



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

1) A government that dictates policy without reviewing its citizens' needs or seeking their opinions is a(n) _____ government.

- A) democratically elected
- B) Westminster-system
- C) socialist
- D) parliamentary
- E) absolutist

Answer: E

Diff: 2

Topic: The political environment: The role of government in international marketing

AACSB: Application of knowledge

Objective: Explain the functions of government in terms of its effect on international marketing

2) Government can play a variety of roles in the activities of business firms. The most extreme example of direct government involvement in a business operation is a:

- A) partly privatised government business enterprise.
- B) government-subsidised private company.
- C) state trading company.
- D) deregulated telecommunications industry.
- E) national two-airline policy.

Answer: C

Diff: 1

Topic: The political environment: The role of government in international marketing

AACSB: Application of knowledge

Objective: Identify those aspects of the local political-legal environment that affect a firm's international marketing

3) Governments will often offer incentives to foreign firms to invest in priority regions in that country, or to assist in the transfer of technology. This is an example of the government acting as a(n):

- A) facilitator.
- B) opponent.
- C) customer.
- D) regulator.
- E) investigator.

Answer: A

Diff: 2

Topic: The political environment: The role of government in international marketing

AACSB: Application of knowledge

Objective: Identify those aspects of the local political–legal environment that affect a firm’s international marketing

4) Embargoes imposed by governments, especially if directed against a particular country rather than unilaterally, do not usually succeed because:

- A) avoidance of the embargo is possible through countertrade or by dealing with intermediaries based in countries that are not part of the embargo.
- B) the business firms of the nation that initiated the embargo are likely to be at a disadvantage in taking up potential export opportunities in the targeted country because their home country will be one of the last to eventually lift the embargo.
- C) a third-party country will often run embargoes, or restrict trade, with the country that initiated the original embargo.
- D) the country that has been targeted in the embargo tends to apply its own trading restrictions, which damage the country that set the original embargo.
- E) options A and B are correct.

Answer: E

Diff: 3

Topic: The political environment: The role of government in international marketing

AACSB: Analytical thinking

Objective: Identify those aspects of the local political–legal environment that affect a firm’s international marketing

5) When a government seeks to prevent a potentially hostile foreign country from gaining access to strategically important goods, such as defence equipment, the government will impose a(n) _____ on those goods.

- A) export control measure
- B) embargo
- C) boycott
- D) military intervention
- E) ownership control tariff

Answer: A

Diff: 2

Topic: The political environment: The role of government in international marketing

AACSB: Application of knowledge

Objective: Identify those aspects of the local political–legal environment that affect a firm’s international marketing

6) Which of the following statements is true about the degree of government participation in international markets?

- A) Worldwide governments are increasing their involvement in the market as the level of privatisation slows.
- B) Selling to government authorities is the same as selling to private sector organisations.
- C) Government ownership of a company may preclude foreigners from selling a competing

product.

D) Options A, B and C are true.

E) Options B and C are true.

Answer: C

Diff: 2

Topic: The political environment: The role of government in international marketing

AACSB: Analytical thinking

Objective: Identify those aspects of the local political–legal environment that affect a firm’s international marketing

7) Which of the following is an example of the government acting as a facilitator at the macro level?

A) Export incentives

B) Provision of tax deductions related to export levels

C) Tax incentives to attract capital to designated activities, education programs to improve workforce skills or investment in targeted infrastructure

D) Tax offsets for international promotional activities

E) None of the above options

Answer: C

Diff: 2

Topic: The political environment: The role of government in international marketing

AACSB: Application of knowledge

Objective: Identify those aspects of the local political–legal environment that affect a firm’s international marketing

8) Explain the different forms of government and the impact each might have on international marketing.

Answer: Governments can be classified on a spectrum from open (e.g. parliamentary) to closed (e.g. dictatorships). Parliamentary governments consult with their citizens at periodic intervals to determine their wishes and preferences (e.g. the 2016 Australian election), as policies are intended to reflect the views of the majority. These governments support the ownership of property by individuals and limit government intervention in commercial activities. At the other extreme, absolutist governments dictate policy without considering the views of the population and are often unrestrained by any opposition or laws, making it challenging for international marketers, as rules may change and benefit those in favour. In between fall a range of different forms of government with some using central planning and others moving into more market orientations.

Diff: 2

Topic: The political environment: The role of government in international marketing

AACSB: Application of knowledge

Objective: Explain the functions of government in terms of its effect on international marketing

9) Within parliamentary democracies, policies are designed to reflect the wishes of the majority.

Answer: ☒ True ☐ False

Diff: 1

Topic: The political environment: The role of government in international marketing

AACSB: Analytical thinking

Objective: Explain the functions of government in terms of its effect on international marketing

10) In many countries there are commercial activities directly undertaken by government, especially in areas related to infrastructure, defence, health or education.

Answer: ☒ True ☐ False

Diff: 1

Topic: The political environment: The role of government in international marketing

AACSB: Analytical thinking

Objective: Explain the functions of government in terms of its effect on international marketing

11) Public servants in most countries are financially accountable for their actions and tend to be remunerated on efficiencies and achieving savings.

Answer: True ☒ False

Diff: 2

Topic: The political environment: The role of government in international marketing

AACSB: Analytical thinking

Objective: Explain the functions of government in terms of its effect on international marketing

12) A government that imposes controls on the importation of goods and services often does so for balance of payments reasons.

Answer: ☒ True ☐ False

Diff: 3

Topic: The political environment: The role of government in international marketing

AACSB: Analytical thinking

Objective: Identify those aspects of the local political-legal environment that affect a firm's international marketing

13) Restrictions on foreign direct investment encourage foreign firms to invest in specific industries.

Answer: True ☒ False

Diff: 2

Topic: The political environment: The role of government in international marketing

AACSB: Application of knowledge

Objective: Identify those aspects of the local political-legal environment that affect a firm's international marketing

14) Discuss how foreign governments can act as participants, facilitators and regulators and the impact of each on international marketing efforts.

Answer: Government involvement in the economy provides commercial opportunities but also challenges. Governments may choose to actively participate in the economy, creating

their own companies (e.g. state trading companies) or statutory marketing authorities or by undertaking commercial activities themselves (e.g. defence or health). Governments are also major consumers (often the sole consumer). Governments facilitate domestic and international marketing through their national policies/economic plans and export incentives and concessions. Governments also act as regulators by imposing taxes, mandatory standards and so forth that may disadvantage international competitors.

Diff: 1

Topic: The political environment: The role of government in international marketing

AACSB: Written and oral communication

Objective: Identify those aspects of the local political–legal environment that affect a firm’s international marketing

15) Where nationalism is high in the host country, foreign firms:

- A) find that their products are accepted.
- B) are not targeted for rigorous scrutiny by government.
- C) tend to be looked at with suspicion.
- D) are at less risk of having their funds expropriated.
- E) none of the above options is correct.

Answer: C

Diff: 2

Topic: The political environment: Political approaches in international marketing

AACSB: Analytical thinking

Objective: recognise those aspects of the political–legal environment in the foreign market that will affect the risk of operating in that country

16) When targeting a foreign market, an export firm needs to be aware of those factors that indicate the level of political stability in that market. These factors include:

- A) geographic character, extent of cultural or ethnic division, export performance and entrenchment of the current government.
- B) degree of social unrest, language diversity, income distribution and export performance.
- C) degree of social unrest, frequency of change in government, extent of cultural or ethnic division and language diversity.
- D) social diversity, language diversity, religious diversity and income distribution.
- E) none of the above options is correct.

Answer: C

Diff: 2

Topic: The political environment: Political stability and risk

AACSB: Analytical thinking

Objective: recognise those aspects of the political–legal environment in the foreign market that will affect the risk of operating in that country

17) Turmoil such as a military coup is a source of which type of political instability?

- A) Domestication
- B) Political sovereignty
- C) Political intervention
- D) Expropriation

E) Political conflict

Answer: E

Diff: 1

Topic: The political environment: Political stability and risk

AACSB: Application of knowledge

Objective: recognise those aspects of the political–legal environment in the foreign market that will affect the risk of operating in that country

18) The official seizure of a foreign firm's property by the host government on the basis that the property seized is to be used in the public interest is an act of:

A) external conflict.

B) repatriation.

C) expropriation.

D) political sovereignty.

E) none of the above.

Answer: C

Diff: 1

Topic: The political environment: Political stability and risk

AACSB: Application of knowledge

Objective: recognise those aspects of the political–legal environment in the foreign market that will affect the risk of operating in that country

19) The business risk associated with possible internal threats (such as civil war), or external threats (such as invasion) to a host government would be classified as:

A) expropriation risk.

B) general instability.

C) transfer risk.

D) operating risk.

E) ownership risk.

Answer: B

Diff: 1

Topic: The political environment: Political stability and risk

AACSB: Application of knowledge

Objective: recognise those aspects of the political–legal environment in the foreign market that will affect the risk of operating in that country

20) Which of the following is NOT one of the four methods of determining political risk identified by Jain (1996)?

A) Quantitative methods

B) Delphi technique

C) The grand tour

D) The old hand

E) Investigative methods

Answer: E

Diff: 2

Topic: The political environment: Political stability and risk

AACSB: Application of knowledge

Objective: recognise those aspects of the political–legal environment in the foreign market that will affect the risk of operating in that country

21) When assessing its exposure to political risk in an overseas market, which of the following factors must a firm pay close attention to?

- A) Scenario planning, primary data collection and Delphi technique
- B) Market issues, cultural issues and financial issues
- C) Commitment levels, financial capacity and prior experience
- D) Financial capacity, prior experience and cultural differences
- E) Product factors, external factors and company factors

Answer: E

Diff: 3

Topic: The political environment: Political stability and risk

AACSB: Application of knowledge

Objective: recognise those aspects of the political–legal environment in the foreign market that will affect the risk of operating in that country

22) Expropriation is a process by which a host government places controls and restrictions on a foreign firm, thus reducing the firm's influence on the operation of its business.

Answer: True ☒ False

Diff: 3

Topic: The political environment: Political stability and risk

AACSB: Analytical thinking

Objective: recognise those aspects of the political–legal environment in the foreign market that will affect the risk of operating in that country

23) Transfer risk is one type of political risk facing a firm operating in an overseas market. This type of risk involves host government interference in the overseas operations of the firm.

Answer: True ☒ False

Diff: 2

Topic: The political environment: Political stability and risk

AACSB: Analytical thinking

Objective: recognise those aspects of the political–legal environment in the foreign market that will affect the risk of operating in that country

24) Companies use the Delphi technique to determine political risk. The company brings a group of experts together in its offices and asks for their opinions.

Answer: True ☒ False

Diff: 3

Topic: The political environment: Political stability and risk

AACSB: Application of knowledge

Objective: recognise those aspects of the political–legal environment in the foreign market that will affect the risk of operating in that country

25) The London Interbank loan LIBOR rate is a guideline for loans between international governments.

Answer: True ☒ False

Diff: 2

Topic: The political environment: Political stability and risk

AACSB: Application of knowledge

Objective: recognise those aspects of the political–legal environment in the foreign market that will affect the risk of operating in that country

26) Any assessment of a firm’s exposure to political risk in an overseas country should cover at least three key factors— product, external, and company.

Answer: ☒ True ☐ False

Diff: 3

Topic: The political environment: Political stability and risk

AACSB: Analytical thinking

Objective: recognise those aspects of the political–legal environment in the foreign market that will affect the risk of operating in that country

27) Explain with examples how a company’s own behaviours can assist it in minimizing political risk in a particular foreign market.

Answer: Firms can adopt a deliberate policy of political neutrality and convey the impression that their interests are merely economic and they have no interest or intention in interfering in domestic politics (while still actively monitoring the political situation including opposition). Companies can also combine commercial with civic projects (e.g. education initiatives) or contribute to the development of local infrastructure. The company could ensure that it promotes the benefits its operations are bringing the country.

Diff: 2

Topic: The political environment: Political stability and risk

AACSB: Application of knowledge

Objective: Determine which options are available to minimise political–legal risk

28) Critically evaluate the four methods for determining political risk suggested by Jain (1996).

Answer: Jain suggested four methods for determining political risk: the grand tour, the old hand, the Delphi technique and quantitative methods, each with advantages and disadvantages. With the grand tour, corporate executives visit the country, having first-hand meetings with government officials. While valuable insights can be gained, they can be misleading because those contacted usually represent the establishment and not the source of future political risk. The old hand involves employing an expert on the country; however, the accuracy of the information will depend greatly on the individual’s experience, capabilities and network of local contacts. With the Delphi technique, expert opinion is shared independently—again, the result depends on the knowledge and experience of the experts. Quantitative methods involve analysis of data and likelihood of events happening—again, influenced by the quality of the data used.

Diff: 3

Topic: The political environment: Political stability and risk

AACSB: Analytical thinking

Objective: recognise those aspects of the political–legal environment in the foreign market

that will affect the risk of operating in that country

29) Discuss the different sources of political instability and types of political risk faced by international marketers.

Answer: Political instability and political risk are key concerns for international marketers. The major sources of political instability come from political sovereignty (nations exerting control over foreign businesses operating within their borders), political conflict (e.g. turmoil, internal war and conspiracy) and political intervention (host government decisions that force foreign firms to change their strategies, policies or operations). There are four main types of political risk: general instability risk (e.g. internal threats), operating risk (interference in ongoing operations such as export/import licenses), ownership risk (e.g. confiscation, nationalisation or expropriation of corporate assets), and transfer risk (affecting the ability of firms to move funds between countries or to the home country).

Diff: 2

Topic: The political environment: Political stability and risk

AACSB: Application of knowledge

Objective: recognise those aspects of the political-legal environment in the foreign market that will affect the risk of operating in that country

30) Which of the following statements is true for firms wishing to minimise potential political problems?

- A) Firms should avoid becoming involved in education projects because these could be seen as interference.
- B) Firms should combine investment projects with civil projects.
- C) Firms should avoid conveying the impression that its interests in a country are solely economic.
- D) Firms should determine the preferred political viewpoints of the current government and publicly support these views.
- E) None of the above will reduce potential political problems.

Answer: B

Diff: 3

Topic: The political environment: Managing the foreign political environment

AACSB: Analytical thinking

Objective: Determine which options are available to minimise political-legal risk

31) Which of the following courses of action is appropriate in situations where the host country changes its foreign investment policies and regulations?

- A) Indigenise operations so that the company becomes a local company.
- B) Take pre-emptive action to minimise the impact of changes.
- C) Withdraw operations from the country.
- D) Negotiate an alternative arrangement under the new legal framework.
- E) All of the above.

Answer: E

Diff: 2

Topic: The political environment: Managing the foreign political environment

AACSB: Analytical thinking

Objective: Determine which options are available to minimise political-legal risk

32) Firms that set out to be good corporate citizens of the host country:

- A) buy local products wherever possible.
- B) establish training programs for local employees.
- C) promote freedom of speech and protest against governments.
- D) all of the above.
- E) options A and B only.

Answer: E

Diff: 1

Topic: The political environment: Managing the foreign political environment

AACSB: Analytical thinking

Objective: Determine which options are available to minimise political–legal risk

33) The combination of civic projects and investment activities will help a firm to manage the political risk in an overseas country.

Answer: ☒ True False

Diff: 2

Topic: The political environment: Managing the foreign political environment

AACSB: Analytical thinking

Objective: Determine which options are available to minimise political–legal risk

34) The greater the local ownership of an overseas operation, the less likely it will be subject to political risk.

Answer: ☒ True False

Diff: 1

Topic: The political environment: Managing the foreign political environment

AACSB: Application of knowledge

Objective: Determine which options are available to minimise political–legal risk

35) The three separate systems of codes that typically operate under code law are:

- A) commercial, citizen and contract.
- B) commercial, criminal and contract.
- C) citizen, contract and criminal.
- D) civil, commercial and criminal.
- E) civil, commercial and contract.

Answer: D

Diff: 3

Topic: The legal environment: Differing legal systems and jurisdictions

AACSB: Application of knowledge

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

36) The legal system operating in Australia is based on:

- A) Aboriginal law
- B) common law
- C) Islamic law
- D) code law
- E) legislative law

Answer: B

Diff: 1

Topic: The legal environment: Differing legal systems and jurisdictions

AACSB: Application of knowledge

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

37) International law grows out of the agreement of two or more nations and generally:

- A) ensures that the home law of the company is applied.
- B) minimises the range of differences between national laws.
- C) is only concerned with political issues.
- D) is mainly concerned with military issues.
- E) ensures that the law of the country in which the organisation is operating is applied.

Answer: B

Diff: 2

Topic: The legal environment: Differing legal systems and jurisdictions

AACSB: Application of knowledge

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

38) Under common law the interpretation of what the law means on a specific subject is influenced by previous decisions of the courts and by usage and custom.

Answer: ☒ True False

Diff: 3

Topic: The legal environment: Differing legal systems and jurisdictions

AACSB: Application of knowledge

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

39) Generally, international law helps to minimise the extent of differences between national laws.

Answer: ☒ True False

Diff: 2

Topic: The legal environment: Differing legal systems and jurisdictions

AACSB: Analytical thinking

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

40) A common legal problem in international business is deciding which country's laws will apply in the event of a dispute.

Answer: ☒ True False

Diff: 1

Topic: The legal environment: Differing legal systems and jurisdictions

AACSB: Analytical thinking

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

41) Explain the key differences between common law, code law and Islamic law. Why must an international marketer have an understanding of the different legal systems?

Answer: Common law is based on tradition, past practices, legal precedents and interpretation via court decisions. Under common law, commercial disputes are subject to laws that apply to all matters, both civil and criminal. Code law is generally divided into three separate codes (all inclusive set of written rules)—civil, commercial and criminal. Under code law, the commercial code is given priority over the other codes when matters of business are involved. Islamic law is based on the Koran and encompasses both religious obligations/duties and secular aspects. Islamic law defines a complete system of social and economic behaviour with the overriding objective of social justice. International marketers need to have an understanding of the specific aspects of the different legal systems that apply to their operations because they must comply with whatever legal requirements are dictated by the legal system in place in each overseas market (regardless of what legal system is in place in their domestic market).

Diff: 2

Topic: The legal environment: Differing legal systems and jurisdictions

AACSB: Written and oral communication

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

42) Legal constraints on a product entering a new international market include:

- A) the packaging of the product.
- B) information on product labels.
- C) the physical and chemical composition of the product.
- D) options A, B and C.
- E) options A and C only.

Answer: D

Diff: 1

Topic: The legal environment: Law and the marketing mix internationally

AACSB: Application of knowledge

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

43) Which of the following statements is true about the product element of the marketing mix in international markets?

- A) Labelling regulations are often the same in different countries.
- B) It is not often necessary for a country to ban products from certain countries of origin.
- C) Product standards are usually motivated by a desire to limit foreign company profits.
- D) Where countries have laws covering the same issue, the standards to which the product must conform can vary.
- E) Most governments avoid interference in the market when it comes to creating safety

standards for products.

Answer: D

Diff: 2

Topic: The legal environment: Law and the marketing mix internationally

AACSB: Analytical thinking

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

44) Transfer pricing in international marketing is:

A) a legal mechanism used by some multinational firms to charge a higher price than the market will bear.

B) an illegal mechanism used by some multinational firms to charge a higher price than the market will bear.

C) the use of an unofficial channel to set a lower-than-normal price for the product in an overseas market.

D) a method of pricing that caters for any exchange-rate fluctuations that might occur when operating in an overseas market.

E) none of the above.

Answer: E

Diff: 3

Topic: The legal environment: Law and the marketing mix internationally

AACSB: Analytical thinking

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

45) A firm's marketing mix options can be affected through the extraterritorial application of law, which occurs when the laws of the firm's home country are applied in the overseas country.

Answer: ☒ True False

Diff: 3

Topic: The legal environment: Law and the marketing mix internationally

AACSB: Application of knowledge

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

46) Transfer pricing involves a firm setting the prices at which it transfers products or technologies to affiliates in other countries.

Answer: ☒ True False

Diff: 2

Topic: The legal environment: Law and the marketing mix internationally

AACSB: Application of knowledge

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

47) Outline the key political and legal issues that an international marketer would have to take into consideration when developing marketing mixes for a range of international markets.

Answer: International marketers would need to be aware of the general political situation/political risk and specific requirements of each host country government and legal system, as these will vary by country, even those with the same legal system. These laws and requirements affect each aspect of the marketing mix. For example, each country will have specific standards (e.g. safety) for product compliance and laws applying to packaging. Pricing strategies have to comply with each country's law on issues such as resale price maintenance or dumping. Distribution channels and the activities of channel members are subject to different laws and constraints in each country (e.g. requirement to use state-approved transport services). Promotion tends to be highly regulated in many countries (e.g. deceptive and misleading advertising, advertising to children). An international marketer would need to be aware of the laws and regulations that apply to each aspect of the marketing mix in each country in which they operate to ensure compliance.

Diff: 2

Topic: The legal environment: Law and the marketing mix internationally

AACSB: Application of knowledge

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

48) Environmental law is gaining an increased amount of attention in overseas marketing both within countries and in multilateral forums. Which of the following is NOT an issue of concern?

- A) Billboards
- B) Noise
- C) Energy consumption
- D) Packaging materials
- E) None of the above

Answer: E

Diff: 3

Topic: The legal environment: The impact of law on international operations

AACSB: Application of knowledge

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

49) Companies operating in foreign markets often hire local employees. This can involve a variety of issues including:

- A) training locals.
- B) numbers of expatriates employed.
- C) home country labour laws.
- D) options A, B and C.
- E) options A and B only.

Answer: E

Diff: 2

Topic: The legal environment: The impact of law on international operations

AACSB: Application of knowledge

Objective: Calculate how the legal environment in an international market influences each element of the marketing mix

50) Patents protect intellectual property and provide the holder with the following protection(s):

- A) copyright protection.
- B) trademark protection.
- C) prevention of imitation in music.
- D) options B and C.
- E) none of the above.

Answer: E

Diff: 2

Topic: The legal environment: The impact of law on international operations

AACSB: Application of knowledge

Objective: Explain the increasing dilemma in international marketing regarding the protection of intellectual property

51) Which of the following statements about intellectual property protection in international marketing is NOT true?

- A) Intellectual property rights are aggressively enforced in the USA and Europe.
- B) The costs of registering of intellectual property rights often outweigh the benefits.
- C) The intellectual property rights a company has in its home country will apply in all foreign markets.
- D) Counterfeiting and copyright infringements in foreign markets are significant problems.
- E) Companies often have to buy back the rights to their own brand names and logos, as they have already been registered in the foreign market.

Answer: C

Diff: 3

Topic: The legal environment: The impact of law on international operations

AACSB: Analytical thinking

Objective: Explain the increasing dilemma in international marketing regarding the protection of intellectual property

52) The Trade in-Intellectual Property (TRIPS) code administered by the WTO:

- A) contains comprehensive new rules to protect intellectual property and to govern disputes.
- B) automatically provides global protection of intellectual property.
- C) has no authority to manage or govern intellectual property disputes.
- D) manages intellectual property trade, but refers all disputes to the International Court of Criminal Justice.
- E) makes the WTO the final arbitrator of all intellectual property disputes.

Answer: A

Diff: 2

Topic: The legal environment: The impact of law on international operations

AACSB: Application of knowledge

Objective: Explain the increasing dilemma in international marketing regarding the protection of intellectual property

53) Companies entering foreign markets do not need to worry about intellectual property as

long as they have registered their intellectual property in their home country.

Answer: True ☒ False

Diff: 2

Topic: The legal environment: The impact of law on international operations

AACSB: Application of knowledge

Objective: Explain the increasing dilemma in international marketing regarding the protection of intellectual property

54) Explain the intellectual property protection available in most countries and why such protection is important to international marketers.

Answer: The ability to create and manage knowledge (intellectual property) assets is a source of competitive advantage for firms. Intellectual property protection allows a company to either withhold the intellectual property from the public domain or secure the exclusive rights to its use (and ability to enforce this against infringers). The main forms of intellectual property are patents (legal monopoly on patented technology for a specific time period), copyrights (protecting original literary, musical and other works for a particular period) and trademarks (logos, brand names that distinguish one product/service from another). International marketers need to be aware that different intellectual property rules apply in different countries.

Diff: 2

Topic: The legal environment: The impact of law on international operations

AACSB: Written and oral communication

Objective: Explain the increasing dilemma in international marketing regarding the protection of intellectual property

55) Explain how a firm can reduce the impact of foreign laws on its pricing.

Answer: There are a number of ways a firm can reduce the impact of foreign laws, including transfer pricing, countertrade and dumping. With transfer pricing, the firm sets the prices at which they transfer (sell) products, technologies or services to their operations in other countries. Setting the price high reduces the profits earned in the host country and both the taxes paid there and the impact of local laws affecting pricing. Countertrade involves linking import and export transactions so goods supplied are fully or partly paid with other goods rather than cash (overvaluing or undervaluing affects profits and taxes). Dumping involves selling products in the international market below cost or below domestic prices, again influencing profits.

Diff: 2

Topic: The legal environment: The impact of law on international operations

AACSB: Written and oral communication

Objective: Identify the ways in which the impact of national laws might be minimised in the international environment.

56) Dumping refers to the practice of an exporter attempting to:

A) sell its product in an overseas market at a price that is lower than the current price in that overseas market.

B) take advantage of an overseas subsidiary company to set an artificially high selling price for its product in the overseas market.

C) sell its product in an overseas market at a price that is higher than the current price in

the home market.

D) sell its product in an overseas market at a price that is lower than the current price in the home market.

E) sell its product in an overseas market at a price that is higher than the current price in that overseas market.

Answer: D

Diff: 2

Topic: The legal environment: Contracts and dispute resolution

AACSB: Application of knowledge

Objective: Identify the ways in which the impact of national laws might be minimised in the international environment.

57) Arbitration is:

A) usually used when conciliation fails.

B) where disputing parties present their case to a panel of respected persons who make a judgement that both sides agree to honour.

C) where a third party acts as a referee for parties who are in dispute.

D) options A, B and C.

E) options A and B only.

Answer: D

Diff: 1

Topic: The legal environment: Contracts and dispute resolution

AACSB: Application of knowledge

Objective: Assess the way legal systems differ and the effect of these differences on the drawing up of contracts and the resolving of disputes

58) Arbitration is the best approach to resolving contract disputes because it is less likely to close the door on future business relationships between the feuding parties.

Answer: True ☒ False

Diff: 2

Topic: The legal environment: Contracts and dispute resolution

AACSB: Analytical thinking

Objective: Assess the way legal systems differ and the effect of these differences on the drawing up of contracts and the resolving of disputes

59) International marketers need to be aware of areas where international law may impinge on their marketing activities.

Answer: ☒ True False

Diff: 1

Topic: The legal environment: Contracts and dispute resolution

AACSB: Analytical thinking

Objective: Identify the ways in which the impact of national laws might be minimised in the international environment.

60) Discuss the circumstances under which arbitration is preferable to conciliation in contract and dispute resolution in international marketing.

Answer: Conciliation is a non-binding agreement between parties. Arbitration is a binding agreement between parties, with the decision made by a third party chosen by the parties on the merits of the case. Arbitration has several advantages. There are international arbitration conventions that increase the ability of parties in the member states to enforce the arbitration decisions. Arbitration is faster than litigation through the courts, is conducted in private so sensitive matters remain confidential and arbitration judgments are unlikely to be appealed.

Diff: 2

Topic: The legal environment: Contracts and dispute resolution

AACSB: Written and oral communication

Objective: Assess the way legal systems differ and the effect of these differences on the drawing up of contracts and the resolving of disputes