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| Chapter Study Guide Business in the Global Economy | | | | | | | |
| Part 1 Yes or No **Directions**Indicate your answer to each of the following questions by placing a check mark on the line under *yes* or *no* at the right. | |  | |  | | | |
| Yes | |  | No |
| 1. | Is foreign debt the amount of money that other countries owe the United States? | | |  | |  |  |
| 2. | If a country imports more than it exports, does it have a trade deficit? | | |  | |  |  |
| 3. | Does supply and demand affect the exchange rate? | | |  | |  |  |
| 4. | Does a country’s infrastructure refer to its climate and natural resources? | | |  | |  |  |
| 5. | Are tariffs on certain goods used to restrict free trade? | | |  | |  |  |
| 6. | Is the North American Free Trade Agreement (NAFTA) an agreement created by the United States, Mexico, and Japan? | | |  | |  |  |
| 7. | Does licensing have a low financial investment and a high potential financial return? | | |  | |  |  |
| 8. | Are franchise agreements popular with fast-food companies such as McDonald’s, Wendy’s, and Burger King? | | |  | |  |  |
| Part 2 Completion **Directions**In the Answers column, write the word or words needed to complete each sentence. | |  | | |  | | |
| Answers | | |
| 9. | The primary effects on a country’s level of economic development are its literacy level, agricultural dependency, and (?). | 9. |  | | | | |
| 10. | Making, buying, and selling goods and services within a country is referred to as (?). | 10. |  | | | | |
| 11. | When a country can produce a particular good or service at a lower cost than other countries, a(n) (?) exists. | 11. |  | | | | |
| 12. | The (?) is the value of currency in one country compared with the value of currency in another. | 12. |  | | | | |
| 13. | Trade barriers can include (?), tariffs, and embargoes. | 13. |  | | | | |
| 14. | An agreement between two or more companies to work together on a business project is called a(n) (?). | 14. |  | | | | |
| 15. | A(n) (?) is also known as an economic community. | 15. |  | | | | |

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| Part 3 Matching **Directions**In the Answers column indicate which international trade organization or agreement is best described by each statement.   |  |  |  |  |  | | --- | --- | --- | --- | --- | | A. | World Trade Organization (WTO) | C. | North American Free Trade Agreement (NAFTA) | | | B. | The World Bank | D. | The International Monetary Fund (IMF) | Answers | | | | | | | | | | | | | | |
| 16. | Maintains a system of world trade and exchange rates | | | | | | | | | | 16. |  | |
| 17. | Created after World War II to provide loans for rebuilding | | | | | | | | | | 17. |  | |
| 18. | Settles trade disputes and enforces free-trade agreements between member countries | | | | | | | | | | 18. |  | |
| 19. | Key function is to provide economic aid to less developed countries | | | | | | | | | | 19. |  | |
| 20. | Does away with taxes on goods traded among the member countries | | | | | | | | | | 20. |  | |
| 21. | The currency exchange rate changes constantly based on factors such as a country’s balance of payments, economic conditions, and political stability. Figure 3-4 shows the values of currencies in several countries in relation to the U.S. dollar (USD). Visit the web site for the Universal Currency Converter at http://www.xe.com/ucc/ and check the value of those currencies today. Fill in the blanks to indicate each currency’s units per USD and value in USD. Compare your findings with the values provided in Figure 3-4, and place a check mark in the appropriate blank to indicate whether the value of the USD has increased or decreased in relation to each of the other currencies. | | | | | | | | | | | |
| **Country** | **Currency** | **Units per USD** | |  | **Value in USD** |  | **Increase** |  | **Decrease** | | |
| Britain | pound |  | |  |  |  |  |  |  | | |
| Brazil | real |  | |  |  |  |  |  |  | | |
| Canada | dollar |  | |  |  |  |  |  |  | | |
| European Union | euro |  | |  |  |  |  |  |  | | |
| Japan | yen |  | |  |  |  |  |  |  | | |
| Saudi Arabia | riyal |  | |  |  |  |  |  |  | | |
| South Africa | rand |  | |  |  |  |  |  |  | | |
| South Korea | won |  | |  |  |  |  |  |  | | |
| Venezuela | bolivar |  | |  |  |  |  |  |  | | |
|  |  |  |  | |  |  |  |  |  |  | | |
| 22. | Numerous items that you buy and use every day are produced in other countries, primarily due to lower production and labor costs. Many American companies maintain manufacturing facilities outside of the United States in order to remain competitive in the marketplace by reducing their costs of production. As more companies move all or part of their business operations outside of the United States, it can have both positive and negative effects on the economies in the U.S. as well as in the host country. In the space below, list some of the positive and negative effects on both economies. | | | | | | | | | | | |
|  | **Positive Effects on the United States** | | | **Negative Effects on the United States** | | | | | | | | |
|  | | |  | | | | | | | | |
|  | **Positive Effects on the Host Country** | | | **Negative Effects on the Host Country** | | | | | | | | |
|  | | |  | | | | | | | | |
| 23. | When it comes to world trade, most people have a strong opinion. Some people believe that too many American jobs are being lost to overseas labor markets. Others believe that international trade actually creates new jobs in the United States. Now that you have completed this chapter, you should better understand the value of international trading, but how do others feel about world trade? Talk to at least five (5) people you know and ask their opinions. Do not record their names, but bring the results of your survey to class to share. Here are some questions that you might ask.  1. Do you believe there are advantages for the United States in trading with other nations? Why or why not?  2. Do you think international trading increases an understanding of other cultures? If so, how?  3. Do you believe that American jobs are lost because of importing? Why or why not?  4. Do you believe that the North American Free Trade Agreement (NAFTA) and other free trade agreements are good for the U.S. economy? Why or why not?  5. Do you think the United States should place an embargo on certain goods or on goods from certain countries? If so, what goods, what countries, and for what reasons?  6. Do you buy goods made in other countries? If so, what do you buy and why?  7. Do you think it is possible in today’s marketplace to only “Buy American”? Why or why not?  8. If you are employed, is your employer involved in international trade? If so, in what way? | | | | | | | | | | | |