

TEST BANK



**International
Marketing**



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Chapter 2—Trade Institutions and Trade Policy

TRUE/FALSE

1. Common coinage was developed in ancient Rome to ensure that business transactions could easily be carried out throughout the empire.

ANS: T PTS: 1 DIF: Easy REF: p. 30

NAT: AACSB Diversity | CB&E Model International perspective | R&D Knowledge of general business functions

2. The international environment is relatively static, and there is not much change in any given year.

ANS: F PTS: 1 DIF: Easy REF: p. 30

NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

3. The feudal system encouraged the development of a closed-state economy that was inwardly focused and ultimately conceived for self-sufficiency and security.

ANS: T PTS: 1 DIF: Moderate REF: p. 31

NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

4. The Smoot-Hawley Act of the 1930s set the stage for the collapse of the world financial system.

ANS: T PTS: 1 DIF: Moderate REF: p. 32

NAT: AACSB Ethics | CB&E Model International perspective | R&D Knowledge of general business functions

5. The charter for the International Trade Organization (ITO) was signed in Havana, Cuba in 1948.

ANS: T PTS: 1 DIF: Moderate REF: p. 32

NAT: AACSB Ethics | CB&E Model International perspective | R&D Knowledge of general business functions

6. The belief that international trade was a key to worldwide prosperity led the United States to create a “Pax Americana.”

ANS: T PTS: 1 DIF: Moderate REF: p. 32

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7. The creation of the World Bank and the International Monetary Fund is associated with the charter, a series of agreements among 53 countries.

ANS: T PTS: 1 DIF: Moderate REF: p. 32

NAT: AACSB Ethics | CB&E Model International perspective | R&D Knowledge of general business functions

8. In the agri-food, tobacco, textiles, clothing ,and footwear industries, tariffs tend to decrease with the degree of processing.

ANS: F PTS: 1 DIF: Moderate REF: p. 33
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9. The WTO (World Transport Organization) is the world's leading authority on settling transportation disputes between shippers of products and the countries which receive these goods.

ANS: F PTS: 1 DIF: Moderate REF: p. 33
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

10. The original goal of the International Monetary Fund (IMF) was to provide for fixed exchange rates between member countries.

ANS: T PTS: 1 DIF: Moderate REF: p. 35
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11. The World Bank was initially formed in 1944 to aid countries that were suffering from the destruction of WWII.

ANS: T PTS: 1 DIF: Easy REF: p. 36
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12. The European Union (EU) represents a formidable market size internally and market power externally and is considered an economic bloc.

ANS: T PTS: 1 DIF: Moderate REF: p. 36
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

13. In the short run, the export activities of a nation are the key to the inflow of imports and therefore to the provision of choice, competition, and new insights.

ANS: F PTS: 1 DIF: Moderate REF: p. 37
NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of general business functions

14. Because the United States economy was nearly decimated by the effects of World War II, the U.S. has not been able to emerge as an economic power in the world since that time.

ANS: F PTS: 1 DIF: Easy REF: p. 39
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15. The United States has been able to export more products than it imports since 1977, causing a trade surplus in this country which has provided jobs for thousands of Americans.

ANS: F PTS: 1 DIF: Moderate REF: p. 40
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16. Special import authorization, excise duties, discretionary licensing, and trade restriction affecting electronic commerce are examples of trade barriers.

ANS: T PTS: 1 DIF: Moderate REF: p. 44
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17. At present, U.S. nationals living abroad are fully subject to U.S. federal taxation.

ANS: F PTS: 1 DIF: Moderate REF: p. 46
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18. The U.S. need is for a reactive trade policy responses to specific situations.

ANS: F PTS: 1 DIF: Moderate REF: p. 47
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19. In order to be successful in international trade, policymakers must be willing to trade off long-term goals to achieve short-term objectives.

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MULTIPLE CHOICE

1. All of the following measures by the Roman Empire contributed to the functioning of the international marketplace and to the reduction of business uncertainty except:
- the marching of its legions and warfare.
 - an excellent communication system.
 - a systematic law.
 - central market locations through the founding of cities.

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2. The evolution of European feudalism was due to a function of:
- finance and banking.
 - trade and marketing.
 - business informatics.
 - public administration and governance.

ANS: B PTS: 1 DIF: Moderate REF: p. 31
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3. When the charter for the International Trade Organization was signed in 1948, it set forth a series of agreements which included international commercial policies, domestic business practices, and what other agreements?
- Unilateral veto power by the Soviet Union, China, and the United States.
 - An inter-governmental agreement allowing the U.S. to administer the ITO.
 - A closed market for all electronic components.
 - Commodity agreement, economic development, employment and reconstruction, international investment, and a constitution for a new United Nations agency to administer the whole.

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4. Which act raised duties to reduce the volume of imports into the United States, in the hopes that this would restore domestic employment?
- The Export Trading Company Act
 - The Gramm-Leach-Bliley Act
 - The Sarbanes-Oxley Act
 - The Smoot-Hawley Act

ANS: D PTS: 1 DIF: Moderate REF: p. 32
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5. Which organization has been called "a remarkable success story of postwar international organization that was never intended to become one"?
- GATT
 - WTO
 - IMF
 - UN

ANS: A PTS: 1 DIF: Easy REF: p. 33
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6. Which of the following began in 1947 as a set of rules for nondiscrimination, transparent procedures, and settlement of disputes in international trade?
- Free Trade Area of the Americas
 - General Agreement on Tariffs and Trade
 - Trade-Related Aspects of Intellectual Property Rights
 - General Agreement on Trade in Services

ANS: B PTS: 1 DIF: Easy REF: p. 33

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7. Which of the following statements about the GATT is false?
- It was founded by 34 like-minded governments, and designed to operate by consensus.
 - It began as a set of rules for nondiscrimination, transparent procedures, and settlement of disputes in international trade.
 - The MFN clause calls for each member country of the GATT to grant every other member country the most favorable treatment it accords to any other country with respect to imports and exports.
 - Over time, the GATT evolved into an institution that sponsored successive rounds of international trade negotiations with a key focus on a reduction of prevailing high tariffs.

ANS: A PTS: 1 DIF: Moderate REF: p. 33

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8. What is the core mission of the WTO?
- To enforce trade tariffs
 - To keep salt prices at a stable price
 - To facilitate international trade and investment
 - To broker agricultural products between companies

ANS: C PTS: 1 DIF: Moderate REF: p. 33

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9. The WTO is responsible for all of the following except:
- GATS.
 - TRIPS.
 - TRIMS.
 - IMF.

ANS: D PTS: 1 DIF: Easy REF: p. 33

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10. Which of the following statements about the WTO is false?
- It makes major contributions to improved trade and investment flows around the world.
 - A successful WTO may well infringe on the sovereignty of nations.
 - Some governments intend to broaden the mandate of the WTO to also deal with environmental causes.
 - Outside groups such as nongovernmental organizations believe that the WTO represents a threat to their causes.

ANS: C PTS: 1 DIF: Difficult REF: p. 34

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11. When the International Monetary Fund was created, how did member nations pay their dues?
- 25% in gold or dollars, the rest in their own currency
 - In their own nation's currency
 - In salt or other commodities
 - Through a common IMF currency called the Dohar

ANS: A PTS: 1 DIF: Moderate REF: p. 35

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12. Which of the following statements about the IMF is true?
- In order to ensure that a local stimulus would not be suffocated by global restrictions, IMF worked to ensure simultaneous expansions in economies.
 - Even though IMF will attempt to continue to make decisions based on consensus, provisions are now made for decisions to be made by majority vote if such consensus cannot be achieved.
 - Early in its existence, IMF achieved the liberalization of trade in 50,000 products, amounting to two-thirds of the value of the trade among its participants.
 - The IMF tries now to reorient its outlook, focusing more on institution building and the development of human capital through investments into education and health.

ANS: A PTS: 1 DIF: Difficult REF: p. 35

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13. Which currency is most accepted worldwide?
- The French Mark
 - The U.S. Dollar
 - The Japanese Yen
 - The British Schilling

ANS: B PTS: 1 DIF: Easy REF: p. 35

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14. Another name for the International Bank for Reconstruction and Development is:
- the Bank of America.
 - the United States Treasury.
 - the World Bank.
 - the UN Bank.

ANS: C PTS: 1 DIF: Easy REF: p. 36
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15. The WTO, IMF, and World Bank operate on a global level. Which of the following is a trade alliance that operates under this same concept on a regional basis?
- The Economic Bloc
 - The World Chamber of Commerce
 - The United Nations
 - The Foundation for a Free America

ANS: A PTS: 1 DIF: Moderate REF: p. 36
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16. Which of the following integrates the economic and political activities of nations?
- The International Monetary Fund
 - NAFTA
 - Economic bloc
 - World Bank

ANS: C PTS: 1 DIF: Moderate REF: p. 36
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17. When a firm is founded with global scope in mind from the very beginning, what do marketers call that type of company?
- Specialized
 - Stratospheric
 - Digital commerce
 - Born global

ANS: D PTS: 1 DIF: Easy REF: p. 39
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18. ____ are considered "special" because of their effect on currency values, the fiscal and monetary policies of governments, the shaping of public perception on competitiveness, and the level of imports a country can afford.
- Political upheaval
 - Regime change
 - Exports
 - The legalization of previously banned products

ANS: C PTS: 1 DIF: Moderate REF: p. 40
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19. Which of the following statements about the merchandise trade deficit in the United States is true?
- Since 1975, the U.S. trade deficit has been continuous.
 - By law, the U.S. cannot have a trade deficit.
 - Because of its position in a free trade zone, the U.S. does not have a trade deficit.
 - By executive order, the President is the only person who can control this deficit.

ANS: A PTS: 1 DIF: Moderate REF: p. 40

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20. When a company expands its market by offering its products to international customers, it can produce more of its products and do so more efficiently, thus reducing the overall cost of each individual unit. What is this called?
- Over saturation
 - Stagnation
 - Economies of scale
 - Post production providence

ANS: C PTS: 1 DIF: Easy REF: p. 40

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21. Which of the following statements about the effect of trade is false?
- Exports are important in a microeconomic sense, in terms of balancing the trade account.
 - The steady erosion of the U.S. share of total world export has resulted in a merchandise trade deficit.
 - Through exporting, a firm benefits from market diversification.
 - Exports can be instrumental in creating jobs.

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22. In light of persistent trade deficits, growing foreign direct investment, and the tendency of some firms and industries to seek legislative redress for failures in marketing place, the U.S. Congress in the past two decades has:
- left trade decisions in the hands of the WTO.
 - organized a ban of imported products which compete with long-standing companies.
 - given more power to the President to improve trade opportunities.
 - declared "war" on countries that do not invest directly in that country.

ANS: C PTS: 1 DIF: Moderate REF: p. 41

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23. "Voluntary" import restraints have been used mainly in areas such as textiles, automobiles, and steel and are intended to:
- help domestic companies regain their trade prominence of years past.
 - show good political citizenship by members.
 - penalize producers of raw materials.
 - situate the imports as a political component as opposed to a trade embargo.

ANS: A PTS: 1 DIF: Difficult REF: p. 44

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24. If a business entity promotes "Buying U.S.A.," meaning, only buy products that are manufactured in the United States, this campaign would be seen as:
- a nontariff barrier.
 - poor public relations.
 - significantly helping the international global market.
 - something the French might do.

ANS: A PTS: 1 DIF: Moderate REF: p. 45

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25. Providing preferential treatment to domestic bidders over foreign bidders, using national standards that are not comparable to international standards, placing emphasis on design rather than performance, and providing for general difficulties in the market entry of foreign products are examples of:
- import/export quotas.
 - substantial discounting by domestic partners.
 - aggregation of intrinsic dominance.
 - nontariff barriers.

ANS: D PTS: 1 DIF: Moderate REF: p. 45

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26. Which department of the United States government provides assistance to companies in helping formulate foreign trade and international marketing plans?
- Homeland Security
 - Treasury
 - Commerce
 - State

ANS: C PTS: 1 DIF: Easy REF: p. 46

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27. When the Export-Import Bank of the United States gives loans that are composed partially of commercial interest rates and partially of highly subsidized developmental aid interest rates, these loans are known as:
- commercial state loans.
 - mixed aid credits.
 - import/export fluctuations.
 - partial loans.

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28. When U.S. firms work together to establish export promotion development, as allowed by the Export Trading Company Act of 1982, the companies are in effect forming a(n):
- bilateral consortium.
 - export-import industry.
 - export consortia.
 - run on banks.

ANS: C PTS: 1 DIF: Moderate REF: p. 46-47

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29. The disappointment with past trade negotiations, is mainly the result of:
- lack of funds.
 - lack of expectations.
 - overblown competitiveness.
 - overblown expectations.

ANS: D PTS: 1 DIF: Moderate REF: p. 47

NAT: AACSB Analytic | CB&E Model International perspective | R&D Knowledge of human behavior & society

30. The authority to negotiate international agreements with a reasonable certainty that the negotiation outcome will not be subject to minute amendments must be given by Congress to:
- foreign governments.
 - the channel captains sourcing the agreement.
 - functional intermediaries.
 - the executive branch.

ANS: D PTS: 1 DIF: Moderate REF: p. 47-48

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31. Trade negotiations that are conducted between two nations are considered:
- unilateral.
 - multilateral.
 - bilateral.
 - omnilateral.

ANS: C PTS: 1 DIF: Easy REF: p. 48

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32. Which of the following gives Congress the right to accept or reject trade treaties and agreements, but reduces the amendment procedures?
- Protectionistic legislation
 - Trade promotion authority
 - Foreign affiliate
 - Export consortia

ANS: B PTS: 1 DIF: Easy REF: p. 48

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33. In order for negotiations between countries to be long-lasting, policymakers must:
- appoint taxing authority to an outside third non-exclusive country.
 - situate the trading bloc amongst similar aid.
 - trade off short-term achievements for long-term goals.
 - implement profit taking in the short term.

ANS: C PTS: 1 DIF: Moderate REF: p. 48
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34. When economic coordination between trading partners continues, leading trading nations will:
- propagate a universal religion.
 - exploit the dollar and devalue it in relation to the Yen.
 - compromise the WTO charter.
 - lose some national sovereignty.

ANS: D PTS: 1 DIF: Moderate REF: p. 48
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35. Policymakers will be sufficiently responsive in setting international trade policy objectives that increase opportunities for firms and choices for consumers when:
- the voices of retailers, consumers, wholesalers, and manufacturers are heard.
 - all nations adopt the IMF treaty.
 - the reconstruction of branded Europe is concluded.
 - there is agreement between the British and Americans over salt prices.

ANS: A PTS: 1 DIF: Moderate REF: p. 48
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SHORT ANSWER

1. How did international trade affect the rise and fall of the Roman Empire?

ANS:

One of the major world powers in ancient history was the Roman Empire. Its impact on the thought, knowledge, and development can still be felt today. Even while expanding their territories through armed conflicts, the Romans placed primary emphasis on encouraging international business activities. The principal approaches used to implement this emphasis were the Pax Romana, or the Roman Peace, and common coinage. Safety on roads of trade and use of a common coin for trade are two principals still in use today. The immense growth of the Roman Empire occurred through the linkages of business rather than through the marching of its legions and warfare. When the outside tribes attacked the empire, the Roman empire was already substantially weakened, because former allies no longer saw any advantage in being associated with the Romans and willingly cooperated with the invaders. International trade has often played a major role in world history, and the Roman Empire is a good example.

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2. Over the last 50 years, how has U.S. international trade fared in comparison to the rest of the world?

ANS:

Over the years, the U.S. international trade position has eroded substantially, and the U.S. share of world exports has declined precipitously from 25 percent in the 1950s. This has occurred mainly because other countries have expanded their trade activities. U.S. export growth was not able to keep pace with total world export growth.

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3. What organization should regulate E-Commerce?

ANS:

This is a difficult question to answer, and student answers will vary. The main themes to be touched on include security, privacy, taxation, tariffs, and inter-governmental agreements. At present, there is no one global authority that oversees e-commerce; however countries are in talks to discuss who and how e-commerce should be regulated. It is clear some supervision is needed, but what and how is unclear.

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