International Marketing, 18e **(Cateora)**
Chapter 9 Economic Development and the Americas

1) Of the three kinds of distances that international marketers must traverse, time zones have the greatest influence on the success of their commercial efforts abroad.

2) The liberalization of trade and investment policies in developing countries have little impact on the way countries will trade and prosper in the 21st century.

3) The level of political stability in a country is the single most important environmental element to which the foreign marketer must adjust the marketing task.

4) Consumption patterns change rapidly in static economies.

5) Economic development translates to rapid economic growth and increases in consumer demand.

6) According to the UN classification, industrially developing countries just entering world trade with relatively low per capita incomes are referred to as less-developed countries.

7) The UN classification of countries based on economic development has been criticized because it no longer seems relevant in the rapidly industrializing world.

8) Chile is a newly industrialized country. As such, it has per capita incomes lower than LDCs.

9) Under the United Nations' stages of economic development for classifying countries with respect to levels of industrialization, Brazil falls under the group of more-developed countries (MDCs).

10) Newly industrialized countries (NICs) are characterized by markets with fewer restrictive trade practices and significant free market reforms.

11) Mercosur is a free trade group formed by the United States.

12) Privatization of state-owned industries released immediate capital to invest in strategic areas.

13) High transaction costs associated with the use of the Internet prevent smaller firms in emerging countries from selling into a global market.

14) Economic growth is measured solely in economic goals.

15) The trend toward privatization is occurring in industrialized as well as in developing countries.

16) The quality of an infrastructure directly affects a country's economic growth potential.

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17) A more developed economy tends to have fewer types of marketing functions that are needed.

18) Marketing is an economy's arbitrator between productive capacity and growth potential.

19) According to Jagdish Sheth, rather than diffusion of innovations, the focus of new product development should be on affordability and accessibility.

20) For international marketing, the level of market development parallels the stages of economic development.

21) In the United States, the vast majority of the population lives in urban areas and has higher earnings than those who live in rural areas.

22) Big emerging markets are of major political importance within their regions.

23) Poland has been identified as a big emerging market by the Department of Commerce.

24) Canada is a member of NAFTA.

25) The United States–Canada Free Trade Area (CFTA) was a customs union like the European Community.

26) The DR-CAFTA includes a wide array of tariff reductions aimed at increasing trade and employment.

27) Mercosur is the largest common-market agreement in the Americas.

28) The Mercosur originally envisioned central institutions similar to those of the European Union institutions.

29) One of the most important aspects of the Latin American Integration Association (LAIA) that differs from LAFTA, its predecessor, is the differential treatment of member countries according to their level of economic development.

30) As a country develops, market behavior changes and eventually it leads to market segmentation.

31) Which country is an MDC (more-developed country)?
A) Brazil
B) Russia
C) Germany
D) Argentina
E) Vietnam

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32) According to the U.S. Department of Commerce, Latin American and other emerging markets will account for _____ of the world's total growth in the next two decades and beyond.
A) 20%
B) 30%
C) 50%
D) 75%
E) 90%

33) What is considered the single most important environmental element of a country to which the foreign marketer must adjust the marketing task?
A) political stability
B) economic level
C) social norms
D) literacy level
E) cultural orientation

34) Dynamic economies differ from static economies in that dynamic economies
A) need not match marketing efforts with the market needs and wants.
B) have rapidly changing consumption patterns.
C) have a highly predictable and loyal consumer base.
D) define marketing as typically nothing more than a supply effort.
E) do not require a marketer to be prepared for economic shifts and emerging markets.

35) Economic _____ refers to an increase in national production that is reflected by an increase in the average per capita gross domestic product or gross national income.
A) repression
B) duress
C) equilibrium
D) development
E) sustainability

36) The _____ classifies a country's stage of economic development on the basis of its level of industrialization into three categories and the three categories are MDCs, LDCs, and LLDCs.
A) U.S. Department of Commerce
B) North Atlantic Treaty Organization
C) International Organization for Standardization
D) United Nations
E) International Development Association

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37) According to the United Nations' stages of economic development for classifying countries based on levels of industrialization, in which category does an industrialized country with high per capita income fall?
A) less-developed countries
B) least-developed countries
C) more-developed countries
D) frontier markets
E) pre-emerging markets

38) Which statement is true about MDCs (more-developed countries)?
A) These countries are just entering world trade.
B) The majority of their populations stay in rural areas.
C) These countries have high per capita incomes.
D) These countries have little world trade involvement.
E) These countries have mainly agrarian economies.

39) According to the United Nations' stages of economic development for classifying countries based on levels of industrialization, Canada falls under the category of _____ countries.
A) Third World
B) least-developed
C) more-developed
D) less-developed
E) pre-emerging

40) According to the United Nations' stages of economic development for classifying countries based on levels of industrialization, _____ countries consist of industrially developing countries just entering world trade with relatively low per capita incomes.
A) first world
B) least-developed
C) less-developed
D) Third World
E) more-developed

41) A country that is industrially underdeveloped, agrarian, has a subsistence society with rural populations, and has extremely low per capita income levels falls under the category of
A) first world countries.
B) least-developed countries.
C) less-developed countries.
D) newly industrialized countries.
E) frontier markets.

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42) The United Nations' classification of stages of economic development has been criticized primarily because
A) many countries that are classified as LDCs are industrializing at a very rapid rate, while others are advancing at more traditional rates of economic development.
B) countries classified as LLDCs are growing at a very rapid rate.
C) it no longer takes into account social overhead capital as an indicator of economic development.
D) it only focuses on the literacy level in a country.
E) countries that are classified as LDCs are industrializing at a slow rate.

43) Most newly industrialized countries (NICs) have moved away from restrictive trade practices and instituted significant free market reforms. As a result, these countries have
A) attracted both trade and foreign direct investment.
B) become poor importers as well as exporters.
C) experienced low gross national income.
D) stepped up their protectionist policies.
E) majorly given up on their domestic markets.

44) Newly industrialized countries (NICs) differ from less-developed countries in that NICs
A) include Canada, the United States, and Germany.
B) attract insignificant or no foreign investment.
C) have per capita incomes that are lower than other developing countries.
D) have moved away from restrictive trade practices and instituted significant free market reforms.
E) have shown slow industrialization and expansion of targeted industries.

45) Chile, Brazil, Mexico, South Korea, Singapore, and Taiwan are examples of _____ countries.
A) least-developed
B) Third World
C) underdeveloped
D) newly industrialized
E) closed economy

46) Which country was involved in the formation of the free trade group Mercosur?
A) Australia
B) China
C) Argentina
D) Russia
E) Thailand

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47) _____ is a free trade group that includes 200 million people, and was formed by Argentina, Brazil, Paraguay, and Uruguay.
A) NAFTA
B) Caricom
C) Mercosur
D) SACU
E) DR-CAFTA

48) When countries sell off state-owned enterprises and privatize them, it usually results in a(n)
A) lack of accommodation of outside investors.
B) decline in productivity throughout the private sector.
C) increase in modernization by new investors.
D) instant change in political leadership.
E) continuing drain on future natural resources.

49) What is true of privatization of state-owned enterprises?
A) It leads to a decline in productivity throughout the private sector.
B) It was done in order to stop the drain on national budgets due to inefficient state-owned enterprises.
C) It blocks capital mobility to strategic areas.
D) It leads to a change in political leadership.
E) It acts as a setback to the process of modernization.

50) What is a characteristic impact of privatization of state-owned enterprises?
A) It normally has a negative effect on economic growth.
B) It blocks investment of capital in strategic areas.
C) It often leads to new economic growth.
D) It results in a draining of the future national resources.
E) It brings about a political shift in the country.

51) During the early market growth of many countries, the first large open market was
A) Russia.
B) the United States.
C) Australia.
D) Germany.
E) the United Kingdom.

52) A country's investment in information technology is a key to economic growth. Specifically, the Internet
A) further increases the advantage of rich economies over the poor ones.
B) increases market transaction costs.
C) allows for innovative services but at a relatively higher cost.
D) enables smaller firms in emerging economies to sell into a global market.
E) decreases the economies of scale from vertical integration.

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53) What is true about the activities of foreign investors in developing countries?
A) Foreign investors are seen as vital partners in economic development.
B) Today, most developing countries have more conservative attitudes toward foreign investments than before.
C) Foreign firms are expropriated and charged with excessively high tariffs and quotas by all developing countries.
D) Foreign businesses are generally not allowed to raise money by means of shares in developing countries.
E) Foreign investment is banned in most developing countries.

54) What is an indicator of a country's economic development?
A) population expansion
B) expanding state ownership
C) the country's infrastructure
D) social reformation
E) cultural diversity

55) Paved roads, railroads, seaports, communication networks, and financial networks are examples of
A) environmental resources.
B) inventory.
C) infrastructure.
D) factors of production.
E) freight claims.

56) Economic planners are often more _____ oriented than marketing oriented.
A) production
B) advertising
C) logistics
D) theory
E) distribution

57) Economic planners are least likely to be concerned with the problems related to
A) production.
B) finance.
C) capacity.
D) distribution.
E) investment.

58) _____ is an economy's arbitrator between productive capacity and consumer demand.
A) Warehousing
B) Marketing
C) Convergence
D) Procurement
E) Outsourcing

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59) The level of market development roughly parallels the stages of economic
A) stagnation.
B) duress.
C) repression.
D) equilibrium.
E) development.

60) Estimating market potential in less-developed countries involves additional challenges, but most of the difficulty arises from the
A) coexistence of three distinct kinds of markets in each country.
B) dependence of the markets on the industrialized sectors.
C) lower wage rates of the workforce.
D) high fluctuation in the currency rate.
E) higher concentration of population residing in the urban areas.

61) The transitional sector differs from the modern urban sector in that the transitional sector
A) is an exclusively agriculture-oriented sector.
B) consists of population that works in the countryside.
C) consists of an expanding Westernized middle class.
D) represents the high-income urban slums.
E) consists of population that moves from the country to the large cities.

62) Which market sector has an expanding Westernized middle class?
A) the traditional sector
B) the modern sector
C) the rural services sector
D) the transitional sector
E) the agricultural sector

63) Developing countries with markets that are geographically large, have strong growth rates, are regional economic drivers, and represent sizable markets for a wide range of products have been identified by the U.S. Department of Commerce as _____ markets.
A) frontier
B) big emerging
C) two-sided
D) niche
E) grey

64) Country A is a developing country that has a significant population and represents a sizable market for a wide range of products. It has a strong growth rate and is considered a regional economic driver. Based on this information, Country A can be classified as a _____ market.
A) grey
B) big emerging
C) two-sided
D) frontier
E) niche

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65) Which country has been identified by the Department of Commerce as a BEM (big emerging market)?
A) Philippines
B) Egypt
C) Venezuela
D) Mexico
E) Nicaragua

66) The type of growth that is happening in BEMs today is analogous to what happened in
A) Saudi Arabia in the 1800s.
B) India during the rule of the British Empire.
C) Russia after the fall of the Czar.
D) Europe after World War II.
E) Iraq between 1890 and 1990.

67) Which country is a part of the free trade area known as CFTA?
A) France
B) Uruguay
C) the United States
D) Argentina
E) Brazil

68) The three members of the North American Free Trade Agreement (NAFTA) are
A) the United States, the United Kingdom, and France.
B) the United States, Cuba, and Uruguay.
C) Canada, China, and Japan.
D) the United States, France, and Germany.
E) Canada, Mexico, and the United States.

69) The CFTA was designed to
A) establish tariffs between the U.S. and Europe.
B) create several independent commercial markets for goods and services.
C) become a customs union like the European Community.
D) involve both economic and political unions.
E) eliminate tariffs and other trade barriers between the United States and Canada.

70) Which country announced that it would seek free trade with the United States shortly after the ratification of the United States–Canada Free Trade Area (CFTA)?
A) Germany
B) Australia
C) Mexico
D) The United Kingdom
E) China

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71) _____ required the United States, Canada, and Mexico to remove all tariffs and trade barriers over 15 years, and beginning in 2008, all tariff barriers were officially dropped.
A) Mercosur
B) LAIA
C) CARICOM
D) NAFTA
E) DR-CFTA

72) What key provision of NAFTA restricts Japan from assembling autos in Mexico and avoiding U.S. or Canadian tariffs and quotas, unless the auto had a specific percentage of Mexican (i.e., North American) content?
A) services
B) standards
C) rules of origin
D) uniform customs procedures
E) government procurement

73) What is true about NAFTA?
A) It allows the use of standards and technical regulations as obstacles to trade.
B) It was ratified and became effective in the year 2000.
C) It prohibits U.S. and Canadian financial institutions to open wholly owned subsidiaries in Mexico.
D) Its provisions require goods to contain minimum of 10% North American content to be traded duty free.
E) Its provisions require Canada, Mexico, and the United States to implement uniform customs procedures and regulations.

74) NAFTA differs from Mercosur in that NAFTA
A) was provided legal basis by the Treaty of Asunción.
B) is the second-largest common-market agreement in the Americas after Mercosur.
C) includes Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay.
D) aims to address and improve all aspects of doing business within North America.
E) aims to establish a common currency for its Latin American members.

75) Given the fact that NAFTA is now effective in the U.S., Mexico, and Canada, an American company that has its production plant in Sri Lanka will be willing to relocate its production plant to Mexico mostly because
A) it will improve the image of its goods.
B) Mexico has lower wages than Sri Lanka.
C) it will enable the company to get an entirely western consumer base for its products.
D) moving finished goods from Mexico to the United States is cheaper and faster than moving them from Sri Lanka.
E) workers in Mexico are more skilled than those in Sri Lanka.

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76) What country is a member of the free trade agreement DR-CAFTA?
A) Bahrain
B) Bhutan
C) Morocco
D) Costa Rica
E) Oman

77) Which is the comprehensive free trade agreement among Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and the United States that includes a wide array of tariff reductions aimed at increasing trade and employment?
A) DR-CAFTA
B) NAFTA
C) CFTA
D) SAARC
E) Mercosur

78) The success of the Caribbean Free Trade Association led to the creation of the
A) Central American Integration System.
B) Community of Latin American and Caribbean States.
C) Caribbean Community and Common Market.
D) Union of South American Nations.
E) United Nations Economic Commission for Latin America and the Caribbean.

79) CARICOM established the CSME (CARICOM Single Market and Economy) with the major goal of
A) establishing central institutions similar to those of the European Union institutions.
B) forming a political union.
C) implementing a common currency for all member nations.
D) increasing nontariff barriers.
E) implementing uniform customs procedures.

80) In the context of a political and economic revolution that has been taking place in Latin America, state ownership has resulted in
A) inclusion of foreign and domestic private ownership.
B) efficient state treasuries.
C) efficient public companies.
D) predictable regulatory environments.
E) inefficient public companies.

81) What country is a member of the Latin American Integration Association (LAIA, aka ALADI)?
A) Bahamas
B) Cuba
C) Nicaragua
D) Costa Rica
E) Honduras

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82) Haiti is a member of
A) CARICOM.
B) NAFTA.
C) CFTA.
D) LAIA.
E) Mercosur.

83) What is the largest common-market agreement in the Americas?
A) CFTA
B) NAFTA
C) Mercosur
D) DR-CAFTA
E) SAFTA

84) What is the second-largest common-market agreement in the Americas, after NAFTA?
A) CFTA
B) TPP
C) Mercosur
D) DR-CAFTA
E) SAFTA

85) Which of the following treaties provided the legal basis for Mercosur?
A) Treaty of Verdun
B) Treaty of Asunción
C) Treaty of Westphalia
D) Treaty of Versailles
E) Treaty of Montevideo

86) What accounts for the lion's share of Mercosur exports to Europe?
A) clothing and apparel
B) telecommunication equipment
C) consumer durables
D) petroleum and minerals
E) agricultural and agro-industrial products

87) What is true of state ownership in Latin America?
A) Privatization of state-owned enterprises blocked the release of immediate capital to invest in strategic areas.
B) State ownership is the most ideal engine for economic growth.
C) Privatization of state-owned enterprises continually drained the future national resources.
D) State ownership has resulted in complicated and unpredictable regulatory environments.
E) State ownership has consistently resulted in the inclusion of foreign and domestic private ownership, and the formation of efficient public companies.

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88) The long-term goal of the LAIA (Latin American Integration Association), better known by its Spanish acronym, ALADI, is to
A) improve the literacy levels in member countries.
B) reduce the child mortality rates in member countries.
C) establish a Latin American common market.
D) establish a common currency for all its member countries.
E) standardize the industrial production in the member countries.

89) One way that LAIA differs from LAFTA, its predecessor, is
A) the differential treatment of member countries according to their level of economic development.
B) the inclusion of rules of origin.
C) the exclusion of tariff barrier.
D) the members are forbidden from establishing bilateral trade agreements among member countries.
E) the introduction of a common currency for the member countries.

90) More household money goes for _____ in emerging markets than in developed markets.
A) housing
B) durable goods
C) food
D) leisure
E) education

91) Explain the importance of time zones for trade relationships and marketing operations. What are the three multinational market regions that comprise major trading blocs?

92) Describe the political and economic changes affecting developing countries, including foreign investment, transition from socialist to market-driven economies, and trade policies.

93) Explain the concept of economic development.

94) Describe the three categories used by the United Nations to classify a country's stage of economic development on the basis of its level of industrialization.

95) List and briefly describe five of the nine factors that existed during the economic growth of newly industrialized countries (NICs).

96) Explain how the Internet impacts economic development in emerging economies.

97) Describe the origin and purpose of Mercosur and its role in improving trade associations among American nations.

98) Why was Caribbean Community and Common Market (CARICOM) created? What are its goals?

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1) Of the three kinds of distances that international marketers must traverse, time zones have the greatest influence on the success of their commercial efforts abroad.

Answer: TRUE
Explanation: Time zones make a difference. Jet lag is an important problem. Among three kinds of distances that international marketers must traverse—miles, time zones, and cultural distances—time zones have the greatest influence on the success of their commercial efforts abroad.
Difficulty: 1 Easy
Topic: Challenges and Opportunities Created by Globalization
Learning Objective: 09-01 The importance of time zones for trade relationships and marketing operations.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

2) The liberalization of trade and investment policies in developing countries have little impact on the way countries will trade and prosper in the 21st century.

Answer: FALSE
Explanation: The transition from socialist to market-driven economies, the liberalization of trade and investment policies in developing countries, the transfer of public-sector enterprises to the private sector, and the rapid development of regional market alliances are changing the way countries will trade and prosper in the 21st century.
Difficulty: 1 Easy
Topic: Overview of Trade
Learning Objective: 09-02 The political and economic changes affecting global marketing.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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3) The level of political stability in a country is the single most important environmental element to which the foreign marketer must adjust the marketing task.

Answer: FALSE
Explanation: The economic level of a country is the single most important environmental element to which the foreign marketer must adjust the marketing task. The stage of economic growth within a country affects the attitudes toward foreign business activity, the demand for goods, the distribution systems found within a country, and the entire marketing process.
Difficulty: 1 Easy
Topic: The Changing Nature of the Global Economy
Learning Objective: 09-03 The connection between the economic level of a country and the marketing task.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

4) Consumption patterns change rapidly in static economies.

Answer: FALSE
Explanation: In static economies, consumption patterns become rigid, and marketing is typically nothing more than a supply effort. In a dynamic economy, consumption patterns change rapidly.
Difficulty: 1 Easy
Topic: The Changing Nature of the Global Economy
Learning Objective: 09-03 The connection between the economic level of a country and the marketing task.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

5) Economic development translates to rapid economic growth and increases in consumer demand.

Answer: TRUE
Explanation: Economic development, as commonly defined today, tends to mean rapid economic growth and increases in consumer demand—improvements achieved "in decades rather than centuries."
Difficulty: 1 Easy
Topic: Economic Development
Learning Objective: 09-03 The connection between the economic level of a country and the marketing task.
Bloom's: Remember
AACSB: Analytical Thinking
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6) According to the UN classification, industrially developing countries just entering world trade with relatively low per capita incomes are referred to as less-developed countries.

Answer: TRUE
Explanation: Industrially developing countries just entering world trade, many of which are in Asia and Latin America, with relatively low per capita incomes are classified as less-developed countries (LDCs).
Difficulty: 1 Easy
Topic: Economic Development
Learning Objective: 09-03 The connection between the economic level of a country and the marketing task.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

7) The UN classification of countries based on economic development has been criticized because it no longer seems relevant in the rapidly industrializing world.

Answer: TRUE
Explanation: The UN classification has been criticized because it no longer seems relevant in the rapidly industrializing world. Also, many countries that are classified as LDCs are industrializing at a very rapid rate, whereas others are advancing at more traditional rates of economic development.
Difficulty: 1 Easy
Topic: Economic Development
Learning Objective: 09-03 The connection between the economic level of a country and the marketing task.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

8) Chile is a newly industrialized country. As such, it has per capita incomes lower than LDCs.

Answer: FALSE
Explanation: Countries that are experiencing rapid economic expansion and industrialization and do not exactly fit as LDCs (less-developed countries) or MDCs (more-developed countries) are more typically referred to as NICs (newly industrialized countries). These countries have shown rapid industrialization of targeted industries and have per capita incomes that exceed other developing countries.
Difficulty: 1 Easy
Topic: Economic Development
Learning Objective: 09-03 The connection between the economic level of a country and the marketing task.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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9) Under the United Nations' stages of economic development for classifying countries with respect to levels of industrialization, Brazil falls under the group of more-developed countries (MDCs).

Answer: FALSE
Explanation: Countries that are experiencing rapid economic expansion and industrialization and do not exactly fit as LDCs (less-developed countries) or MDCs (more-developed countries) are more typically referred to as NICs (newly industrialized countries). Brazil is considered one of the NICs.
Difficulty: 1 Easy
Topic: Economic Development
Learning Objective: 09-03 The connection between the economic level of a country and the marketing task.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

10) Newly industrialized countries (NICs) are characterized by markets with fewer restrictive trade practices and significant free market reforms.

Answer: TRUE
Explanation: Newly industrialized countries (NICs) have shown rapid industrialization of targeted industries and have per capita incomes that exceed other developing countries. They have moved away from restrictive trade practices and instituted significant free market reforms; as a result, they attract both trade and foreign direct investment.
Difficulty: 1 Easy
Topic: Economic Development
Learning Objective: 09-03 The connection between the economic level of a country and the marketing task.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

11) Mercosur is a free trade group formed by the United States.

Answer: FALSE
Explanation: Mercosur is a free trade group formed by Argentina, Brazil, Paraguay, and Uruguay.
Difficulty: 1 Easy
Topic: The Changing Nature of the Global Economy
Learning Objective: 09-04 The variety of stages of economic development among American nations.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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12) Privatization of state-owned industries released immediate capital to invest in strategic areas.

Answer: TRUE
Explanation: State-owned enterprises (SOEs) had placed a drain on national budgets. Privatization released immediate capital to invest in strategic areas and gave relief from a continuing drain on future national resources.
Difficulty: 1 Easy
Topic: Nationalization and Privatization of Business
Learning Objective: 09-05 Growth factors and their role in economic development.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

13) High transaction costs associated with the use of the Internet prevent smaller firms in emerging countries from selling into a global market.

Answer: FALSE
Explanation: Lower transaction costs associated with the use of the Internet enable small firms in Asia or Latin America to work together to develop a global reach. Smaller firms in emerging economies can now sell into a global market.
Difficulty: 1 Easy
Topic: How the Physical Environment and Technology Influence Culture
Learning Objective: 09-05 Growth factors and their role in economic development.
Bloom's: Remember
AACSB: Technology
Accessibility: Keyboard Navigation

14) Economic growth is measured solely in economic goals.

Answer: FALSE
Explanation: Economic growth is measured not solely in economic goals but also in social achievements. Better education, better and more effective government, the elimination of many social inequities, and improvements in moral and ethical responsibilities are some of the expectations of developing countries.
Difficulty: 1 Easy
Topic: The Changing Nature of the Global Economy
Learning Objective: 09-05 Growth factors and their role in economic development.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

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15) The trend toward privatization is occurring in industrialized as well as in developing countries.

Answer: TRUE
Explanation: Many countries have deregulated industry, opened their doors to foreign investment, lowered trade barriers, and begun privatizing SOEs. The trend toward privatization is currently a major economic phenomenon in industrialized as well as in developing countries.
Difficulty: 1 Easy
Topic: Nationalization and Privatization of Business
Learning Objective: 09-05 Growth factors and their role in economic development.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

16) The quality of an infrastructure directly affects a country's economic growth potential.

Answer: TRUE
Explanation: The quality of an infrastructure directly affects a country's economic growth potential and the ability of an enterprise to engage effectively in business. Infrastructure is a crucial component of the uncontrollable elements facing marketers.
Difficulty: 1 Easy
Topic: The Changing Nature of the Global Economy
Learning Objective: 09-05 Growth factors and their role in economic development.
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17) A more developed economy tends to have fewer types of marketing functions that are needed.

Answer: FALSE
Explanation: The more developed an economy, the greater the variety of marketing functions demanded, and the more sophisticated and specialized the institutions become to perform marketing functions.
Difficulty: 2 Medium
Topic: The Changing Nature of the Global Economy
Learning Objective: 09-06 Marketings contribution to the growth and development of a country's economy.
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18) Marketing is an economy's arbitrator between productive capacity and growth potential.

Answer: FALSE
Explanation: Marketing is an economy's arbitrator between productive capacity and consumer demand.
Difficulty: 1 Easy
Topic: The Changing Nature of the Global Economy
Learning Objective: 09-06 Marketings contribution to the growth and development of a country's economy.
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19) According to Jagdish Sheth, rather than diffusion of innovations, the focus of new product development should be on affordability and accessibility.

Answer: TRUE
Explanation: Among recommendations for changes in marketing theory, strategy, and policy, Sheth lists three adaptations for marketing practice in emerging markets. One of them is, the focus of new product development should be on affordability and accessibility.
Difficulty: 1 Easy
Topic: The Potential, Risks, and Challenges of Emerging Markets
Learning Objective: 09-06 Marketings contribution to the growth and development of a country's economy.
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20) For international marketing, the level of market development parallels the stages of economic development.

Answer: TRUE
Explanation: The level of market development roughly parallels the stages of economic development. The more developed an economy, the greater the variety of marketing functions demanded, and the more sophisticated and specialized the institutions become to perform marketing functions.
Difficulty: 1 Easy
Topic: The Potential, Risks, and Challenges of Emerging Markets
Learning Objective: 09-06 Marketings contribution to the growth and development of a country's economy.
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21) In the United States, the vast majority of the population lives in urban areas and has higher earnings than those who live in rural areas.

Answer: TRUE
Explanation: In the United States 81 percent of inhabitants live in urban areas. The disposable income gap between urban and rural also varies across countries. In the U.S. urban dwellers on average earn 19 percent more than their rural cousin.
Difficulty: 1 Easy
Topic: Geographical Implications that Affect Trade
Learning Objective: 09-06 Marketings contribution to the growth and development of a country's economy.
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22) Big emerging markets are of major political importance within their regions.

Answer: TRUE
Explanation: Big emerging markets have undertaken significant programs of economic reform and are of major political importance within their regions.
Difficulty: 1 Easy
Topic: The Potential, Risks, and Challenges of Emerging Markets
Learning Objective: 09-06 Marketings contribution to the growth and development of a country's economy.
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23) Poland has been identified as a big emerging market by the Department of Commerce.

Answer: TRUE
Explanation: India, China, Brazil, Mexico, Poland, Turkey, and South Africa are prominent examples of countries the Department of Commerce has identified as BEMs.
Difficulty: 1 Easy
Topic: The Potential, Risks, and Challenges of Emerging Markets
Learning Objective: 09-06 Marketings contribution to the growth and development of a country's economy.
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24) Canada is a member of NAFTA.

Answer: TRUE
Explanation: The three members of NAFTA are the United States, Canada, and Mexico.
Difficulty: 1 Easy
Topic: North America's Marketplace in the World Economy
Learning Objective: 09-06 Marketings contribution to the growth and development of a country's economy.
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25) The United States–Canada Free Trade Area (CFTA) was a customs union like the European Community.

Answer: FALSE
Explanation: The agreement between the United States and Canada was not a customs union like the European Community; no economic or political union of any kind was involved. It provided only for the elimination of tariffs and other trade barriers.
Difficulty: 1 Easy
Topic: North America's Marketplace in the World Economy
Learning Objective: 09-06 Marketings contribution to the growth and development of a country's economy.
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26) The DR-CAFTA includes a wide array of tariff reductions aimed at increasing trade and employment.

Answer: TRUE
Explanation: The Central America–Dominican Republic–United States Free Trade Agreement (DR-CAFTA) includes a wide array of tariff reductions aimed at increasing trade and employment among the seven signatories. Thus, it represents another important step toward the ultimate goal of a free trade agreement encompassing all the Americas.
Difficulty: 1 Easy
Topic: Trade Policy and Government Intervention in International Trade
Learning Objective: 09-07 The foundational market metrics of American nations.
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27) Mercosur is the largest common-market agreement in the Americas.

Answer: FALSE
Explanation: Southern Cone Free Trade Area (Mercosur) is the second-largest common-market agreement in the Americas after NAFTA.
Difficulty: 1 Easy
Topic: Trade Policy and Government Intervention in International Trade
Learning Objective: 09-08 The growing importance of trading associations among American nations.
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28) The Mercosur originally envisioned central institutions similar to those of the European Union institutions.

Answer: FALSE
Explanation: Southern Cone Free Trade Area (Mercosur) members were concerned about sacrificing sovereign control over taxes and other policy matters; hence the agreement envisioned no central institutions similar to those of the European Union institutions.
Difficulty: 1 Easy
Topic: Trade Policy and Government Intervention in International Trade
Learning Objective: 09-08 The growing importance of trading associations among American nations.
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29) One of the most important aspects of the Latin American Integration Association (LAIA) that differs from LAFTA, its predecessor, is the differential treatment of member countries according to their level of economic development.

Answer: TRUE
Explanation: One of the most important aspects of LAIA that differs from LAFTA, its predecessor, is the differential treatment of member countries according to their level of economic development.
Difficulty: 1 Easy
Topic: Trade Policy and Government Intervention in International Trade
Learning Objective: 09-08 The growing importance of trading associations among American nations.
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30) As a country develops, market behavior changes and eventually it leads to market segmentation.

Answer: TRUE
Explanation: As a country develops, incomes change, population concentrations shift, expectations for a better life adjust to higher standards, new infrastructures evolve, and social capital investments are made. Market behavior changes, and eventually groups of consumers with common tastes and needs (i.e., market segments) arise.
Difficulty: 1 Easy
Topic: The Role of the Marketing Mix in International Marketing
Learning Objective: 09-08 The growing importance of trading associations among American nations.
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31) Which country is an MDC (more-developed country)?
A) Brazil
B) Russia
C) Germany
D) Argentina
E) Vietnam

Answer: C
Explanation: Germany is a MDCs (more-developed countries). The United Nations classifies a country's stage of economic development on the basis of its level of industrialization. It groups countries into three categories: MDCs (more-developed countries), LDCs (less-developed countries), and LLDCs (least-developed countries).
Difficulty: 1 Easy
Topic: The Changing Nature of the Global Economy
Learning Objective: 09-01 The importance of time zones for trade relationships and marketing operations.
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32) According to the U.S. Department of Commerce, Latin American and other emerging markets will account for _____ of the world's total growth in the next two decades and beyond.
A) 20%
B) 30%
C) 50%
D) 75%
E) 90%

Answer: D
Explanation: Latin American and other emerging markets throughout the world will account for 75 percent of the world's total growth in the next two decades and beyond, according to U.S. Department of Commerce estimates.
Difficulty: 1 Easy
Topic: The Potential, Risks, and Challenges of Emerging Markets
Learning Objective: 09-02 The political and economic changes affecting global marketing.
Bloom's: Remember
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33) What is considered the single most important environmental element of a country to which the foreign marketer must adjust the marketing task?
A) political stability
B) economic level
C) social norms
D) literacy level
E) cultural orientation

Answer: B
Explanation: The economic level of a country is the single most important environmental element to which the foreign marketer must adjust the marketing task. The stage of economic growth within a country affects the attitudes toward foreign business activity, the demand for goods, the distribution systems found within a country, and the entire marketing process.
Difficulty: 1 Easy
Topic: The Changing Nature of the Global Economy
Learning Objective: 09-03 The connection between the economic level of a country and the marketing task.
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34) Dynamic economies differ from static economies in that dynamic economies
A) need not match marketing efforts with the market needs and wants.
B) have rapidly changing consumption patterns.
C) have a highly predictable and loyal consumer base.
D) define marketing as typically nothing more than a supply effort.
E) do not require a marketer to be prepared for economic shifts and emerging markets.

Answer: B
Explanation: In a dynamic economy, consumption patterns change rapidly. Marketing constantly faces the challenge of detecting and providing for new levels of consumption, and marketing efforts must be matched with ever-changing market needs and wants.
Difficulty: 2 Medium
Topic: The Changing Nature of the Global Economy
Learning Objective: 09-03 The connection between the economic level of a country and the marketing task.
Bloom's: Understand
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35) Economic _____ refers to an increase in national production that is reflected by an increase in the average per capita gross domestic product or gross national income.
A) repression
B) duress
C) equilibrium
D) development
E) sustainability

Answer: D
Explanation: Economic development is generally understood to mean an increase in national production reflected by an increase in the average per capita gross domestic product (GDP) or gross national income (GNI).
Difficulty: 1 Easy
Topic: Economic Development
Learning Objective: 09-03 The connection between the economic level of a country and the marketing task.
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