent loss of sales to foreign competitors
  - D. U.S. exports to "bribe prone" countries actually increased
48. Because of the extensive bureaucracy in Japan,
- A. Parochial actions create problems for MNCs trying to do business there
  - B. Political parties feel more beholden to the country as a whole than to their local interests
  - C. The country's recent Prime Ministers have tried to fix the resulting problems
  - D. Businesses believe they are well prepared for the harsh competitive realities of the international marketplace

49. Out of fear of creating internal political problems for U.S. allies, the U.S. State Department tried to convince the SEC and Justice Department to \_\_\_\_ the names of countries or foreign officials who were involved in its investigations of bribery.
- A. Not reveal
  - B. Disclose
  - C. Charge officials not to reveal
  - D. Publish in the *New York Times*
50. U.S. MNCs always assumed that bribes were required to ensure contracts in:
- A. India
  - B. The Middle East
  - C. Asia Pacific
  - D. Eastern Europe
51. According to the text, \_\_\_\_ is one of the biggest problems facing MNCs.
- A. Fear of investing abroad
  - B. Loss of sales to foreign competitors
  - C. Uneven ethical standards
  - D. Very restrictive foreign bureaucracies
52. Japanese companies are aware that their dependency on the world market for many goods and services is negatively impacted by \_\_\_\_, resulting in local consumers paying the price.
- A. The balance of payments
  - B. Bureaucratization
  - C. Trade imbalances
  - D. Financial exchange

53. Which country does not rank high on the ease-of-doing-business index?

- A. the Philippines
- B. Singapore
- C. United Kingdom
- D. the United States

54. The creation of a digital framework:

- A. Made business communication vastly more expensive
- B. Made the microprocessor obsolete
- C. Allowed high-power computer performance at low cost
- D. Required satellites for all forms of communication

55. The term "e-cash" stands for:

- A. Easy cash
- B. Export cash
- C. Electronic cash
- D. Exchange cash

56. According to the text, the most popular form of e-business is:

- A. B2B dealings
- B. B2C dealings
- C. Financial dealings
- D. E-retailing

57. The area of e-business that will most affect global customers is:
- A. E-marketing
  - B. E-retailing and financial services
  - C. Retailing
  - D. Internet sales
58. The most obvious dimension of the technological environment facing international managers today is:
- A. Telecommunications
  - B. Transportation
  - C. Agricultural mechanization
  - D. Improved service technologies
59. Identify the correct statement on cellular infrastructure.
- A. It is expensive to install
  - B. It is quick and relatively inexpensive to install
  - C. It is relatively inexpensive to install but takes time
  - D. It cannot be installed easily and cheaply in rural areas
60. Over the next decade, the merging of the Internet and wireless technology will radically change the ways in which people:
- A. Spend
  - B. Socialize
  - C. Communicate
  - D. Invest

61. Governments are accepting the belief that the only way to attract foreign investment and know-how in telecommunications is to:
- A. Cede control to private industry
  - B. Get cheaper service providers
  - C. Get cheap and efficient labor
  - D. Get private partners
62. According to the text, NYNEX holds a stake in:
- A. Telecom New Zealand
  - B. Thailand's Telecom Asia
  - C. Australia's Optus
  - D. Thailand's Globe Telecom
63. The Hong Kong office of Salomon Brothers, a U.S. investment bank, estimates that to meet the expanding demand for telecommunication service in Asia, companies will need:
- A. Cheaper technology
  - B. Cheap and efficient labor
  - C. Considerable increase in investment
  - D. Cheaper service providers
64. Some observers have noted that technology already has eliminated much and in the future will eliminate even more of the work now being done by:
- A. Top level managers
  - B. Middle managers and white-collar staff
  - C. Maintenance workers
  - D. Line employees and service staff

65. \_\_\_\_ has placed pressure on MNCs to outsource production.

- A. Mounting cost pressure and profit expectations
- B. Lack of cheap and expert labor
- C. Global and Internal competition
- D. Profit expectation by governments

66. Identify the option that would constitute white-collar service industries.

- A. Steel and autos
- B. Agriculture
- C. Insurance only
- D. Insurance and banks

67. Emerging information technology has made work:

- A. More portable
- B. More risky
- C. More tedious
- D. More complicated

68. MNCs have moved certain production activities overseas to capitalize on:

- A. Increasing costs
- B. Cheap labor
- C. Larger markets
- D. Higher purchasing power

69. Low-paid workers in India and Asian countries now are being given subcontracted work such as:

- A. Insurance jobs
- B. Auto industry jobs
- C. Labor-intensive hardware development
- D. Code-writing jobs

70. According to the text, a positive side of the opportunities that technology offers would be:

- A. Decline in the cost of doing business worldwide
- B. Price rise due to cost of equipment
- C. Elimination of higher-priced labor
- D. Replacement of employees by machines

### Essay Questions

71. What is totalitarianism? Identify its features and forms.



72. What are the four foundations upon which laws are based around the world? Briefly explain each foundation.

73. What jurisdictional principles are given by International Law?

74. Describe the Foreign Corrupt Practices Act. What were the objectives of the FCPA?

75. What is biotechnology? Discuss some of the areas in which it has been used and is likely to be used.

## Chapter 02 The Political, Legal, and Technological Environment **Answer** **Key**

### True / False Questions

1. The Arab Spring was the first sign of unrest in the Middle East in two centuries.

**FALSE**

The Bahrain protests occurred in the 1990s, and the Iranian protests took place in 2009.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 1 Easy*

*Topic: Social Media and the Pace of Change*

2. As was true with previous rebellions in the region, the Arab Spring led to real reforms at a deliberate pace.

**FALSE**

Unlike previous rebellions in the region, which were quashed, the Arab Spring led to real reforms at a pace never before seen in the region.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 2 Medium*

*Topic: Social Media and the Pace of Change*

3. Before he was overthrown, Mubarak of Egypt had been one of the most powerful leaders in the region for 30 years.

**TRUE**

Egyptian President Hosni Mubarak had a 30-year hold on power.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 2 Medium*

*Topic: Social Media and the Pace of Change*

4. Evidence shows that the initial "Day of Revolt" in Egypt in 2011 was coordinated online through Twitter.

**FALSE**

Evidence shows that the initial "Day of Revolt" was coordinated online through a Facebook group.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 2 Medium*

*Topic: Social Media and the Pace of Change*

5. Many firms try to work collaboratively with governments as new laws, policies, and regulations are introduced.

**TRUE**

MNCs must collaboratively work with new governments as laws, policies, and regulations are introduced and altered.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 3 Hard*

*Topic: Social Media and the Pace of Change*

6. The rapid changes in the technological environment of global business is an ongoing challenge for international managers.

**TRUE**

Managing the political and legal environment will continue to be an important challenge for international managers, as will the rapid changes in the technological environment of global business.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 1 Easy*

*Topic: Social Media and the Pace of Change*

7. The domestic and international political environment has a major impact on multinational corporations.

**TRUE**

Both domestic and international political environments have a major impact on MNCs.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 2 Medium*

*Topic: Political Environment*

8. Collectivism emerged in Italy and France as "national socialism."

**FALSE**

Collectivism emerged in Germany and Italy as "national socialism."

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 1 Easy*

*Topic: Political Environment*

9. Great Britain's Labour Party practices "democratic socialism."

**TRUE**

Socialism has been practiced in a more moderate form—"democratic socialism"—by Great Britain's Labour Party.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 2 Medium*

*Topic: Political Environment*

10. According to the text, Russia presents the extreme example of how the political environment impacts on international management.

**TRUE**

Russia presents one of the most extreme examples of how the political environment affects international management.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 2 Medium*

*Topic: Political Environment*

11. Common law is derived from Roman law and is found in the non-Islamic and non-socialist countries such as France, some countries in Latin America and even Louisiana in the United States.

**FALSE**

Common law comes from English law, and it is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand, and other nations.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

12. The doctrine of civility holds that there must be mutual respect for the laws, institutions, and government of other countries in the manner of jurisdiction over their own citizens.

**FALSE**

The doctrine of comity holds that there must be mutual respect for the laws, institutions, and governments of other countries in the matter of jurisdiction over their own citizens.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

13. Under the act of state doctrine, all acts of other governments are considered to be valid by U.S. courts, even if such acts are inappropriate in the United States.

**TRUE**

Under the act of state doctrine, all acts of other governments are considered to be valid by U.S. courts, even if such acts are inappropriate in the United States.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

14. The FCPA makes it illegal to influence foreign officials through the granting of favorable tariff rates.

**FALSE**

The FCPA makes it illegal to influence foreign officials through personal payment or political contributions.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 1 Easy*

*Topic: Legal and Regulatory Environment*



15. The objectives of the FCPA were to stop U.S. MNCs from initiating or perpetuating corruption in foreign governments and to upgrade the image of both the United States and its businesses abroad.

**TRUE**

The objectives of the FCPA were to stop U.S. MNCs from initiating or perpetuating corruption in foreign governments and to upgrade the image of both the United States and its businesses abroad.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

16. The current move toward privatization by an increasing number of countries is an example of the changing international regulatory environment.

**TRUE**

An example of the changing international regulatory environment is the current move toward privatization by an increasing number of countries.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 3 Hard*

*Topic: Legal and Regulatory Environment*

17. Trade agreements do not require that trade benefits accorded to one nation be extended to other nations that are party to that agreement.

**FALSE**

Most trade agreements require that countries extend most-favored-nation status such that trade benefits accorded one country (such as tariff reductions under the WTO) are accorded all other countries that are parties to that agreement.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 3 Hard*

*Topic: Legal and Regulatory Environment*

18. Embedded learning technology will allow thinking to occur in machines.

**TRUE**

Embedded learning technology allows thinking that formerly was felt to be only the domain of humans to occur in machines.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*

19. One reason for the rapid increase in telecommunications services is that many countries believe that without an efficient communications system, their economic growth may stall.

**TRUE**

One reason for this rapid increase in telecommunications services is many countries believe that without an efficient communications system their economic growth may stall.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 1 Easy*

*Topic: Technological Environment and Global Shifts in Production*

20. Technology does not have the potential to displace employees holding positions traditionally reserved for human thinking.

**FALSE**

Some experts predict that in the future technology has the potential to displace employees in all industries, from those doing low-skilled jobs to those holding positions traditionally associated with knowledge work.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*

## Multiple Choice Questions

21. Which of the following statements is untrue?

- A. Social media is an organizing tool.
- B. Social media is an unreliable form of journalism.
- C. Various groups have used social media to gather support.
- D. Social media impacts international business ventures.

Social media is an organizing tool, a journalism tool, and a support-building tool and has an impact on international business.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 2 Medium*

*Topic: Social Media and the Pace of Change*

22. The Arab Spring began in:

- A. Egypt
- B. Bahrain
- C. Tunisia
- D. Syria

In Tunisia, the first country to experience Arab Spring, the government collapsed in less than a month.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 1 Easy*

*Topic: Social Media and the Pace of Change*

23. Northern Africa and the Middle East independent protests that led to government reforms between 2010 and 2011 did not include this country.

- A. Yemen
- B. Egypt
- C. Libya
- D. Iran

Egyptian protests followed shortly after Tunisia, and the Yemeni and Libyan governments were completely overthrown in late 2011.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 2 Medium*

*Topic: Social Media and the Pace of Change*

24. Social media can positively impact international business by:

- A. Facilitating a fast transition to more open trade and business dealings
- B. Increasing shipping and logistical costs of goods
- C. Limiting the economic effects to the country experiencing unrest
- D. Stabilizing fuel costs

Perhaps one silver lining from the rapid regime changes due to social media is the potential for equally as fast transitions to more open trade and business dealings.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 3 Hard*

*Topic: Social Media and the Pace of Change*

25. In a business context, individualism is synonymous with:

- A. Collectivism
- B. Socialism
- C. Totalitarianism
- D. Capitalism

In a business context, individualism is synonymous with capitalism and is connected to a free-market society, as discussed in Chapter 1, which encourages diversity and competition, compounded with private ownership, to stimulate productivity.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 1 Easy*

*Topic: Political Environment*

26. Aristotle and David Hume contributed to the principle of:

- A. Socialism
- B. Collectivism
- C. Individualism
- D. Communism

The groundwork for the ideology of individualism was founded long ago. Philosophers such as David Hume (1711-1776), Adam Smith (1723-1790), and even Aristotle (384-322 BC) contributed to these principles.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 1 Easy*

*Topic: Political Environment*

27. Which two countries led the effort to mobilize public and private support for Greece in 2010?

- A. France and Germany
- B. Britain and France
- C. Spain and France
- D. Germany and Britain

The recent economic crisis in Greece prompted Germany and France to mobilize public and private financial support, even though the two largest economies in the euro zone have residual distrust from earlier eras of conflict and disagreement.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 3 Hard*

*Topic: Political Environment*

28. One of the biggest impediments to attracting more foreign investment in Russia is:

- A. Legal mandates
- B. Economic opportunities
- C. Political corruption
- D. Religious practices

One of the biggest problems in Russia and in other transition economies is corruption. As more MNCs invest in Russia, these unethical practices will face increasing scrutiny if political forces can be contained.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 3 Hard*

*Topic: Political Environment*

29. Communism as an economic system has failed due to the tendency of common goals to stunt:

- A. Progress and individual creativity
- B. Individual productivity
- C. Individual freedom
- D. Profit and growth

The failure of communism as an economic system is due to the tendency of common goals to stunt economic progress and individual creativity.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 2 Medium*

*Topic: Political Environment*

30. Governmental power in a democracy is limited by:

- A. The accountability of the elected representatives to the general public
- B. Individual freedom-such as freedom of expression and assembly
- C. The police force which is independent of the state
- D. Limiting the number of terms for which a representative may be elected

A democratic society cannot exist without at least a two-party system. Once elected, the representative is held accountable to the electorate for his or her actions, and this ultimately limits governmental power.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 3 Hard*

*Topic: Political Environment*



31. Political repression and denial of rights and civil liberties are dominant ideals of:

- A. Totalitarianism
- B. Socialist democracy
- C. Collectivism
- D. Monarchy

Media censorship, political repression, and denial of rights and civil liberties are dominant ideals of totalitarianism.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 2 Medium*

*Topic: Political Environment*

32. The totalitarian form of government is to be seen in:

- A. Singapore and Cambodia
- B. Germany and Italy
- C. Latin America only
- D. Vietnam, Cuba, and North Korea

The totalitarian form of government is still found in Cuba, North Korea, Laos, Vietnam, and China.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 2 Medium*

*Topic: Political Environment*

33. Multinational corporations in China are faced with a multitude of problems **except**:

- A. Government regulations
- B. Questionable treatment of foreign firms
- C. Market growth opportunities
- D. Understanding what is needed from investors, resulting in mixed signals

MNCs face a host of major obstacles when doing business with and in China. Government regulations severely hamper multinational activity and favor domestic companies, which results in questionable treatment such as longer document processing times for foreign firms. This makes it increasingly difficult for MNCs to gain the proper legal footing. The biggest problem may well be that the government does not know what it wants from multinational investors, and this is what accounts for the mixed signals and changes in direction that it continually sends.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and offer brief examples of each and their implications for international management.*

*Level of Difficulty: 2 Medium*

*Topic: Political Environment*

34. \_\_\_\_ law comes from English law and is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand, and others.

- A. Civil or code
- B. Islamic
- C. Socialist
- D. Common

Common law comes from English law, and it is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand, and other nations.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and*

*highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

35. Identify from the following the correct statement on civil law.

- A. It comes from English law and is found in nonsocialist countries
- B. It is to be found in countries of Central Asia
- C. It is derived from Roman law and is found in nonsocialist countries such as France
- D. It is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand and other nations

Civil law is derived from Roman law and is found in the non-Islamic and nonsocialist countries such as France, some countries in Latin America, and even Louisiana in the United States.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

36. The \_\_\_\_ holds that governments have the right to rule themselves as they see fit.

- A. Principle of sovereignty
- B. Nationality principle
- C. Territoriality principle
- D. Protective principle

The principle of sovereignty holds that governments have the right to rule themselves as they see fit.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

37. International law includes the following types of jurisdictional principles:

- A. Nationality, territoriality, and protective
- B. Territoriality, sovereignty, and nationality
- C. Good citizenship, territoriality, and protective
- D. Protective, comity, and sovereignty

International law provides for three types of jurisdictional principles: the nationality principle, the territoriality principle, and the protective principle.

AACSB: Analytic

Blooms: Remember

Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.

Level of Difficulty: 2 Medium

Topic: Legal and Regulatory Environment

38. The \_\_\_\_ principle holds that every country has jurisdiction (authority or power) over its citizens no matter where they are located.

- A. Comity
- B. Nationality
- C. Territoriality
- D. Sovereignty

The nationality principle holds that every country has jurisdiction (authority or power) over its citizens no matter where they are located.

AACSB: Analytic

Blooms: Remember

Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.

Level of Difficulty: 2 Medium

Topic: Legal and Regulatory Environment

39. The \_\_\_\_ principle holds that every nation has the right of jurisdiction within its legal territory.

- A. Sovereignty
- B. Protective
- C. Territoriality
- D. Nationality

The territoriality principle holds that every nation has the right of jurisdiction within its legal territory.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

40. The \_\_\_\_ principle holds that every country has jurisdiction over behavior that adversely affects its national security, even if that conduct occurred outside the country.

- A. Territoriality
- B. Nationality
- C. Sovereignty
- D. Protective

The protective principle holds that every country has jurisdiction over behavior that adversely affects its national security, even if that conduct occurred outside the country.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

41. The \_\_\_\_ holds that there must be mutual respect for the laws, institutions, and the government of other countries in the matter of jurisdiction over their own citizens.

- A. Doctrine of protectionism
- B. Doctrine of civility
- C. Doctrine of mutual understanding
- D. Doctrine of comity

The doctrine of comity holds that there must be mutual respect for the laws, institutions, and governments of other countries in the matter of jurisdiction over their own citizens.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

42. U.S. laws require equality in the workplace for all employees. U.S. citizens who take a job in Germany cannot sue their German employer under the provisions of U.S. law for failure to provide equal opportunity for them. This is in line with the:

- A. Principle of sovereignty
- B. Nationality principle
- C. Doctrine of comity
- D. Act of state doctrine

The principle of sovereignty implies that one country's court system cannot be used to rectify injustices or impose penalties in another country unless that country agrees. So while U.S. laws require equality in the workplace for all employees, U.S. citizens who take a job in Germany cannot sue their German employer under the provisions of U.S. law for failure to provide equal opportunity for them.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and*

*highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 3 Hard*

*Topic: Legal and Regulatory Environment*

43. Under the \_\_\_\_\_, all acts of other governments are considered to be valid by U.S. courts, even if such acts are inappropriate in the United States.

- A. Act of state doctrine
- B. Act of international civility
- C. Act of judicial sovereignty
- D. Act of international understanding

Under the act of state doctrine, all acts of other governments are considered to be valid by U.S. courts, even if such acts are inappropriate in the United States.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

44. Countries have the legal right to refuse admission of foreign citizens and to impose special restrictions on the following *except*:

- A. Conduct
- B. Right of travel
- C. Spending
- D. What business they may conduct

Countries have the legal right to refuse admission of foreign citizens and to impose special restrictions on their conduct, their right of travel, where they can stay, and what business they may conduct.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and*

*highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 1 Easy*

*Topic: Legal and Regulatory Environment*

45. The statute that makes it illegal to influence foreign officials through personal payment of political contributions is referred to as the:

- A. Fairness in International Affairs Act
- B.** Foreign Corrupt Practices Act
- C. Global Ethics Act
- D. Fair Treatment of Foreign Citizens Act

The Foreign Corrupt Practices Act (FCPA) makes it illegal to influence foreign officials through personal payment or political contributions.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 1 Easy*

*Topic: Legal and Regulatory Environment*

46. Critics of the Foreign Corrupt Practices Act feared the loss of sales to foreign competitors, especially in those countries where:

- A. Customs are adhered to
- B. Political stability exists
- C. Common law is applicable
- D.** Bribery is an accepted means

Critics of the FCPA feared the loss of sales to foreign competitors, especially in those countries where bribery is an accepted way of doing business.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*



47. It was reported that since the passage of the Foreign Corrupt Practices Act (FCPA):

- A. MNCs could not function within the set guidelines
- B. Algeria and Saudi Arabia no longer allowed U.S. firms to do business there
- C. There was a 30 percent loss of sales to foreign competitors
- D. U.S. exports to "bribe prone" countries actually increased

One analysis reported that since passage of the FCPA, U.S. exports to "bribe prone" countries actually increased.

*AACSB: Analytic*  
*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*  
*Topic: Legal and Regulatory Environment*

48. Because of the extensive bureaucracy in Japan,

- A. Parochial actions create problems for MNCs trying to do business there
- B. Political parties feel more beholden to the country as a whole than to their local interests
- C. The country's recent Prime Ministers have tried to fix the resulting problems
- D. Businesses believe they are well prepared for the harsh competitive realities of the international marketplace

In Japan, political parties feel more beholden to their local interests than to those in the rest of the country. As a result, it is extremely difficult to reorganize the Japanese bureaucracy and streamline the ways things are done, because so many politicians are more interested in the well-being of their own districts than in the long-term well-being of the nation as a whole. In turn, parochial actions create problems for MNCs trying to do business there.

*AACSB: Analytic*  
*Blooms: Understand*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and*

*highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

49. Out of fear of creating internal political problems for U.S. allies, the U.S. State Department tried to convince the SEC and Justice Department to \_\_\_\_ the names of countries or foreign officials who were involved in its investigations of bribery.

- A. Not reveal
- B. Disclose
- C. Charge officials not to reveal
- D. Publish in the *New York Times*

The U.S. State Department tried to convince the SEC and Justice Department not to reveal countries or foreign officials who were involved in its investigations for fear of creating internal political problems for U.S. allies.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 1 Easy*

*Topic: Legal and Regulatory Environment*

50. U.S. MNCs always assumed that bribes were required to ensure contracts in:

- A. India
- B. The Middle East
- C. Asia Pacific
- D. Eastern Europe

Many U.S. MNCs always assumed that bribes were required to ensure contracts in the Middle East.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and*

*highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

51. According to the text, \_\_\_\_ is one of the biggest problems facing MNCs.

- A. Fear of investing abroad
- B. Loss of sales to foreign competitors
- C. Uneven ethical standards
- D. Very restrictive foreign bureaucracies

Very restrictive foreign bureaucracies are one of the biggest problems facing MNCs.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*

52. Japanese companies are aware that their dependency on the world market for many goods and services is negatively impacted by \_\_\_\_, resulting in local consumers paying the price.

- A. The balance of payments
- B. Bureaucratization
- C. Trade imbalances
- D. Financial exchange

Japanese businesses are becoming more aware of the fact that they are dependent on the world market for many goods and services and that when bureaucratic red tape drives up the costs of these purchases, local consumers pay the price.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 3 Hard*

53. Which country does not rank high on the ease-of-doing-business index?

- A. the Philippines
- B. Singapore
- C. United Kingdom
- D. the United States

The three top rankings in Table 2-1 are held by Singapore, the United States, and the United Kingdom, thus leaving the Philippines to fall near the bottom of the rankings.

AACSB: Analytic

Blooms: Remember

Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.

Level of Difficulty: 3 Hard

Topic: Legal and Regulatory Environment

54. The creation of a digital framework:

- A. Made business communication vastly more expensive
- B. Made the microprocessor obsolete
- C. Allowed high-power computer performance at low cost
- D. Required satellites for all forms of communication

The creation of a digital frame-work allowed high-power computer performance at low cost.

AACSB: Analytic

Blooms: Remember

Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.

Level of Difficulty: 2 Medium

Topic: Technological Environment and Global Shifts in Production

55. The term "e-cash" stands for:

- A. Easy cash
- B. Export cash
- C. Electronic cash
- D. Exchange cash

The term "e-cash" is an shortened form of "electronic cash."

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 1 Easy*

*Topic: Technological Environment and Global Shifts in Production*

56. According to the text, the most popular form of e-business is:

- A. B2B dealings
- B. B2C dealings
- C. Financial dealings
- D. E-retailing

The most popular form of e-business is for business-to-business (B2B) dealings.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*

57. The area of e-business that will most affect global customers is:

- A. E-marketing
- B. E-retailing and financial services**
- C. Retailing
- D. Internet sales

The area of e-business that will most affect global customers is e-retailing and financial services.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*

58. The most obvious dimension of the technological environment facing international managers today is:

- A. Telecommunications**
- B. Transportation
- C. Agricultural mechanization
- D. Improved service technologies

One of the most important dimensions of the technological environment facing international management today is telecommunications.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 1 Easy*

*Topic: Technological Environment and Global Shifts in Production*

59. Identify the correct statement on cellular infrastructure.

- A. It is expensive to install
- B. It is quick and relatively inexpensive to install
- C. It is relatively inexpensive to install but takes time
- D. It cannot be installed easily and cheaply in rural areas

A form of technologic leapfrogging is occurring, in which regions of the world are moving from a situation where phones were unavailable to one where cellular is available everywhere, including rural areas, due to the quick and relatively inexpensive installation of cellular infrastructure.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*

60. Over the next decade, the merging of the Internet and wireless technology will radically change the ways in which people:

- A. Spend
- B. Socialize
- C. Communicate
- D. Invest

Over the next decade, the merging of the Internet and wireless technology will radically change the ways people communicate.

*AACSB: Analytic*

*Blooms: Apply*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*

61. Governments are accepting the belief that the only way to attract foreign investment and know-how in telecommunications is to:

- A. Cede control to private industry
- B. Get cheaper service providers
- C. Get cheap and efficient labor
- D. Get private partners

Governments are accepting the belief that the only way to attract foreign investment and know-how in telecommunications is to cede control to private industry.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*

62. According to the text, NYNEX holds a stake in:

- A. Telecom New Zealand
- B. Thailand's Telecom Asia
- C. Australia's Optus
- D. Thailand's Globe Telecom

NYNEX holds a stake in Thailand's Telecom Asia.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*



63. The Hong Kong office of Salomon Brothers, a U.S. investment bank, estimates that to meet the expanding demand for telecommunication service in Asia, companies will need:

- A. Cheaper technology
- B. Cheap and efficient labor
- C. Considerable increase in investment
- D. Cheaper service providers

The Hong Kong office of Salomon Brothers, a U.S. investment bank, estimates that to meet the expanding demand for telecommunication service in Asia, companies will need to considerably increase the investment, most of which will have to come from overseas.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 1 Easy*

*Topic: Technological Environment and Global Shifts in Production*

64. Some observers have noted that technology already has eliminated much and in the future will eliminate even more of the work now being done by:

- A. Top level managers
- B. Middle managers and white-collar staff
- C. Maintenance workers
- D. Line employees and service staff

Some informed observers note that technology already has eliminated much and in the future will eliminate even more of the work being done by middle management and white-collar staff.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*

65. \_\_\_\_ has placed pressure on MNCs to outsource production.

- A. Mounting cost pressure and profit expectations
- B. Lack of cheap and expert labor
- C. Global and Internal competition
- D. Profit expectation by governments

Mounting cost pressures resulting from increased globalization of competition and profit expectations exerted by investors have placed pressure on MNCs to outsource or offshore production to take advantage of lower labor and other costs.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*

66. Identify the option that would constitute white-collar service industries.

- A. Steel and autos
- B. Agriculture
- C. Insurance only
- D. Insurance and banks

White-collar service industries include insurance, banks, and even government.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 1 Easy*

*Topic: Technological Environment and Global Shifts in Production*

67. Emerging information technology has made work:

- A. More portable
- B. More risky
- C. More tedious
- D. More complicated

Emerging information technology makes work more portable.

*AACSB: Analytic*

*Blooms: Understand*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 1 Easy*

*Topic: Technological Environment and Global Shifts in Production*

68. MNCs have moved certain production activities overseas to capitalize on:

- A. Increasing costs
- B. Cheap labor
- C. Larger markets
- D. Higher purchasing power

MNCs have moved certain production activities overseas to capitalize on cheap labor resources.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*

69. Low-paid workers in India and Asian countries now are being given subcontracted work such as:

- A. Insurance jobs
- B. Auto industry jobs
- C. Labor-intensive hardware development
- D. Code-writing jobs

Low-paid workers in India and Asian countries are being given subcontracted work such as labor-intensive software development and code-writing jobs.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*

70. According to the text, a positive side of the opportunities that technology offers would be:

- A. Decline in the cost of doing business worldwide
- B. Price rise due to cost of equipment
- C. Elimination of higher-priced labor
- D. Replacement of employees by machines

The cost of doing business worldwide should decline thanks to the opportunities that technology offers in substituting lower-cost machines for higher-priced labor.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 1 Easy*

*Topic: Technological Environment and Global Shifts in Production*

## Essay Questions

71. What is totalitarianism? Identify its features and forms.

Totalitarianism refers to a political system in which there is only one representative party which exhibits control over every facet of political and human life. Power is often maintained by suppression of opposition, which can be violent in nature. Media censorship, political repression and denial of rights and civil liberties are dominant ideals. Since only one party within each entity exists, there are many forms of totalitarian government. All forms of totalitarianism exhibit some form of oppression as well. Parties or individuals that govern an entity based on religious principles will ultimately oppress religious and political expression of its citizens. One final consideration of a totalitarian system is that in which some freedoms may exist. This form has been referred to as right-wing totalitarianism, where some economic freedoms may exist, but there is still a limitation on political freedom. This structure allows for economic freedom because otherwise it is believed that complete oppression will give rise to communism. While it directly opposes socialist and communist ideas, this form of ruling may gain power and support from the military, often in the form of a military leader imposing a government "for the good of the people." This results in military officers filling most government positions.

Feedback: Totalitarianism refers to a political system in which there is only one representative party which exhibits control over every facet of political and human life. Power is often maintained by suppression of opposition, which can be violent in nature. Media censorship, political repression and denial of rights and civil liberties are dominant ideals. Since only one party within each entity exists, there are many forms of totalitarian government. All forms of totalitarianism exhibit some form of oppression as well. Parties or individuals that govern an entity based on religious principles will ultimately oppress religious and political expression of its citizens. One final consideration of a totalitarian system is that in which some freedoms may exist. This form has been referred to as right-wing totalitarianism, where some economic freedoms may exist, but there is still a limitation on political freedom. This structure allows for economic freedom because otherwise it is believed that complete oppression will give rise to communism. While it directly opposes socialist and communist ideas, this form of ruling may gain power and support from the military, often in the form of a military leader imposing a government "for the good of the people." This results in military officers filling most government positions.

*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-01 INTRODUCE the basic political systems that characterize regions and countries around the world and*

*offer brief examples of each and their implications for international management.*

*Level of Difficulty: 3 Hard*

*Topic: Political Environment*

72. What are the four foundations upon which laws are based around the world? Briefly explain each foundation.

The four foundations upon which laws are based around the world are as follows:

Islamic law, Socialist law, Common law and Civil or code law. Islamic law is derived from interpretation of the Qur'an and the teachings of the Prophet Mohammed. It is found in most Islamic countries in the Middle East and Central Asia. Socialist law comes from the Marxist socialist system and continues to influence regulations in former communist countries, especially those from the former Soviet Union, as well as present-day China, Vietnam, North Korea, and Cuba. Common law comes from English law and is the foundation of the legal system in the United States, Canada, England, Australia, New Zealand, and other nations. Civil or code law is derived from Roman law and is found in the non-Islamic and nonsocialist countries such as France, some countries in Latin America and even Louisiana in the United States.

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*AACSB: Analytic*

*Blooms: Remember*

*Learning Objective: 02-02 PRESENT an overview of the legal and regulatory environment in which MNCs operate worldwide; and highlight differences in approach to legal and regulatory issues in different jurisdictions.*

*Level of Difficulty: 3 Hard*

*Topic: Legal and Regulatory Environment*

73. What jurisdictional principles are given by International Law?

International law provides for three types of jurisdictional principles. The first is the nationality principle, which holds that every country has jurisdiction (authority or power) over its citizens no matter where they are located. Therefore, a U.S. manager who violates the American Foreign Corrupt Practices Act while traveling abroad can be found guilty in the United States. The second is the territoriality principle, which holds that every nation has the right of jurisdiction within its legal territory. Therefore, a German firm that sells a defective product in England can be sued under English law even though the company is headquartered outside England. The third is the protective principle, which holds that every country has jurisdiction over behavior that adversely affects its national security, even if that conduct occurred outside the country. Therefore, a French firm that sells secret U.S. government blueprints for a satellite system can be subjected to U.S. laws.

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*Level of Difficulty: 2 Medium*

*Topic: Legal and Regulatory Environment*



74. Describe the Foreign Corrupt Practices Act. What were the objectives of the FCPA?

The Foreign Corrupt Practices Act (FCPA) makes it illegal to influence foreign officials through personal payment or political contributions. The objectives of the FCPA were to stop U.S. MNCs from initiating or perpetuating corruption in foreign governments and to upgrade the image of both the United States and its businesses abroad.

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*Topic: Legal and Regulatory Environment*

75. What is biotechnology? Discuss some of the areas in which it has been used and is likely to be used.

Biotechnology is the integration of science and technology, but more specifically it is the creation of agricultural or medical products through industrial use and manipulation of living organisms. One area in which it has been used is medicine. While pharmaceutical companies mainly manufacture drugs through a process similar to that of organic chemistry, biotech companies attempt to discover genetic abnormalities or medicinal solutions through exploring organisms at the molecular level or formulating compounds from inorganic materials that mirror organic substances. Another aspect of biotech research is geared toward agriculture. Demand for ethanol in the United States is on the rise due to uncertain future oil supplies, making corn-derived ethanol a viable alternative. Using corn as a fuel alternative will not only increase the cost of fuel but also create an imbalance between consumable corn and stock used for biofuel. Aside from crops, the meat industry can also benefit from this process. The outbreak of mad cow disease in Great Britain sparked concern when evidence of the disease spread throughout Western Europe; however, the collaborative work of researchers in the United States and Japan may have engineered a solution to the problem by eliminating the gene which is the predecessor to making the animal susceptible to this ailment. Hunger and poor health care are worldwide issues and advancement in global biotechnology is working to raise the standards.

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poor health care are worldwide issues and advancement in global biotechnology is working to raise the standards.

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*Blooms: Apply*

*Learning Objective: 02-03 REVIEW key technological developments; including the growth of e-commerce; and discuss their impact on MNCs now and in the future.*

*Level of Difficulty: 2 Medium*

*Topic: Technological Environment and Global Shifts in Production*