Chapter 09

Economic Development and the Americas

**True / False Questions**

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

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| 2. | Brazil is a fully industrialized country.    True    False |

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| 3. | The liberalization of trade and investment policies in developing countries is changing the way countries will trade and prosper in the 21st century.    True    False |

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| 4. | 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.    True    False |

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| 5. | In static economies, consumption patterns change rapidly.     True    False |

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| 6. | Economic development means rapid economic growth and increases in consumer demand.    True    False |

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| 7. | According to the UN classification, industrially developing countries just entering world trade with relatively low per capita incomes are referred to as least-developed countries.    True    False |

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| 8. | The UN classification has been criticized because it no longer seems relevant in the rapidly industrializing world.    True    False |

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| 9. | The newly industrialized countries have per capita incomes lower than LDCs or MDCs.    True    False |

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| 10. | Considering 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).    True    False |

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| 11. | Mercosur is a free trade group formed by the United States of America.    True    False |

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| 12. | Privatization of industries released immediate capital to invest in strategic areas.    True    False |

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| 13. | The presence of large, accessible markets with low tariffs has contributed to the economic growth of newly industrialized countries (NICs).    True    False |

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| 14. | High transaction costs associated with the use of the Internet prevents smaller firms in emerging countries from selling into a global market.    True    False |

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| 15. | Economic growth is measured solely in economic goals.    True    False |

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| 16. | The trend toward privatization is currently a major economic phenomenon in industrialized as well as in developing countries.    True    False |

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| 17. | The quality of an infrastructure directly affects a country’s economic growth potential.    True    False |

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| 18. | The more developed an economy, the lesser the variety of marketing functions demanded.    True    False |

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| 19. | When the only marketing functions performed are demand creation and physical distribution, the marketing process is said to be in the mass distribution substage.    True    False |

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| 20. | The marketing process substage in the United States economy from 1950 to the present is mass production.    True    False |

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| 21. | When the marketing process in a country is in the commercial transition substage, the only marketing function performed is physical distribution.    True    False |

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| 22. | Big emerging markets are of major political importance within their regions.    True    False |

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| 23. | What is occurring in the BEMs is analogous to the situation after World War II when tremendous demand was created during the reconstruction of Europe.    True    False |

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| 24. | Uruguay is a member of NAFTA.    True    False |

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

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

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| 27. | Mercosur is the largest common-market agreement in the Americas.    True    False |

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| 28. | The Mercosur envisioned central institutions similar to those of the European Union institutions.    True    False |

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| 29. | One of the most important aspects of LAIA that differs from LAFTA is the differential treatment of member countries according to their level of economic development    True    False |

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

**Multiple Choice Questions**

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| 31. | Which of the following is a fully industrialized country?       |  |  | | --- | --- | | A. | Brazil |  |  |  | | --- | --- | | B. | Russia |  |  |  | | --- | --- | | C. | Germany |  |  |  | | --- | --- | | D. | Argentina |  |  |  | | --- | --- | | E. | China | |

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| 32. | Which of the following is NOT one of the factors changing the way countries trade and prosper in the twenty-first century?      |  |  | | --- | --- | | A. | The transition from socialist to market-driven economies. |  |  |  | | --- | --- | | B. | Liberalization of trade and investment policies in developing countries. |  |  |  | | --- | --- | | C. | The transfer of public-sector enterprises to the private sector. |  |  |  | | --- | --- | | D. | The rapid development of regional market alliances. |  |  |  | | --- | --- | | E. | The expansion of military interventions around the world. | |

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| 33. | Which of the following is considered as 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 | |

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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 rigid consumption patterns. |  |  |  | | --- | --- | | D. | define marketing as typically nothing more than a supply effort. |  |  |  | | --- | --- | | E. | do not require the marketer to be prepared for economic shifts and emerging markets. | |

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

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| 36. | \_\_\_\_ classifies a country's stage of economic development on the basis of its level of industrialization into three categories and the three categories are MIDCs, LDCs, and LLDCs.       |  |  | | --- | --- | | A. | The U.S. Department of Commerce |  |  |  | | --- | --- | | B. | The North Atlantic Treaty Organization |  |  |  | | --- | --- | | C. | The International Organization for Standardization |  |  |  | | --- | --- | | D. | The United Nations |  |  |  | | --- | --- | | E. | The World Trade Organization | |

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| 37. | According to the United Nations’ stages of economic development for classifying countries with respect to levels of industrialization, which category does an industrialized country with high per capita income fall under?      |  |  | | --- | --- | | A. | Less-developed countries. |  |  |  | | --- | --- | | B. | Least-developed countries. |  |  |  | | --- | --- | | C. | More-developed countries. |  |  |  | | --- | --- | | D. | Newly industrialized countries. |  |  |  | | --- | --- | | E. | Pre emerging markets. | |

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| 38. | Which of the following statements is true regarding MDCs (more-developed countries)?      |  |  | | --- | --- | | A. | These countries are just entering world trade. |  |  |  | | --- | --- | | B. | Majority of its population 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. | |

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| 39. | Canada is classified under the category of \_\_\_\_\_.       |  |  | | --- | --- | | A. | third world countries |  |  |  | | --- | --- | | B. | least-developed countries |  |  |  | | --- | --- | | C. | more-developed countries |  |  |  | | --- | --- | | D. | newly industrialized countries |  |  |  | | --- | --- | | E. | pre-emerging countries | |

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| 40. | According to the United Nations’ stages of economic development for classifying countries with respect to levels of industrialization, \_\_\_\_\_ consist of industrially developing countries just entering world trade with relatively low per capita income.       |  |  | | --- | --- | | A. | first world countries |  |  |  | | --- | --- | | B. | least-developed countries |  |  |  | | --- | --- | | C. | less-developed countries |  |  |  | | --- | --- | | D. | newly industrialized countries |  |  |  | | --- | --- | | E. | more-developed countries | |

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| 41. | According to the United Nations’ stages of economic development for classifying countries with respect to levels of industrialization, a country that is industrially underdeveloped, agrarian, has subsistence society with rural populations and 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. | big emerging markets | |

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| 42. | The United Nations’ classification of stages of economic development has been criticized because it:       |  |  | | --- | --- | | A. | no longer seems relevant in the rapidly industrializing world. |  |  |  | | --- | --- | | B. | does not take into consideration the level of political stability in a country. |  |  |  | | --- | --- | | C. | does not take into consideration the per capita income level of a country. |  |  |  | | --- | --- | | D. | only focuses on the literacy level in a country. |  |  |  | | --- | --- | | E. | does not take into consideration the level of industrialization of a country. | |

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| 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. | overcome environmental damages caused by lack of development. |  |  |  | | --- | --- | | C. | reduced population pressures through labor outsourcing. |  |  |  | | --- | --- | | D. | obtained significant amount of loans from World Bank. |  |  |  | | --- | --- | | E. | taken measures to protect their cultures and traditions. | |

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| 44. | Newly industrialized countries (NICs) differ from less-developed countries in that NICs:       |  |  | | --- | --- | | A. | include Canada, the United States and Germany. |  |  |  | | --- | --- | | B. | are similar to more-developed countries. |  |  |  | | --- | --- | | 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. | |

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| 45. | 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. | overcome environmental damages caused by lack of development. |  |  |  | | --- | --- | | C. | reduced population pressures through labor outsourcing. |  |  |  | | --- | --- | | D. | obtained significant amount of loans from World Bank. |  |  |  | | --- | --- | | E. | taken measures to protect their cultures and traditions. | |

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| 46. | Chile, Brazil, Mexico, South Korea, Singapore, and Taiwan are \_\_\_\_\_ countries.       |  |  | | --- | --- | | A. | least-developed |  |  |  | | --- | --- | | B. | kinetically-developing |  |  |  | | --- | --- | | C. | parallel-developed |  |  |  | | --- | --- | | D. | newly industrialized |  |  |  | | --- | --- | | E. | rapid-growth | |

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| 47. | Which of the following countries 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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| 48. | \_\_\_\_\_ is a free trade group formed by Argentina, Brazil, Paraguay, and Uruguay.       |  |  | | --- | --- | | A. | NAFTA |  |  |  | | --- | --- | | B. | Caricom |  |  |  | | --- | --- | | C. | Mercosur |  |  |  | | --- | --- | | D. | SACU |  |  |  | | --- | --- | | E. | DR-CAFTA | |

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| 49. | Which of the following is NOT a factor that has contributed to the rapid economic growth of NICs (newly industrialized countries)?      |  |  | | --- | --- | | A. | Political stability. |  |  |  | | --- | --- | | B. | Well-established economic and legal reforms. |  |  |  | | --- | --- | | C. | Rapid increase in population. |  |  |  | | --- | --- | | D. | Outward orientation. |  |  |  | | --- | --- | | E. | Entrepreneurship. | |

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| 50. | When countries sell off state-owned enterprises, it usually results in a(n):       |  |  | | --- | --- | | A. | surge in household expenditure. |  |  |  | | --- | --- | | B. | decline in productivity throughout the private sector. |  |  |  | | --- | --- | | C. | release of capital to invest elsewhere. |  |  |  | | --- | --- | | D. | change in political leadership. |  |  |  | | --- | --- | | E. | increase in unemployment rate. | |

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| 51. | Privatization of state-owned enterprises results in \_\_\_\_\_.      |  |  | | --- | --- | | A. | a decline in productivity throughout the private sector |  |  |  | | --- | --- | | B. | a surge in household expenditure |  |  |  | | --- | --- | | C. | the release of capital to invest in strategic areas |  |  |  | | --- | --- | | D. | a change in political leadership |  |  |  | | --- | --- | | E. | reduced modernization | |

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| 52. | Which of the following is true about privatization of state-owned enterprises?       |  |  | | --- | --- | | A. | It results in a drain on national budgets. |  |  |  | | --- | --- | | B. | It blocks investment of capital in strategic areas. |  |  |  | | --- | --- | | C. | It often leads to modernization. |  |  |  | | --- | --- | | D. | It results in a draining of the future national resources. |  |  |  | | --- | --- | | E. | It increases the number of state-owned enterprises. | |

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| 53. | During the early growth of many countries, the first large open market was \_\_\_\_\_.       |  |  | | --- | --- | | A. | China |  |  |  | | --- | --- | | B. | China |  |  |  | | --- | --- | | C. | Australia |  |  |  | | --- | --- | | D. | Germany |  |  |  | | --- | --- | | E. | India | |

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| 54. | Which of the following statements is true regarding the Internet?       |  |  | | --- | --- | | A. | The Internet increases the economically optimal size for firms. |  |  |  | | --- | --- | | B. | The Internet increases the transaction costs. |  |  |  | | --- | --- | | C. | The Internet allows for innovative services but at a relatively higher cost. |  |  |  | | --- | --- | | D. | The Internet enables smaller firms in emerging economies to sell into a global market. |  |  |  | | --- | --- | | E. | The Internet increases the economies of scale from vertical integration. | |

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| 55. | Which of the following is true about the present state of foreign businesses in most developing countries?       |  |  | | --- | --- | | A. | Foreign investors are seen as vital partners in economic development. |  |  |  | | --- | --- | | B. | Most developing countries discourage or forbid foreign investment. |  |  |  | | --- | --- | | C. | Multinational firms are expropriated and charged with excessively high tariffs and quotas. |  |  |  | | --- | --- | | D. | Foreign investors are considered exploiters of resources. |  |  |  | | --- | --- | | E. | Foreign investment is banned in most developing countries. | |

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| 56. | Which of the following is an indicator of economic development?      |  |  | | --- | --- | | A. | Population expansion. |  |  |  | | --- | --- | | B. | Expanding state ownership. |  |  |  | | --- | --- | | C. | Extent of social overhead capital. |  |  |  | | --- | --- | | D. | Social reformation. |  |  |  | | --- | --- | | E. | Cultural diversity. | |

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| 57. | Paved roads, railroads, seaports, communication networks, and financial networks are illustrations of \_\_\_\_\_.       |  |  | | --- | --- | | A. | environmental resources |  |  |  | | --- | --- | | B. | inventory |  |  |  | | --- | --- | | C. | infrastructure |  |  |  | | --- | --- | | D. | factors of production |  |  |  | | --- | --- | | E. | logistics | |

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| 58. | In which of the following countries is the literacy rate 100 percent?      |  |  | | --- | --- | | A. | Mexico |  |  |  | | --- | --- | | B. | Canada |  |  |  | | --- | --- | | C. | Colombia |  |  |  | | --- | --- | | D. | Argentina |  |  |  | | --- | --- | | E. | Peru | |

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| 59. | Economic planners are often more \_\_\_\_\_ oriented than marketing oriented.        |  |  | | --- | --- | | A. | production |  |  |  | | --- | --- | | B. | human resource |  |  |  | | --- | --- | | C. | logistics |  |  |  | | --- | --- | | D. | theory |  |  |  | | --- | --- | | E. | distribution | |

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| 60. | Economic planners are most likely to be least concerned with the problems related to \_\_\_\_\_.       |  |  | | --- | --- | | A. | production |  |  |  | | --- | --- | | B. | finance |  |  |  | | --- | --- | | C. | expenditure |  |  |  | | --- | --- | | D. | distribution |  |  |  | | --- | --- | | E. | investment | |

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| 61. | \_\_\_\_\_ 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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| 62. | The level of market development roughly parallels the stages of \_\_\_\_\_.       |  |  | | --- | --- | | A. | economic sustainability |  |  |  | | --- | --- | | B. | economic duress |  |  |  | | --- | --- | | C. | economic repression |  |  |  | | --- | --- | | D. | economic equilibrium |  |  |  | | --- | --- | | E. | economic development | |

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| 63. | According to the evolution of the marketing process, when the only marketing functions performed are demand creation, physical distribution, and market information analysis, the marketing process is in the \_\_\_\_\_ substage.      |  |  | | --- | --- | | A. | mass production |  |  |  | | --- | --- | | B. | commercial-transition |  |  |  | | --- | --- | | C. | self-sufficient |  |  |  | | --- | --- | | D. | surplus commodity product |  |  |  | | --- | --- | | E. | small scale | |

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| 64. | Identify the substage in the evolution of the marketing process, when the only marketing functions performed are demand creation and physical distribution.      |  |  | | --- | --- | | A. | Mass production |  |  |  | | --- | --- | | B. | Global distribution |  |  |  | | --- | --- | | C. | Self-sufficient |  |  |  | | --- | --- | | D. | Surplus commodity product |  |  |  | | --- | --- | | E. | Small scale | |

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| 65. | When the marketing process is characterized by mass distribution, all of the following marketing functions are performed EXCEPT \_\_\_\_\_.      |  |  | | --- | --- | | A. | demand creation |  |  |  | | --- | --- | | B. | market information analysis |  |  |  | | --- | --- | | C. | physical distribution |  |  |  | | --- | --- | | D. | exchange |  |  |  | | --- | --- | | E. | market and product planning, development | |

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| 66. | With respect to the evolution of the marketing process, which of the following would be considered to be the most fundamental substage (first substage)?      |  |  | | --- | --- | | A. | Surplus commodity product |  |  |  | | --- | --- | | B. | Commercial transition |  |  |  | | --- | --- | | C. | Mass production |  |  |  | | --- | --- | | D. | Mass distribution |  |  |  | | --- | --- | | E. | Self-sufficient | |

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| 67. | A market in which the only marketing function performed is exchange is most like to be classified under the \_\_\_\_\_ stage.       |  |  | | --- | --- | | A. | surplus commodity product |  |  |  | | --- | --- | | B. | commercial-transition |  |  |  | | --- | --- | | C. | mass production |  |  |  | | --- | --- | | D. | mass distribution |  |  |  | | --- | --- | | E. | self-sufficient | |

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| 68. | The marketing process in the U.S between 1885 to 1914 mainly focused on \_\_\_\_\_.      |  |  | | --- | --- | | A. | mass distribution |  |  |  | | --- | --- | | B. | self-sufficiency |  |  |  | | --- | --- | | C. | mass production |  |  |  | | --- | --- | | D. | surplus commodity product |  |  |  | | --- | --- | | E. | commercial-transition | |

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| 69. | Which of the following substages best characterizes the United States today with respect to the evolution of the marketing process?      |  |  | | --- | --- | | A. | Mass production |  |  |  | | --- | --- | | B. | Commercial-transition |  |  |  | | --- | --- | | C. | Self-sufficiency |  |  |  | | --- | --- | | D. | Surplus commodity product |  |  |  | | --- | --- | | E. | Mass distribution | |

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| 70. | 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 | |

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| 71. | 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 country side. |  |  |  | | --- | --- | | 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. | |

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| 72. | Markets that are geographically large, have strong growth rates, are regional economic drivers and represent sizable markets for a wide range of products are known as \_\_\_\_\_.       |  |  | | --- | --- | | A. | captive markets |  |  |  | | --- | --- | | B. | big emerging markets |  |  |  | | --- | --- | | C. | niche markets |  |  |  | | --- | --- | | D. | contestable markets |  |  |  | | --- | --- | | E. | two-sided markets | |

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| 73. | All of the following are traits of big emerging markets (BEMs) EXCEPT:       |  |  | | --- | --- | | A. | they import less than smaller markets. |  |  |  | | --- | --- | | B. | they are all physically large. |  |  |  | | --- | --- | | C. | they have significant populations. |  |  |  | | --- | --- | | D. | they are regional economic drivers. |  |  |  | | --- | --- | | E. | they are of major political importance within their regions. | |

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| 74. | If a market is characterized as being geographically large, has significant population, is a regional economic driver, and has undertaken significant programs of economic reform, the market is classified as a(n) \_\_\_\_\_.       |  |  | | --- | --- | | A. | two-sided market |  |  |  | | --- | --- | | B. | contestable market |  |  |  | | --- | --- | | C. | captive market |  |  |  | | --- | --- | | D. | niche market |  |  |  | | --- | --- | | E. | big emerging market | |

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| 75. | Alexia is geographically large and represents a sizable market for a wide range of products. It has a potential for significant growth. It is considered as the regional economic driver. Based on this information, Alexia can be classified as a(n) \_\_\_\_\_.      |  |  | | --- | --- | | A. | contestable market |  |  |  | | --- | --- | | B. | big emerging market |  |  |  | | --- | --- | | C. | two-sided market |  |  |  | | --- | --- | | D. | captive market |  |  |  | | --- | --- | | E. | niche market | |

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| 76. | Which of the following countries is considered as a BEM (big emerging market)?       |  |  | | --- | --- | | A. | Australia |  |  |  | | --- | --- | | B. | Egypt |  |  |  | | --- | --- | | C. | Venezuela |  |  |  | | --- | --- | | D. | Mexico |  |  |  | | --- | --- | | E. | Germany | |

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| 77. | What is happening in BEMs today is analogous to what happened in:       |  |  | | --- | --- | | A. | Saudi Arabia in the 1800s. |  |  |  | | --- | --- | | B. | India during the British Empire period. |  |  |  | | --- | --- | | C. | Russia after the fall of the Czar. |  |  |  | | --- | --- | | D. | Europe after World War II. |  |  |  | | --- | --- | | E. | Iraq between 1890 to 1990. | |

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| 78. | Which of the following countries is a part of the free trade area known as CFTA?       |  |  | | --- | --- | | A. | France |  |  |  | | --- | --- | | B. | Uruguay |  |  |  | | --- | --- | | C. | The United States |  |  |  | | --- | --- | | D. | Argentina |  |  |  | | --- | --- | | E. | Brazil | |

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| 79. | 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. | |

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| 80. | Which of the following is true of the CFTA?       |  |  | | --- | --- | | A. | It was designed to eliminate trade barriers between the United States, Canada, and parts of Asia. |  |  |  | | --- | --- | | B. | It created several, independent commercial markets for goods and services. |  |  |  | | --- | --- | | C. | It was a customs union like the European Community. |  |  |  | | --- | --- | | D. | It involved economic and political unions. |  |  |  | | --- | --- | | E. | It provided only for the elimination of tariffs and other trade barriers between the United States and Canada. | |

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| 81. | Which country announced that it would seek free trade with the United States immediately 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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| 82. | \_\_\_\_\_ 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 | |

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| 83. | Which 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. | Intellectual property |  |  |  | | --- | --- | | E. | Government procurement | |

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| 84. | Which of the following statements is true regarding NAFTA?      |  |  | | --- | --- | | A. | It allows the use of standards and technical regulations as obstacles to trade. |  |  |  | | --- | --- | | B. | It was ratified and became effective in 2000. |  |  |  | | --- | --- | | C. | It prohibits U.S. and Canadian financial institutions to open wholly owned subsidiaries in Mexico. |  |  |  | | --- | --- | | D. | It has three members: Canada, South Africa, and the United States. |  |  |  | | --- | --- | | E. | Under its provisions, Canada, Mexico, and the United States have agreed to implement uniform customs procedures and regulations. | |

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| 85. | 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. | is a comprehensive trade agreement that addresses and improves all aspects of doing business within North America. |  |  |  | | --- | --- | | E. | aimed at establishing a common currency for its Latin American members. | |

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| 86. | Given the fact that NAFTA is now effective among the U.S., Mexico and Canada, an American company which 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. | Mexico has better infrastructure than Sri Lanka. |  |  |  | | --- | --- | | D. | moving 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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| 87. | Which of the following countries is a member of the free trade agreement DR-CAFTA?       |  |  | | --- | --- | | A. | Bahrain |  |  |  | | --- | --- | | B. | Bhutan |  |  |  | | --- | --- | | C. | Morocco |  |  |  | | --- | --- | | D. | Costa Rica |  |  |  | | --- | --- | | E. | Oman | |

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| 88. | 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. | Jamaica |  |  |  | | --- | --- | | E. | Mercosur | |

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| 89. | 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 | |

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| 90. | CARICOM established the CSME (CARICOM Single Market and Economy) with the goal of:       |  |  | | --- | --- | | A. | establishing central institutions similar to those of the European Union institutions. |  |  |  | | --- | --- | | B. | forming a political union. |  |  |  | | --- | --- | | C. | a common currency for all members. |  |  |  | | --- | --- | | D. | increasing nontariff barriers. |  |  |  | | --- | --- | | E. | implementing uniform customs procedures and regulations. | |

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| 91. | Which of the following is a result of state ownership?      |  |  | | --- | --- | | A. | Inclusion of foreign and domestic private ownership. |  |  |  | | --- | --- | | B. | Efficient state treasuries. |  |  |  | | --- | --- | | C. | Efficient public companies. |  |  |  | | --- | --- | | D. | Predictable regulatory environments. |  |  |  | | --- | --- | | E. | Inflated public-sector bureaucracies. | |

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| 92. | Which of the following countries 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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| 93. | Bahamas is a member of \_\_\_\_\_.      |  |  | | --- | --- | | A. | CARICOM |  |  |  | | --- | --- | | B. | NAFTA |  |  |  | | --- | --- | | C. | CFTA |  |  |  | | --- | --- | | D. | LAIA |  |  |  | | --- | --- | | E. | Mercosur | |

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| 94. | Which of the following countries is NOT a member of the Caribbean Community and Common Market (CARICOM)?       |  |  | | --- | --- | | A. | Barbados |  |  |  | | --- | --- | | B. | Dominica |  |  |  | | --- | --- | | C. | Grenada |  |  |  | | --- | --- | | D. | Jamaica |  |  |  | | --- | --- | | E. | China | |

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| 95. | Which of the following is the largest common-market agreement in the Americas?       |  |  | | --- | --- | | A. | CFTA |  |  |  | | --- | --- | | B. | NAFTA |  |  |  | | --- | --- | | C. | Mercosur |  |  |  | | --- | --- | | D. | DR-CAFTA |  |  |  | | --- | --- | | E. | SAFTA | |

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| 96. | Which of the following is the second-largest common-market agreement in the Americas?       |  |  | | --- | --- | | A. | CFTA |  |  |  | | --- | --- | | B. | NAFTA |  |  |  | | --- | --- | | C. | Mercosur |  |  |  | | --- | --- | | D. | DR-CAFTA |  |  |  | | --- | --- | | E. | SAFTA | |

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| 97. | Which of the following treaties provided the legal basis for Mercosur?       |  |  | | --- | --- | | A. | Treaty of Accession 2003 |  |  |  | | --- | --- | | B. | Treaty of Asunción |  |  |  | | --- | --- | | C. | Treaty of Easton |  |  |  | | --- | --- | | D. | Treaty of Versailles |  |  |  | | --- | --- | | E. | Treaty of Montevideo | |

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| 98. | All of the following statements are true regarding Mercosur EXCEPT that:       |  |  | | --- | --- | | A. | it is the second-largest common-market agreement in the Americas after NAFTA. |  |  |  | | --- | --- | | B. | the Treaty of Asunción provided the legal basis for Mercosur. |  |  |  | | --- | --- | | C. | it is the most influential and successful free trade area in South America. |  |  |  | | --- | --- | | D. | Mexico has observer status in Mercosur. |  |  |  | | --- | --- | | E. | Germany is a member of Mercosur. | |

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| 99. | Which of the following 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. | |

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| 100. | Which of the following is true about state-owned enterprises (SOEs)?      |  |  | | --- | --- | | 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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| 101. | The long-term goal of the LAIA (Latin American Integration Association), better known by its Spanish acronym, ALADI, is:       |  |  | | --- | --- | | A. | to improve the literacy levels in member countries. |  |  |  | | --- | --- | | B. | to reduce the child mortality rates in member countries. |  |  |  | | --- | --- | | C. | to establish a Latin American common market. |  |  |  | | --- | --- | | D. | to establish a common currency for all its member countries. |  |  |  | | --- | --- | | E. | to standardize the industrial production in the member countries. | |

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| 102. | One of the most important aspects of LAIA that 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. | that members are forbidden from establishing bilateral trade agreements among member countries. |  |  |  | | --- | --- | | E. | introduction of a common currency for the member countries. | |

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| 103. | More household money goes for \_\_\_\_\_ in emerging markets than in developed markets.      |  |  | | --- | --- | | A. | housing |  |  |  | | --- | --- | | B. | transportation |  |  |  | | --- | --- | | C. | food |  |  |  | | --- | --- | | D. | leisure |  |  |  | | --- | --- | | E. | education | |

**Essay Questions**

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| 104. | Explain the importance of time zones for trade relationships and marketing operations. Which are the three multinational market regions that comprise major trading blocs? |

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| 105. | Describe the political and economic changes affecting global marketing. |

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| 106. | What is economic development? |

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| 107. | Describe the three categories in which the United Nations classifies a country’s stage of economic development on the basis of its level of industrialization. |

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| 108. | What are the various factors that promote the economic growth of NICs? |

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| 109. | Explain the impact of the Internet on the economic development. |

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| 110. | What are the various marketing functions performed when the marketing process in a country is in the commercial-transition substage? |

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| 111. | With reference to the North American Free Trade Agreement (NAFTA), explain the term ‘rules of origin’. |

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| 112. | Discuss the features of Mercosur and its role in improving trade associations among American nations. |

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| 113. | Why was Caribbean Community and Common Market (CARICOM) created? What are its goals? |

Chapter 09 Economic Development and the Americas Answer Key

**True / False Questions**

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

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-01 The importance of time zones for trade relationships and marketing operations Topic: Global Perspective: Desynchronosis? Something George Clooney Caught Up In The Air?* |

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| 2. | Brazil is a fully industrialized country.    **FALSE**  Brazil is considered as a rapidly industrializing country. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-01 The importance of time zones for trade relationships and marketing operations Topic: Marketing and Economic Development* |

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| 3. | The liberalization of trade and investment policies in developing countries is changing the way countries will trade and prosper in the 21st century.    **TRUE**  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. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-02 The political and economic changes affecting global marketing Topic: Marketing and Economic Development* |

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| 4. | 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.    **FALSE**  The economic level of a country is the single most important environmental element to which the foreign marketer must adjust the marketing task. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 5. | In static economies, consumption patterns change rapidly.    **FALSE**  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.” |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 6. | Economic development means rapid economic growth and increases in consumer demand.    **TRUE**  Economic development, as commonly defined today, tends to mean rapid economic growth and increases in consumer demand-improvements achieved “in decades rather than centuries.” |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 7. | According to the UN classification, industrially developing countries just entering world trade with relatively low per capita incomes are referred to as least-developed countries.    **FALSE**  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). |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 8. | The UN classification has been criticized because it no longer seems relevant in the rapidly industrializing world.    **TRUE**  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. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 9. | The newly industrialized countries have per capita incomes lower than LDCs or MDCs.    **FALSE**  Countries that are experiencing rapid economic expansion and industrialization and do not exactly fit as LDCs or MDCs are more typically referred to as newly industrialized countries (NICs). These countries have shown rapid industrialization of targeted industries and have per capita incomes that exceed other developing countries. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 10. | Considering 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).    **FALSE**  Countries that are experiencing rapid economic expansion and industrialization and do not exactly fit as LDCs or MDCs are more typically referred to as newly industrialized countries (NICs). Brazil is considered as one of the NICs. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 11. | Mercosur is a free trade group formed by the United States of America.    **FALSE**  Mercosur is a free trade group formed by Argentina, Brazil, Paraguay, and Uruguay. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-04 The variety of stages of economic development among American nations Topic: Marketing and Economic Development* |

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| 12. | Privatization of industries released immediate capital to invest in strategic areas.    **TRUE**  Privatization of 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. Often when industries are privatized, the new investors modernize, thus creating new economic growth. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-05 Growth factors and their role in economic development Topic: Marketing and Economic Development* |

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| 13. | The presence of large, accessible markets with low tariffs has contributed to the economic growth of newly industrialized countries (NICs).    **TRUE**  The final factors for the economic growth of newly industrialized countries (NICs) are the presence of large, accessible markets with low tariffs. During the early growth of many countries, the first large open market was the United States later joined by Europe and now, as the fundamental principles of the World Trade Organization (WTO) are put into place, by much of the rest of the world. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 1 Easy Learning Objective: 09-05 Growth factors and their role in economic development Topic: Marketing and Economic Development* |

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| 14. | High transaction costs associated with the use of the Internet prevents smaller firms in emerging countries from selling into a global market.    **FALSE**  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. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-05 Growth factors and their role in economic development Topic: Marketing and Economic Development* |

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| 15. | Economic growth is measured solely in economic goals.    **FALSE**  Economic growth is measured not solely in economic goals but also in social achievements. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-05 Growth factors and their role in economic development Topic: Marketing and Economic Development* |

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| 16. | The trend toward privatization is currently a major economic phenomenon in industrialized as well as in developing countries.    **TRUE**  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. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-05 Growth factors and their role in economic development Topic: Marketing and Economic Development* |

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| 17. | The quality of an infrastructure directly affects a country’s economic growth potential.    **TRUE**  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. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-05 Growth factors and their role in economic development Topic: Marketing and Economic Development* |

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| 18. | The more developed an economy, the lesser the variety of marketing functions demanded.    **FALSE**  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. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Marketing in a Developing Country* |

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| 19. | When the only marketing functions performed are demand creation and physical distribution, the marketing process is said to be in the mass distribution substage.    **FALSE**  When the only marketing functions performed are demand creation and physical distribution, the marketing process is said to be in the mass production substage. Refer to Exhibit 9.4-Evolution of the Marketing Process. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Marketing in a Developing Country* |

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| 20. | The marketing process substage in the United States economy from 1950 to the present is mass production.    **FALSE**  The marketing process in the United States economy from 1950 to the present is said to be in a substage known as mass distribution. Refer to Exhibit 9.4-Evolution of the Marketing Process. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Marketing in a Developing Country* |

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| 21. | When the marketing process in a country is in the commercial transition substage, the only marketing function performed is physical distribution.    **FALSE**  When the marketing process in a country is in the commercial-transition substage, the marketing functions performed are demand creation, physical distribution, and market information analysis. Refer to Exhibit 9.4-Evolution of the Marketing Process. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Marketing in a Developing Country* |

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| 22. | Big emerging markets are of major political importance within their regions.    **TRUE**  Big emerging markets have undertaken significant programs of economic reform and are of major political importance within their regions. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Big Emerging Markets (BEMs)* |

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| 23. | What is occurring in the BEMs is analogous to the situation after World War II when tremendous demand was created during the reconstruction of Europe.    **TRUE**  What is occurring in the BEMs is analogous to the situation after World War II when tremendous demand was created during the reconstruction of Europe. As Europe rebuiltits infrastructure and industrial base, demand for capital goods exploded; as more money was infused into its economies, consumer demand also increased rapidly. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Big Emerging Markets (BEMs)* |

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| 24. | Uruguay is a member of NAFTA.    **FALSE**  The three members of NAFTA are the United States, Canada, and Mexico. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: The Americas* |

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

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: The Americas* |

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

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 1 Easy Learning Objective: 09-07 The foundational market metrics of American nations Topic: The Americas* |

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| 27. | Mercosur is the largest common-market agreement in the Americas.    **FALSE**  Mercosur is the second-largest common-market agreement in the Americas after NAFTA. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 28. | The Mercosur envisioned central institutions similar to those of the European Union institutions.    **FALSE**  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. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 29. | One of the most important aspects of LAIA that differs from LAFTA is the differential treatment of member countries according to their level of economic development    **TRUE**  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. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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

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| *AACSB: Analytic Blooms: Understand Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: Strategic Implications for Marketing* |

**Multiple Choice Questions**

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| 31. | Which of the following is a fully industrialized country?       |  |  | | --- | --- | | A. | Brazil |  |  |  | | --- | --- | | B. | Russia |  |  |  | | --- | --- | | **C.** | Germany |  |  |  | | --- | --- | | D. | Argentina |  |  |  | | --- | --- | | E. | China |   Germany is a fully industrialized country. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-01 The importance of time zones for trade relationships and marketing operations Topic: Marketing and Economic Development* |

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| 32. | Which of the following is NOT one of the factors changing the way countries trade and prosper in the twenty-first century?      |  |  | | --- | --- | | A. | The transition from socialist to market-driven economies. |  |  |  | | --- | --- | | B. | Liberalization of trade and investment policies in developing countries. |  |  |  | | --- | --- | | C. | The transfer of public-sector enterprises to the private sector. |  |  |  | | --- | --- | | D. | The rapid development of regional market alliances. |  |  |  | | --- | --- | | **E.** | The expansion of military interventions around the world. |   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. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-02 The political and economic changes affecting global marketing Topic: Marketing and Economic Development* |

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| 33. | Which of the following is considered as 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 |   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. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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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 rigid consumption patterns. |  |  |  | | --- | --- | | D. | define marketing as typically nothing more than a supply effort. |  |  |  | | --- | --- | | E. | do not require the marketer to be prepared for economic shifts and emerging markets. |   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. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 35. | \_\_\_\_\_ refers to an increase in national production that is reflected by an increase in the average per capita gross domestic product (GDP) or gross national income (GNI).       |  |  | | --- | --- | | A. | Economic repression |  |  |  | | --- | --- | | B. | Economic duress |  |  |  | | --- | --- | | C. | Economic equilibrium |  |  |  | | --- | --- | | **D.** | Economic development |  |  |  | | --- | --- | | E. | Economic sustainability |   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). |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 36. | \_\_\_\_ classifies a country's stage of economic development on the basis of its level of industrialization into three categories and the three categories are MIDCs, LDCs, and LLDCs.       |  |  | | --- | --- | | A. | The U.S. Department of Commerce |  |  |  | | --- | --- | | B. | The North Atlantic Treaty Organization |  |  |  | | --- | --- | | C. | The International Organization for Standardization |  |  |  | | --- | --- | | **D.** | The United Nations |  |  |  | | --- | --- | | E. | The World Trade Organization |   The United Nations classifies a country's stage of economic development on the basis of its level of industrialization into three categories and the three categories are MIDCs, LDCs, and LLDCs. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 37. | According to the United Nations’ stages of economic development for classifying countries with respect to levels of industrialization, which category does an industrialized country with high per capita income fall under?      |  |  | | --- | --- | | A. | Less-developed countries. |  |  |  | | --- | --- | | B. | Least-developed countries. |  |  |  | | --- | --- | | **C.** | More-developed countries. |  |  |  | | --- | --- | | D. | Newly industrialized countries. |  |  |  | | --- | --- | | E. | Pre emerging markets. |   Industrialized countries with high per capita incomes, such as Canada, England, France, Germany, Japan, and the United States fall into the category of more-developed countries. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 38. | Which of the following statements is true regarding MDCs (more-developed countries)?      |  |  | | --- | --- | | A. | These countries are just entering world trade. |  |  |  | | --- | --- | | B. | Majority of its population 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. |   More-developed countries are industrialized countries with high per capita incomes. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 39. | Canada is classified under the category of \_\_\_\_\_.       |  |  | | --- | --- | | A. | third world countries |  |  |  | | --- | --- | | B. | least-developed countries |  |  |  | | --- | --- | | **C.** | more-developed countries |  |  |  | | --- | --- | | D. | newly industrialized countries |  |  |  | | --- | --- | | E. | pre-emerging countries |   Industrialized countries with high per capita incomes, such as Canada, England, France, Germany, Japan, and the United States are classified as MDCs (more-developed countries). |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 40. | According to the United Nations’ stages of economic development for classifying countries with respect to levels of industrialization, \_\_\_\_\_ consist of industrially developing countries just entering world trade with relatively low per capita income.       |  |  | | --- | --- | | A. | first world countries |  |  |  | | --- | --- | | B. | least-developed countries |  |  |  | | --- | --- | | **C.** | less-developed countries |  |  |  | | --- | --- | | D. | newly industrialized countries |  |  |  | | --- | --- | | E. | more-developed countries |   Less-developed countries are industrially developing countries just entering world trade and have relatively low per capita incomes. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 41. | According to the United Nations’ stages of economic development for classifying countries with respect to levels of industrialization, a country that is industrially underdeveloped, agrarian, has subsistence society with rural populations and 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. | big emerging markets |   The least developed countries (LLDCs) are industrially underdeveloped and agrarian. These countries have extremely low per capita income levels. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 42. | The United Nations’ classification of stages of economic development has been criticized because it:       |  |  | | --- | --- | | **A.** | no longer seems relevant in the rapidly industrializing world. |  |  |  | | --- | --- | | B. | does not take into consideration the level of political stability in a country. |  |  |  | | --- | --- | | C. | does not take into consideration the per capita income level of a country. |  |  |  | | --- | --- | | D. | only focuses on the literacy level in a country. |  |  |  | | --- | --- | | E. | does not take into consideration the level of industrialization of a country. |   The UN classification has been criticized because it no longer seems relevant in the rapidly industrializing world. 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. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 43. *(p. 252)* | 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. | overcome environmental damages caused by lack of development. |  |  |  | | --- | --- | | C. | reduced population pressures through labor outsourcing. |  |  |  | | --- | --- | | **D.** | obtained significant amount of loans from World Bank. |  |  |  | | --- | --- | | E. | taken measures to protect their cultures and traditions. |   Countries that are experiencing rapid economic expansion and industrialization and do not exactly fit as LDCs or MDCs are more typically referred to as newly industrialized countries (NICs). 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. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 44. | Newly industrialized countries (NICs) differ from less-developed countries in that NICs:       |  |  | | --- | --- | | A. | include Canada, the United States and Germany. |  |  |  | | --- | --- | | B. | are similar to more-developed countries. |  |  |  | | --- | --- | | 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. |   Newly industrialized countries (NICs) have moved away from restrictive trade practices and instituted significant free market reforms; as a result, they attract both trade and foreign direct investment. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 45. | 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. | overcome environmental damages caused by lack of development. |  |  |  | | --- | --- | | C. | reduced population pressures through labor outsourcing. |  |  |  | | --- | --- | | D. | obtained significant amount of loans from World Bank. |  |  |  | | --- | --- | | E. | taken measures to protect their cultures and traditions. |   Countries that are experiencing rapid economic expansion and industrialization and do not exactly fit as LDCs or MDCs are more typically referred to as newly industrialized countries (NICs). 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. |

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| 46. | Chile, Brazil, Mexico, South Korea, Singapore, and Taiwan are \_\_\_\_\_ countries.       |  |  | | --- | --- | | A. | least-developed |  |  |  | | --- | --- | | B. | kinetically-developing |  |  |  | | --- | --- | | C. | parallel-developed |  |  |  | | --- | --- | | **D.** | newly industrialized |  |  |  | | --- | --- | | E. | rapid-growth |   Countries that are experiencing rapid economic expansion and industrialization and do not exactly fit as LDCs or MDCs are more typically referred to as newly industrialized countries (NICs). Chile, Brazil, Mexico, South Korea, Singapore, and Taiwan are some of the countries that fit this description. |

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| 47. | Which of the following countries was involved in the formation of the free trade group Mercosur?       |  |  | | --- | --- | | A. | Australia |  |  |  | | --- | --- | | B. | China |  |  |  | | --- | --- | | **C.** | Argentina |  |  |  | | --- | --- | | D. | Russia |  |  |  | | --- | --- | | E. | Thailand |   Mercosur is the free trade group formed by Argentina, Brazil, Paraguay, and Uruguay. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-04 The variety of stages of economic development among American nations Topic: Marketing and Economic Development* |

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| 48. | \_\_\_\_\_ is a free trade group formed by Argentina, Brazil, Paraguay, and Uruguay.       |  |  | | --- | --- | | A. | NAFTA |  |  |  | | --- | --- | | B. | Caricom |  |  |  | | --- | --- | | **C.** | Mercosur |  |  |  | | --- | --- | | D. | SACU |  |  |  | | --- | --- | | E. | DR-CAFTA |   Mercosur is a free trade group formed by Argentina, Brazil, Paraguay, and Uruguay. |

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| 49. | Which of the following is NOT a factor that has contributed to the rapid economic growth of NICs (newly industrialized countries)?      |  |  | | --- | --- | | A. | Political stability. |  |  |  | | --- | --- | | B. | Well-established economic and legal reforms. |  |  |  | | --- | --- | | **C.** | Rapid increase in population. |  |  |  | | --- | --- | | D. | Outward orientation. |  |  |  | | --- | --- | | E. | Entrepreneurship. |   Political stability, well-established economic and legal reforms, outward orientation and entrepreneurship are factors behind the remarkable success of NICs. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-05 Growth factors and their role in economic development Topic: Marketing and Economic Development* |

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| 50. *(p. 254)* | When countries sell off state-owned enterprises, it usually results in a(n):       |  |  | | --- | --- | | A. | surge in household expenditure. |  |  |  | | --- | --- | | B. | decline in productivity throughout the private sector. |  |  |  | | --- | --- | | **C.** | release of capital to invest elsewhere. |  |  |  | | --- | --- | | D. | change in political leadership. |  |  |  | | --- | --- | | E. | increase in unemployment rate. |   Privatization releases immediate capital to invest in strategic areas and gives relief from a continuing drain on future national resources. |

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| 51. | Privatization of state-owned enterprises results in \_\_\_\_\_.      |  |  | | --- | --- | | A. | a decline in productivity throughout the private sector |  |  |  | | --- | --- | | B. | a surge in household expenditure |  |  |  | | --- | --- | | **C.** | the release of capital to invest in strategic areas |  |  |  | | --- | --- | | D. | a change in political leadership |  |  |  | | --- | --- | | E. | reduced modernization |   Privatization releases immediate capital to invest in strategic areas and gives relief from a continuing drain on future national resources. |

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| 52. | Which of the following is true about privatization of state-owned enterprises?       |  |  | | --- | --- | | A. | It results in a drain on national budgets. |  |  |  | | --- | --- | | B. | It blocks investment of capital in strategic areas. |  |  |  | | --- | --- | | **C.** | It often leads to modernization. |  |  |  | | --- | --- | | D. | It results in a draining of the future national resources. |  |  |  | | --- | --- | | E. | It increases the number of state-owned enterprises. |   Privatization released immediate capital to invest in strategic areas and gave relief from a continuing drain on future national resources. Often when industries are privatized, the new investors modernize, thus creating new economic growth. |

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| 53. | During the early growth of many countries, the first large open market was \_\_\_\_\_.       |  |  | | --- | --- | | A. | China |  |  |  | | --- | --- | | **B.** | China |  |  |  | | --- | --- | | C. | Australia |  |  |  | | --- | --- | | D. | Germany |  |  |  | | --- | --- | | E. | India |   During the early growth of many countries, the first large open market was the United States. |

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| 54. | Which of the following statements is true regarding the Internet?       |  |  | | --- | --- | | A. | The Internet increases the economically optimal size for firms. |  |  |  | | --- | --- | | B. | The Internet increases the transaction costs. |  |  |  | | --- | --- | | C. | The Internet allows for innovative services but at a relatively higher cost. |  |  |  | | --- | --- | | **D.** | The Internet enables smaller firms in emerging economies to sell into a global market. |  |  |  | | --- | --- | | E. | The Internet increases the economies of scale from vertical integration. |   Lower transaction costs enable small firms in Asia or Latin America to work together to develop a global reach. The Internet has enabled smaller firms in emerging economies can now sell into a global market. |

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| 55. | Which of the following is true about the present state of foreign businesses in most developing countries?       |  |  | | --- | --- | | **A.** | Foreign investors are seen as vital partners in economic development. |  |  |  | | --- | --- | | B. | Most developing countries discourage or forbid foreign investment. |  |  |  | | --- | --- | | C. | Multinational firms are expropriated and charged with excessively high tariffs and quotas. |  |  |  | | --- | --- | | D. | Foreign investors are considered exploiters of resources. |  |  |  | | --- | --- | | E. | Foreign investment is banned in most developing countries. |   Today, foreign investors are seen as vital partners in economic development. Many countries have deregulated industry, opened their doors to foreign investment, lowered trade barriers, and begun privatizing SOEs. |

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| 56. | Which of the following is an indicator of economic development?      |  |  | | --- | --- | | A. | Population expansion. |  |  |  | | --- | --- | | B. | Expanding state ownership. |  |  |  | | --- | --- | | **C.** | Extent of social overhead capital. |  |  |  | | --- | --- | | D. | Social reformation. |  |  |  | | --- | --- | | E. | Cultural diversity. |   One indicator of economic development is the extent of social overhead capital, or infrastructure, within the economy. |

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| 57. | Paved roads, railroads, seaports, communication networks, and financial networks are illustrations of \_\_\_\_\_.       |  |  | | --- | --- | | A. | environmental resources |  |  |  | | --- | --- | | B. | inventory |  |  |  | | --- | --- | | **C.** | infrastructure |  |  |  | | --- | --- | | D. | factors of production |  |  |  | | --- | --- | | E. | logistics |   Infrastructure represents those types of capital goods that serve the activities of many industries. Included in a country’s infrastructure are paved roads, railroads, seaports, communication networks, financial networks, and energy supplies and distribution-all necessary to support production and marketing. |

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| 58. | In which of the following countries is the literacy rate 100 percent?      |  |  | | --- | --- | | A. | Mexico |  |  |  | | --- | --- | | **B.** | Canada |  |  |  | | --- | --- | | C. | Colombia |  |  |  | | --- | --- | | D. | Argentina |  |  |  | | --- | --- | | E. | Peru |   Canada and the U.S. have 100 percent literacy rate. Refer to Exhibit 9.3-Infrastructure of Most Populous American Countries. |

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| 59. | Economic planners are often more \_\_\_\_\_ oriented than marketing oriented.        |  |  | | --- | --- | | **A.** | production |  |  |  | | --- | --- | | B. | human resource |  |  |  | | --- | --- | | C. | logistics |  |  |  | | --- | --- | | D. | theory |  |  |  | | --- | --- | | E. | distribution |   Economic planners frequently are more production oriented than marketing oriented and tend to ignore or regard distribution as an inferior economic activity. |

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| 60. | Economic planners are most likely to be least concerned with the problems related to \_\_\_\_\_.       |  |  | | --- | --- | | A. | production |  |  |  | | --- | --- | | B. | finance |  |  |  | | --- | --- | | C. | expenditure |  |  |  | | --- | --- | | **D.** | distribution |  |  |  | | --- | --- | | E. | investment |   Economic planners frequently are more production oriented than marketing oriented and tend to ignore or regard distribution as an inferior economic activity. Given such attitudes, economic planners generally are more concerned with the problems of production, investment, and finance than the problems of efficiency of distribution. |

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| 61. | \_\_\_\_\_ is an economy’s arbitrator between productive capacity and consumer demand.       |  |  | | --- | --- | | A. | Warehousing |  |  |  | | --- | --- | | **B.** | Marketing |  |  |  | | --- | --- | | C. | Convergence |  |  |  | | --- | --- | | D. | Procurement |  |  |  | | --- | --- | | E. | Outsourcing |   Marketing is an economy’s arbitrator between productive capacity and consumer demand. The marketing process is the critical element in effectively utilizing production resulting from economic growth; it can create a balance between higher production and higher consumption. |

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| 62. | The level of market development roughly parallels the stages of \_\_\_\_\_.       |  |  | | --- | --- | | A. | economic sustainability |  |  |  | | --- | --- | | B. | economic duress |  |  |  | | --- | --- | | C. | economic repression |  |  |  | | --- | --- | | D. | economic equilibrium |  |  |  | | --- | --- | | **E.** | economic development |   The level of market development roughly parallels the stages of economic development. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Marketing in a Developing Country* |

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| 63. | According to the evolution of the marketing process, when the only marketing functions performed are demand creation, physical distribution, and market information analysis, the marketing process is in the \_\_\_\_\_ substage.      |  |  | | --- | --- | | A. | mass production |  |  |  | | --- | --- | | **B.** | commercial-transition |  |  |  | | --- | --- | | C. | self-sufficient |  |  |  | | --- | --- | | D. | surplus commodity product |  |  |  | | --- | --- | | E. | small scale |   According to the evolution of the marketing process, when the only marketing functions performed are demand creation, physical distribution, and market information analysis, the marketing process is in a substage known as commercial-transition. Refer to Exhibit 9.4-Evolution of the Marketing Process. |

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| 64. | Identify the substage in the evolution of the marketing process, when the only marketing functions performed are demand creation and physical distribution.      |  |  | | --- | --- | | **A.** | Mass production |  |  |  | | --- | --- | | B. | Global distribution |  |  |  | | --- | --- | | C. | Self-sufficient |  |  |  | | --- | --- | | D. | Surplus commodity product |  |  |  | | --- | --- | | E. | Small scale |   Exhibit 9.4-Evolution of the Marketing Process. According to the evolution of the marketing process, when the only marketing functions performed are demand creation and physical distribution, the marketing process is in a substage known as mass production. |

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| 65. | When the marketing process is characterized by mass distribution, all of the following marketing functions are performed EXCEPT \_\_\_\_\_.      |  |  | | --- | --- | | A. | demand creation |  |  |  | | --- | --- | | B. | market information analysis |  |  |  | | --- | --- | | C. | physical distribution |  |  |  | | --- | --- | | **D.** | exchange |  |  |  | | --- | --- | | E. | market and product planning, development |   When the marketing process is characterized by mass distribution, the marketing functions performed are demand creation, market information analysis, physical distribution, and market and product planning, development. Refer to Exhibit 9.4-Evolution of the Marketing Process. |

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| 66. | With respect to the evolution of the marketing process, which of the following would be considered to be the most fundamental substage (first substage)?      |  |  | | --- | --- | | A. | Surplus commodity product |  |  |  | | --- | --- | | B. | Commercial transition |  |  |  | | --- | --- | | C. | Mass production |  |  |  | | --- | --- | | D. | Mass distribution |  |  |  | | --- | --- | | **E.** | Self-sufficient |   The first stage in the evolution of the marketing process is the “agricultural and raw materials” stage, and its first substage is “self-sufficient.” If a country is primarily dominated by nomadic or hunting tribes, the marketing process in the country will in the ‘self-sufficient’ substage. Refer to Exhibit 9.4-Evolution of the Marketing Process. |

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| 67. | A market in which the only marketing function performed is exchange is most like to be classified under the \_\_\_\_\_ stage.       |  |  | | --- | --- | | **A.** | surplus commodity product |  |  |  | | --- | --- | | B. | commercial-transition |  |  |  | | --- | --- | | C. | mass production |  |  |  | | --- | --- | | D. | mass distribution |  |  |  | | --- | --- | | E. | self-sufficient |   According to the evolution of the marketing process, between 1885 to 1914, the marketing process in the U.S. is said to be characterized by mass production. In this stage, the marketing functions performed are demand creation and physical distribution. |

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| 68. | The marketing process in the U.S between 1885 to 1914 mainly focused on \_\_\_\_\_.      |  |  | | --- | --- | | A. | mass distribution |  |  |  | | --- | --- | | B. | self-sufficiency |  |  |  | | --- | --- | | **C.** | mass production |  |  |  | | --- | --- | | D. | surplus commodity product |  |  |  | | --- | --- | | E. | commercial-transition |   According to the evolution of the marketing process, between 1885 to 1914, the marketing process in the U.S. is said to be characterized by mass production. In this stage, the marketing functions performed are demand creation and physical distribution. Refer to Exhibit 9.4-Evolution of the Marketing Process. |

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| 69. | Which of the following substages best characterizes the United States today with respect to the evolution of the marketing process?      |  |  | | --- | --- | | A. | Mass production |  |  |  | | --- | --- | | B. | Commercial-transition |  |  |  | | --- | --- | | C. | Self-sufficiency |  |  |  | | --- | --- | | D. | Surplus commodity product |  |  |  | | --- | --- | | **E.** | Mass distribution |   The marketing process in the U.S. today is said to be characterized by mass distribution. The marketing functions which take place at this stage are demand creation, physical distribution, market information, and market and product planning, development. Refer to Exhibit 9.4-Evolution of the Marketing Process. |

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| 70. | 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 |   Estimating market potential in less-developed countries involves additional challenges. Most of the difficulty arises from the coexistence of three distinct kinds of markets in each country: (1) the traditional rural/agricultural sector, (2) the modern urban/high-income sector, and (3) the often very large transitional sector usually represented by low-income urban slums. |

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| 71. | 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 country side. |  |  |  | | --- | --- | | 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. |   Directly juxtaposed to the modern sector, the transitional sector contains those moving from the country to the large cities. It is usually represented by low-income urban slums. |

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| 72. | Markets that are geographically large, have strong growth rates, are regional economic drivers and represent sizable markets for a wide range of products are known as \_\_\_\_\_.       |  |  | | --- | --- | | A. | captive markets |  |  |  | | --- | --- | | **B.** | big emerging markets |  |  |  | | --- | --- | | C. | niche markets |  |  |  | | --- | --- | | D. | contestable markets |  |  |  | | --- | --- | | E. | two-sided markets |   Big emerging markets share a number of important traits. They are all geographically large, have significant populations, represent sizable markets for a wide range of products, and have strong rates of growth or the potential for significant growth. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Big Emerging Markets (BEMs)* |

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| 73. | All of the following are traits of big emerging markets (BEMs) EXCEPT:       |  |  | | --- | --- | | **A.** | they import less than smaller markets. |  |  |  | | --- | --- | | B. | they are all physically large. |  |  |  | | --- | --- | | C. | they have significant populations. |  |  |  | | --- | --- | | D. | they are regional economic drivers. |  |  |  | | --- | --- | | E. | they are of major political importance within their regions. |   The BEMs differ from other developing countries in that they import more than smaller markets and more than economies of similar size. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Big Emerging Markets (BEMs)* |

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| 74. | If a market is characterized as being geographically large, has significant population, is a regional economic driver, and has undertaken significant programs of economic reform, the market is classified as a(n) \_\_\_\_\_.       |  |  | | --- | --- | | A. | two-sided market |  |  |  | | --- | --- | | B. | contestable market |  |  |  | | --- | --- | | C. | captive market |  |  |  | | --- | --- | | D. | niche market |  |  |  | | --- | --- | | **E.** | big emerging market |   A big emerging market (BEM) is characterized as being geographically large, has significant population, is a regional economic driver, and has undertaken significant programs of economic reform. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Big Emerging Markets (BEMs)* |

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| 75. | Alexia is geographically large and represents a sizable market for a wide range of products. It has a potential for significant growth. It is considered as the regional economic driver. Based on this information, Alexia can be classified as a(n) \_\_\_\_\_.      |  |  | | --- | --- | | A. | contestable market |  |  |  | | --- | --- | | **B.** | big emerging market |  |  |  | | --- | --- | | C. | two-sided market |  |  |  | | --- | --- | | D. | captive market |  |  |  | | --- | --- | | E. | niche market |   A big emerging market (BEM) is characterized as being geographically large, has significant population, is a regional economic driver, and has undertaken significant programs of economic reform. It represents a sizable market for a wide range of products and has the potential for significant growth. |

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| *AACSB: Reflective thinking Blooms: Apply Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Big Emerging Markets (BEMs)* |

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| 76. | Which of the following countries is considered as a BEM (big emerging market)?       |  |  | | --- | --- | | A. | Australia |  |  |  | | --- | --- | | B. | Egypt |  |  |  | | --- | --- | | C. | Venezuela |  |  |  | | --- | --- | | **D.** | Mexico |  |  |  | | --- | --- | | E. | Germany |   India, China, Brazil, Mexico, Poland, Turkey, and South Africa are prominent examples of countries the Department of Commerce has identified as BEMs. Other countries such as Egypt, Venezuela, and Colombia may warrant inclusion in the near future. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Big Emerging Markets (BEMs)* |

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| 77. | What is happening in BEMs today is analogous to what happened in:       |  |  | | --- | --- | | A. | Saudi Arabia in the 1800s. |  |  |  | | --- | --- | | B. | India during the British Empire period. |  |  |  | | --- | --- | | C. | Russia after the fall of the Czar. |  |  |  | | --- | --- | | **D.** | Europe after World War II. |  |  |  | | --- | --- | | E. | Iraq between 1890 to 1990. |   BEMs lack modern infrastructure, much of the expected growth will be in industrial sectors such as information technology, environmental technology, and financial services. What is occurring in the BEMs is analogous to the situation after World War II when tremendous demand was created during the reconstruction of Europe. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Big Emerging Markets (BEMs)* |

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| 78. | Which of the following countries is a part of the free trade area known as CFTA?       |  |  | | --- | --- | | A. | France |  |  |  | | --- | --- | | B. | Uruguay |  |  |  | | --- | --- | | **C.** | The United States |  |  |  | | --- | --- | | D. | Argentina |  |  |  | | --- | --- | | E. | Brazil |   To further support trade activity, the United States and Canada established the United States–Canada Free Trade Area (CFTA), designed to eliminate all trade barriers between the two countries. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: The Americas* |

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| 79. | 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. |   The three members of NAFTA are Canada, Mexico, and the United States. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: The Americas* |

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| 80. | Which of the following is true of the CFTA?       |  |  | | --- | --- | | A. | It was designed to eliminate trade barriers between the United States, Canada, and parts of Asia. |  |  |  | | --- | --- | | B. | It created several, independent commercial markets for goods and services. |  |  |  | | --- | --- | | C. | It was a customs union like the European Community. |  |  |  | | --- | --- | | D. | It involved economic and political unions. |  |  |  | | --- | --- | | **E.** | It provided only for the elimination of tariffs and other trade barriers between the United States and Canada. |   The United States–Canada Free Trade Area (CFTA) was designed to eliminate all trade barriers between the two countries. The CFTA created a single, continental commercial market for all goods and most services. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: The Americas* |

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| 81. | Which country announced that it would seek free trade with the United States immediately after the ratification of the United States-Canada Free Trade Area (CFTA)?       |  |  | | --- | --- | | A. | Germany |  |  |  | | --- | --- | | B. | Australia |  |  |  | | --- | --- | | **C.** | Mexico |  |  |  | | --- | --- | | D. | The United Kingdom |  |  |  | | --- | --- | | E. | China |   Shortly after both countries had ratified the CFTA, Mexico announced that it would seek free trade with the United States. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: The Americas* |

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| 82. | \_\_\_\_\_ 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 |   NAFTA 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. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: The Americas* |

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| 83. | Which 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. | Intellectual property |  |  |  | | --- | --- | | E. | Government procurement |   According to rules of origin, for goods to be traded duty free, they must contain substantial (62.5 percent) North American content. Refer to Exhibit 9.6-Key Provisions of NAFTA. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: The Americas* |

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| 84. | Which of the following statements is true regarding NAFTA?      |  |  | | --- | --- | | A. | It allows the use of standards and technical regulations as obstacles to trade. |  |  |  | | --- | --- | | B. | It was ratified and became effective in 2000. |  |  |  | | --- | --- | | C. | It prohibits U.S. and Canadian financial institutions to open wholly owned subsidiaries in Mexico. |  |  |  | | --- | --- | | **D.** | It has three members: Canada, South Africa, and the United States. |  |  |  | | --- | --- | | E. | Under its provisions, Canada, Mexico, and the United States have agreed to implement uniform customs procedures and regulations. |   NAFTA provisions on services state that both U.S. and Canadian financial institutions are permitted to open wholly owned subsidiaries in Mexico, and all restrictions on the services they offer will be lifted. Refer to Exhibit 9.6-Key Provisions of NAFTA. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: The Americas* |

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| 85. | 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.** | is a comprehensive trade agreement that addresses and improves all aspects of doing business within North America. |  |  |  | | --- | --- | | E. | aimed at establishing a common currency for its Latin American members. |   NAFTA is a comprehensive trade agreement that addresses, and in most cases improves, all aspects of doing business within North America. Mercosur (including Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay) is the second-largest common-market agreement in the Americas after NAFTA. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 86. | Given the fact that NAFTA is now effective among the U.S., Mexico and Canada, an American company which 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. | Mexico has better infrastructure than Sri Lanka. |  |  |  | | --- | --- | | **D.** | moving 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. |   Wages in Mexico are almost three times the monthly wages in Sri Lanka but moving goods from Mexico to the United States is cheaper and faster than moving them from Sri Lanka. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: The Americas* |

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| 87. | Which of the following countries is a member of the free trade agreement DR-CAFTA?       |  |  | | --- | --- | | A. | Bahrain |  |  |  | | --- | --- | | B. | Bhutan |  |  |  | | --- | --- | | C. | Morocco |  |  |  | | --- | --- | | **D.** | Costa Rica |  |  |  | | --- | --- | | E. | Oman |   In August 2005, President George Bush signed into law a comprehensive free trade agreement among Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and the United States. This free trade agreement is known as DR-CAFTA. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-07 The foundational market metrics of American nations Topic: The Americas* |

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| 88. | 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. | Jamaica |  |  |  | | --- | --- | | E. | Mercosur |   In August 2005, President George Bush signed into law a comprehensive free trade agreement among Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and the United States. The agreement includes a wide array of tariff reductions aimed at increasing trade and employment among the seven signatories. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-07 The foundational market metrics of American nations Topic: The Americas* |

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| 89. | 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 |   The success of the Caribbean Free Trade Association led to the creation of the Caribbean Community and Common Market. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 90. | CARICOM established the CSME (CARICOM Single Market and Economy) with the goal of:       |  |  | | --- | --- | | A. | establishing central institutions similar to those of the European Union institutions. |  |  |  | | --- | --- | | B. | forming a political union. |  |  |  | | --- | --- | | **C.** | a common currency for all members. |  |  |  | | --- | --- | | D. | increasing nontariff barriers. |  |  |  | | --- | --- | | E. | implementing uniform customs procedures and regulations. |   CARICOM has worked toward a single-market economy and in 2000 established the CSME (CARICOM Single Market and Economy) with the goal of a common currency for all members. The introduction of a common external tariff structure was a major step toward that goal. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 91. | Which of the following is a result of state ownership?      |  |  | | --- | --- | | A. | Inclusion of foreign and domestic private ownership. |  |  |  | | --- | --- | | B. | Efficient state treasuries. |  |  |  | | --- | --- | | C. | Efficient public companies. |  |  |  | | --- | --- | | D. | Predictable regulatory environments. |  |  |  | | --- | --- | | **E.** | Inflated public-sector bureaucracies. |   State ownership was once considered the ideal engine for economic growth. Instead of economic growth, however, they ended up with inflated public-sector bureaucracies, complicated and unpredictable regulatory environments, the outright exclusion of foreign and domestic private ownership, and inefficient public companies. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 92. | Which of the following countries is a member of the Latin American Integration Association (LAIA, aka ALADI)?      |  |  | | --- | --- | | A. | Bahamas |  |  |  | | --- | --- | | **B.** | Cuba |  |  |  | | --- | --- | | C. | Nicaragua |  |  |  | | --- | --- | | D. | Costa Rica |  |  |  | | --- | --- | | E. | Honduras |   Cuba is a member of Latin American Integration Association. Refer to Exhibit 9.7-American Regions Fundamental Market Metrics. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 93. | Bahamas is a member of \_\_\_\_\_.      |  |  | | --- | --- | | **A.** | CARICOM |  |  |  | | --- | --- | | B. | NAFTA |  |  |  | | --- | --- | | C. | CFTA |  |  |  | | --- | --- | | D. | LAIA |  |  |  | | --- | --- | | E. | Mercosur |   Bahamas is a member of CARICOM (Caribbean Community and Common Market). Refer to Exhibit 9.7-American Regions Fundamental Market Metrics. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 94. | Which of the following countries is NOT a member of the Caribbean Community and Common Market (CARICOM)?       |  |  | | --- | --- | | A. | Barbados |  |  |  | | --- | --- | | B. | Dominica |  |  |  | | --- | --- | | C. | Grenada |  |  |  | | --- | --- | | D. | Jamaica |  |  |  | | --- | --- | | **E.** | China |   China is not a member of CARICOM. Refer exhibit 9.7- American Regions Fundamental Market Metrics. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 95. | Which of the following is the largest common-market agreement in the Americas?       |  |  | | --- | --- | | A. | CFTA |  |  |  | | --- | --- | | **B.** | NAFTA |  |  |  | | --- | --- | | C. | Mercosur |  |  |  | | --- | --- | | D. | DR-CAFTA |  |  |  | | --- | --- | | E. | SAFTA |   NAFTA is the largest common-market agreement in the Americas. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 96. | Which of the following is the second-largest common-market agreement in the Americas?       |  |  | | --- | --- | | A. | CFTA |  |  |  | | --- | --- | | B. | NAFTA |  |  |  | | --- | --- | | **C.** | Mercosur |  |  |  | | --- | --- | | D. | DR-CAFTA |  |  |  | | --- | --- | | E. | SAFTA |   Mercosur is the second-largest common-market agreement in the Americas. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 97. | Which of the following treaties provided the legal basis for Mercosur?       |  |  | | --- | --- | | A. | Treaty of Accession 2003 |  |  |  | | --- | --- | | **B.** | Treaty of Asunción |  |  |  | | --- | --- | | C. | Treaty of Easton |  |  |  | | --- | --- | | D. | Treaty of Versailles |  |  |  | | --- | --- | | E. | Treaty of Montevideo |   The Treaty of Asunción, which provided the legal basis for Mercosur, was signed in 1991 and formally inaugurated in 1995. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 98. | All of the following statements are true regarding Mercosur EXCEPT that:       |  |  | | --- | --- | | A. | it is the second-largest common-market agreement in the Americas after NAFTA. |  |  |  | | --- | --- | | B. | the Treaty of Asunción provided the legal basis for Mercosur. |  |  |  | | --- | --- | | C. | it is the most influential and successful free trade area in South America. |  |  |  | | --- | --- | | D. | Mexico has observer status in Mercosur. |  |  |  | | --- | --- | | **E.** | Germany is a member of Mercosur. |   Germany is not a member of Mercosur. Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay are members of Mercosur. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 99. | Which of the following 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. |   The advantages of the accord to Mercosur will mainly come from lifting trade barriers on agricultural and agro-industrial products, which account for the lion’s share of Mercosur exports to Europe. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 100. | Which of the following is true about state-owned enterprises (SOEs)?      |  |  | | --- | --- | | 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. |   State ownership was once considered the ideal engine for economic growth. Instead of economic growth, however, they ended up with inflated public-sector bureaucracies, complicated and unpredictable regulatory environments, the outright exclusion of foreign and domestic private ownership, and inefficient public companies. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 101. | The long-term goal of the LAIA (Latin American Integration Association), better known by its Spanish acronym, ALADI, is:       |  |  | | --- | --- | | A. | to improve the literacy levels in member countries. |  |  |  | | --- | --- | | B. | to reduce the child mortality rates in member countries. |  |  |  | | --- | --- | | **C.** | to establish a Latin American common market. |  |  |  | | --- | --- | | D. | to establish a common currency for all its member countries. |  |  |  | | --- | --- | | E. | to standardize the industrial production in the member countries. |   The long-term goal of the LAIA, better known by its Spanish acronym, ALADI, is a gradual and progressive establishment of a Latin American common market. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 102. | One of the most important aspects of LAIA that 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. | that members are forbidden from establishing bilateral trade agreements among member countries. |  |  |  | | --- | --- | | E. | introduction of a common currency for the member countries. |   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. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 103. | More household money goes for \_\_\_\_\_ in emerging markets than in developed markets.      |  |  | | --- | --- | | A. | housing |  |  |  | | --- | --- | | B. | transportation |  |  |  | | --- | --- | | **C.** | food |  |  |  | | --- | --- | | D. | leisure |  |  |  | | --- | --- | | E. | education |   More household money goes for food in emerging markets than in developed markets. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: Strategic Implications for Marketing* |

**Essay Questions**

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| 104. | Explain the importance of time zones for trade relationships and marketing operations. Which are the three multinational market regions that comprise major trading blocs?     Time zones make a difference. Jet lag is an important problem. Virtual meetings across time zones are more than just inconvenient; they can disrupt sleep and family life. 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. Moreover, most countries also maintain good trade relationships with contiguous countries. Thus, we can also see an associated pattern of economic growth and global trade that will extend well into the 21st century. It consists of three multinational market regions that comprise major trading blocs: the Americas, Europe, and Asia. Further, the common time zones give the Europeans advantages in both Africa and the Middle East. Within each trading bloc are fully industrialized countries, as typified by the United States, Germany, and Japan; rapidly industrializing countries such as Brazil, Russia, and China that are close on the heels of the fully industrialized; and other countries that are achieving economic development but at more modest rates.Many American companies have organized their international operations according to these geographic or temporal. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-01 The importance of time zones for trade relationships and marketing operations Topic: Global Perspective: Desynchronosis? Something George Clooney Caught Up In The Air?* |

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| 105. | Describe the political and economic changes affecting global marketing.     Not many years ago, large parts of the developing world were hostile to foreign investment and imposed severe regulatory barriers to foreign trade. But few nations are content with the economic status quo; now, more than ever, they seek economic growth, improved standards of living, and an opportunity for the good life as part of the global consumer world. 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. Argentina, Brazil, Mexico, China, South Korea, Poland, Turkey, India, and Vietnam are some of the countries undergoing impressive changes in their economies and are emerging as vast markets. These and other countries have an ever-expanding and changing demand for goods and services. As countries prosper and their people are exposed to new ideas and behavior patterns via global communications networks, old stereotypes, traditions, and habits are cast aside or tempered, and new patterns of consumer behavior emerge. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 1 Easy Learning Objective: 09-02 The political and economic changes affecting global marketing Topic: Marketing and Economic Development* |

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| 106. | What is economic development?     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). Besides an increase in average per capita GNI or GDP, most interpretations of the concept also imply a widespread distribution of the increased income. Economic development, as commonly defined today, tends to mean rapid economic growth and increases in consumer demand-improvements achieved “in decades rather than centuries.” |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 107. | Describe the three categories in which the United Nations classifies a country’s stage of economic development on the basis of its level of industrialization.     The three categories in which the United Nations classifies a country’s stage of economic development on the basis of its level of industrialization are:  • MDCs (more-developed countries). Industrialized countries with high per capital incomes, such as Canada, England, France, Germany, Japan, and the United States.  • LDCs (less-developed countries). Industrially developing countries just entering world trade, many of which are in Asia and Latin America, with relatively low per capita incomes.  • LLDCs (least-developed countries). Industrially underdeveloped, agrarian, subsistence societies with rural populations, extremely low per capita income levels, and little world trade involvement. Such LLDCs are found in Central Africa and parts of Asia. Violence and the potential for violence are often associated with LLDCs. |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-03 The connection between the economic level of a country and the marketing task Topic: Marketing and Economic Development* |

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| 108. | What are the various factors that promote the economic growth of NICs?     The factors that promote the economic growth of  NICs are as follows:  • Political stability in policies affecting their development.  • Economic and legal reforms - Poorly defined and/or weakly enforced contract and property rights are features the poorest countries have in common.  • Entrepreneurship - In all of these nations, free enterprise in the hands of the self-employed was the seed of the new economic growth.  • Planning - A central plan with observable and measurable development goals linked to specific policies was in place.  • Outward orientation - Production for the domestic market and export markets with increases in efficiencies and continual differentiation of exports from competition was the focus.  • Factors of production - If deficient in the factors of production—land (raw materials), labor, capital, management, and technology—an environment existed where these factors could easily come from outside the country and be directed to development objectives.  • Industries targeted for growth - Strategically directed industrial and international trade policies were created to identify those sectors where opportunity existed. Key industries were encouraged to achieve better positions in world markets by directing resources into promising target sectors.  • Incentives to force a high domestic rate of savings and direct capital to update the infrastructure, transportation, housing, education, and training.  • Privatization of state-owned enterprises (SOEs) that 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. Often when industries are privatized, the new investors modernize, thus creating new economic growth. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 3 Hard Learning Objective: 09-05 Growth factors and their role in economic development Topic: Marketing and Economic Development* |

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| 109. | Explain the impact of the Internet on the economic development.     The Internet cuts transaction costs and reduces economies of scale from vertical integration. It could also reduce the economically optimal size for firms. Lower transaction costs 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. The Internet accelerates the process of economic growth by speeding up the diffusion of new technologies to emerging economies. Unlike the decades required for many developing countries to benefit from railways, telephones, or electricity, the Internet is spreading rapidly throughout Latin America and the rest of the world. Information technology can jump-start national economies and allow them to leapfrog from high levels of illiteracy to computer literacy. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-05 Growth factors and their role in economic development Topic: Marketing and Economic Development* |

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| 110. *(p. 258)* | What are the various marketing functions performed when the marketing process in a country is in the commercial-transition substage?     The various marketing functions performed when the marketing process in a country is in the commercial-transition substage are:  • Demand creation  • Physical distribution  • Market information analysis |

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| *AACSB: Analytic Blooms: Remember Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: Big Emerging Markets (BEMs)* |

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| 111. | With reference to the North American Free Trade Agreement (NAFTA), explain the term ‘rules of origin’.     NAFTA reduces tariffs only for goods made in North America. Tough rules of origin will determine whether goods qualify for preferential tariff treatment under NAFTA. Rules of origin are designed to prevent free riders from benefiting through minor processing or transshipment of non-NAFTA goods. For example, Japan could not assemble autos in Mexico and avoid U.S. or Canadian tariffs and quotas unless the auto had a specific percentage of Mexican (i.e., North American) content. For goods to be traded duty free, they must contain substantial (62.5 percent) North American content. Because NAFTA rules of origin have been strengthened, clarified, and simplified over those contained in the U.S.–Canada Free Trade Agreement, they supersede the CFTA rules. Refer to Exhibit 9.6-Key Provisions of NAFTA. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 1 Easy Learning Objective: 09-06 Marketing's contribution to the growth and development of a country's economy Topic: The Americas* |

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| 112. *(p. 265)* | Discuss the features of Mercosur and its role in improving trade associations among American nations.     Mercosur includes Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay. It is the second-largest common-market agreement in the Americas after NAFTA. The Treaty of Asunción, which provided the legal basis for Mercosur, was signed in 1991 and formally inaugurated in 1995. The treaty calls for a common market that would eventually allow for the free movement of goods, capital, labor, and services among the member countries, with a uniform external tariff. Because Mercosur members were concerned about sacrificing sovereign control over taxes and other policy matters, the agreement envisioned no central institutions similar to those of the European Union institutions. Since its inception, Mercosur has become the most influential and successful free trade area in South America. With the addition of Bolivia and Chile in 1996, Mercosur became a market of 220 million people with a combined GDP of nearly $1 trillion and the third largest free trade area in the world. More recently Colombia and Ecuador have become associate members, with Venezuela to follow shortly; Mexico has observer status as well. Mercosur has demonstrated greater success than many observers expected. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 2 Medium Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |

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| 113. | Why was Caribbean Community and Common Market (CARICOM) created? What are its goals?     The success of the Caribbean Free Trade Association led to the creation of the Caribbean Community and Common Market. CARICOM member countries continue in their efforts to achieve true regional integration. The group has worked toward a single-market economy and in 2000 established the CSME (CARICOM Single Market and Economy) with the goal of a common currency for all members. The introduction of a common external tariff structure was a major step toward that goal. CARICOM continues to seek stronger ties with other groups in Latin America and has signed a trade agreement with Cuba. |

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| *AACSB: Analytic Blooms: Understand Difficulty Level: 1 Easy Learning Objective: 09-08 The growing importance of trading associations among American nations Topic: The Americas* |