|  |
| --- |
| *Indicate whether the statement is true or false.* |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1. ​A *treaty* is a contract or other agreement between two or more nations that must be ratified by the United Nations to take effect.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 2. Under the principle of comity, all foreign governments are subject to all U.S. laws.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 3. International law is a body of law that governs relations among nations.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 4. The act of state doctrine provides that the executive branch of one country will not examine the validity of public acts committed by a recognized foreign government within its own territory.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 5. Confiscation occurs when a government seizes private property for an illegal purpose or without just compensation.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 6. Firms overseas have almost total legal protection against government acts in the countries in which they operate, under the act of state doctrine.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 7. Expropriation occurs when a government seizes private property for a proper pur-pose and awards just compensation.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 8. The Foreign Sovereign Immunities Act spells out what a “foreign state” includes.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 9. Under the Foreign Sovereign Immunities Act, a foreign state can be a political subdivision of a foreign state.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 10. The doctrine of sover-eign immu-nity can immunize a foreign nation from the jurisdiction of U.S. courts.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 11. A foreign state is immune from the jurisdiction of U.S. courts as long as the state is involved in commercial activity in the United States.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 12. According to the Foreign Sovereign Immunities Act, a foreign state that waived its immunity by implication is subject to the jurisdiction of the U.S. courts.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 13. The simplest way for a U.S. firm to do business in a foreign mar-ket is to ex-port its products directly to that market.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 14. Franchising is a form of licensing.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 15. A party to a licensing agreement generally agrees to pay royalties on some basis.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 16. In direct exporting, a U.S. company signs a sales contract with a foreign purchaser that provides for the conditions of shipment and payment of goods.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 17. When a U.S. firm wishes to increase its involvement in an international market, it normally establishes an agency relationship with a foreign firm.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 18. In a joint venture, the parent company in the United States retains complete ownership and authority over all phases of the operation.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 19. Congress can use a variety of devices to restrict or encourage exports.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 20. Restrictions on imports may not include tariffs.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 21. Restrictions on imports may not include quotas.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 22. *Quotas* are limits on the amounts of goods that can be exported.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 23. ​*Dumping* is the sale of imported goods at “less than fair value.”

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 24. *Dumping* is the exporting of environmentally polluting goods to a foreign market.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 25. The chief aim of the World Trade Organization is to minimize trade barriers among its members.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 26. The chief aim of the European Union is to maximize trade barriers among its members.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 27. The primary goal of the North American Free Trade Agreement is to eliminate tariffs among the United States, Canada, and Mexico.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 28. Some countries provide insurance for their citizens’ investments abroad.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 29. Few countries guarantee compensation to foreign investors if their property is taken.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 30. International contracts rarely include arbitration clauses.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| 31. When a contract contains a forum selection clause, a lawsuit arising from a dispute under the contract will be heard by a court in the specified forum.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| 32. Foreign exchange markets comprise a worldwide system for buying and selling currency.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 33. Generally, a foreign government cannot sue under U.S. anti-trust laws in U.S. courts.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| 34. A foreign citizen can bring a civil suit in a U.S. court for a violation of an international tort law.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- | --- | --- | --- | --- | --- |
| 35. U.S. laws that prohibit discrimination in employment apply to U.S. em-ployees working for U.S. firms located abroad.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- |
| *Indicate the answer choice that best completes the statement or answers the question.* |

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| 36. ​Michael, a citizen of Ireland, and Nina, a citizen of the United States, enter into a contract. When Nina breaches the contract, Michael obtains an award of damages in an Irish court. He asks a U.S. court to enforce the award. The U.S. court defers to and enforces the Irish court’s decree. This is

|  |  |  |
| --- | --- | --- |
|   | a.  | ​a travesty of justice.​ |
|   | b.  | ​theact of state doctrine. |
|   | c.  | thedoctrine of sovereign immunity.​ |
|   | d.  | ​theprinciple of comity. |

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| 37. In the global environment of business, the law of a particular nation, such as Germany, Japan, or the United States, is classified as

|  |  |  |
| --- | --- | --- |
|   | a.  | environmental law. |
|   | b.  | global law. |
|   | c.  | international law. |
|   | d.  | national law. |

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| 38. The basis for Mexico to give effect to the laws and court decisions of the United States is primarily

|  |  |  |
| --- | --- | --- |
|   | a.  | courtesy and respect. |
|   | b.  | fear and intimidation. |
|   | c.  | admiration and envy. |
|   | d.  | payments of cash and exchanges of property. |

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| 39. Premier Clothing, Inc., a U.S. firm, obtains a judgment in a U.S. court against Quang Tri, Ltd., a Vietnamese business. Whether the court’s judgment will be enforced by a court in Vietnam depends on the Vietnamese court’s application of

|  |  |  |
| --- | --- | --- |
|   | a.  | the act of state doctrine. |
|   | b.  | the doctrine of sovereign immunity. |
|   | c.  | the principle of comity. |
|   | d.  | the World Trade Organization. |

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| 40. Mountain Mining Company, a U.S. firm, owns property in Bolivia. The government of Bolivia seizes the property for an illegal purpose without paying just compensation. This is

|  |  |  |
| --- | --- | --- |
|   | a.  | confiscation. |
|   | b.  | defalcation. |
|   | c.  | dumping. |
|   | d.  | expropriation. |

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| 41. Ecuador seizes the assets of Resourced Oil, Inc., a U.S. firm. Resourced’s recovery from Ecuador in a U.S. court may be prevented by

|  |  |  |
| --- | --- | --- |
|   | a.  | the act of state doctrine. |
|   | b.  | the doctrine of sovereign immunity. |
|   | c.  | the North American Free Trade Agreement. |
|   | d.  | the principle of comity. |

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| 42. Call Center Corporation, a U.S. firm, owns property in India. The government of India seizes the property for a proper public purpose and pays Call Center just compensation. This is

|  |  |  |
| --- | --- | --- |
|   | a.  | confiscation. |
|   | b.  | defalcation. |
|   | c.  | dumping. |
|   | d.  | expropriation. |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 43. UniOil, a U.S. firm, owns property in Nicaragua. When the government of Nicaragua seizes the property, UniOil asks a U.S. court to order the property’s return. The court rules that Nicaragua is exempt from the court’s jurisdiction. This is

|  |  |  |
| --- | --- | --- |
|   | a.  | a travesty of justice. |
|   | b.  | theact of state doctrine. |
|   | c.  | thedoctrine of sovereign immunity. |
|   | d.  | theprinciple of comity. |

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| 44. AgriWorld, a U.S. firm, owns property in Kenya. The government of Kenya seizes the property. AgriWorld claims that this is confiscation. The government of Kenya claims that it is expropriation. The burden of proof lies with

|  |  |  |
| --- | --- | --- |
|   | a.  | the U.S. government. |
|   | b.  | the government of Kenya. |
|   | c.  | AgriWorld. |
|   | d.  | none of the choices. |

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| 45. Global Holdings, Inc. owns property in Kazakhstan. The Kazakhstan government seizes the property. In order for the seizure to be considered an expropriation and not a confiscation, the Kazakhstan government must

|  |  |  |
| --- | --- | --- |
|   | a.  | pay just compensation to Global Holdings. |
|   | b.  | pay just compensation to the U.S. government. |
|   | c.  | obtain the approval of the United Nations. |
|   | d.  | act in full accord with the laws of Kazakhstan. |

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| 46. World Metals, Inc., a U.S. firm, wants to file a suit in the United States against a Venezuela government agency, alleging a violation of certain international laws. Under the Foreign Sovereign Immunities Act, the agency is

|  |  |  |
| --- | --- | --- |
|   | a.  | not immune from the jurisdiction of U.S. courts. |
|   | b.  | immune from the jurisdiction of U.S. courts. |
|   | c.  | not subject to a suit by any private foreign firm. |
|   | d.  | subject to a suit by a private firm only in Venezuela. |

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| 47. Skye Pye Corporation, a U.S. firm, wishes to participate, but limit its involvement, in Middle Eastern markets. Skye Pye empowers Alem, Ltd., a United Arab Emirates firm, to enter into contracts in certain countries on Skye Pye’s behalf. This is

|  |  |  |
| --- | --- | --- |
|   | a.  | a distribution agreement. |
|   | b.  | an agency relationship. |
|   | c.  | indirect exporting. |
|   | d.  | licensing. |

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| 48. Significant business develops in Spain for Graphic Comix, Inc., a U.S. firm. Graphic Comixappoints Comicas Graphico, Ltd., a Spanish firm, to act as Graphic Comix’s marketing representative in Spain. This is

|  |  |  |
| --- | --- | --- |
|   | a.  | a joint venture. |
|   | b.  | franchising. |
|   | c.  | indirect exporting. |
|   | d.  | licensing. |

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| 49. WiFi Corporation, a U.S. firm, signs a contract with Bueno Computadores, Ltd., an Argentinean firm, for a shipment and payment for WiFi’s goods. This is

|  |  |  |
| --- | --- | --- |
|   | a.  | a distribution agreement. |
|   | b.  | a joint venture. |
|   | c.  | direct exporting. |
|   | d.  | licensing. |

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| 50. Optima Medico Corporation, a U.S. firm, signs a contract with Pharma Beneficial, Ltd., a Canadian firm, to give Pharma the right to sell Optima’s products in Canada. This is

|  |  |  |
| --- | --- | --- |
|   | a.  | a distribution agreement. |
|   | b.  | a joint venture. |
|   | c.  | direct exporting. |
|   | d.  | licensing. |

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| 51. Munchies Bistro Corporation, a U.S. firm, signs a contract with Manger au Brasserie, S.A., a French firm, to give Manger the right to use Munchies’s trademark in restaurants in France. This is

|  |  |  |
| --- | --- | --- |
|   | a.  | a distribution agreement. |
|   | b.  | a joint venture. |
|   | c.  | direct exporting. |
|   | d.  | licensing. |

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| 52. Without permission, a Russian firm names itself McDonald’s and begins selling hamburgers and French fries in Russia. This is

|  |  |  |
| --- | --- | --- |
|   | a.  | piracy. |
|   | b.  | a licensing agreement. |
|   | c.  | indirect exporting. |
|   | d.  | franchising. |

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| 53. The U.S. corporation Burger Heaven makes a deal with an Icelandic firm that allows the Icelandic firm to use Burger Heaven’s trade name in Iceland in return for a fee. This is

|  |  |  |
| --- | --- | --- |
|   | a.  | a franchise. |
|   | b.  | piracy. |
|   | c.  | a joint venture. |
|   | d.  | direct exporting. |

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| 54. Business Universal Corporation, a U.S. firm, establishes a wholly owned subsidiary firm in Brazil. In this situation, Business Universal retains complete control and authority over

|  |  |  |
| --- | --- | --- |
|   | a.  | all of the operation. |
|   | b.  | only the part of the operation in the United States. |
|   | c.  | none of the operation. |
|   | d.  | about half of the operation. |

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| 55. International Media, Inc., a U.S. firm, expands into global markets through a joint venture. In the venture, International Media shares responsibilities and

|  |  |  |
| --- | --- | --- |
|   | a.  | both the profits and liabilities. |
|   | b.  | none of the profits or liabilities. |
|   | c.  | the profits, but not the liabilities. |
|   | d.  | the liabilities, but not the profits. |

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| 56. Northwest Resources, Inc., and Midwest Commodities Corporation are exporting firms that join together to export a line of products.  Northwest Resourcesand Midwest Commodities apply to Commerce Bank for a loan to fund their effort. Under federal law, Commerce and other U.S. banks are

|  |  |  |
| --- | --- | --- |
|   | a.  | encouraged by credit guaranties to lend such funds. |
|   | b.  | discouraged by administrative rules to make such loans. |
|   | c.  | asked by enforcement agencies to report such requests. |
|   | d.  | banned by statute from opening such credit lines. |

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| 57. Mont Blanc S.A., a French firm, imports its goods into the United States and offers those goods for sale at “less than fair value.” “Fair value” is the price of Mont Blanc’s goods in

|  |  |  |
| --- | --- | --- |
|   | a.  | the European market. |
|   | b.  | France. |
|   | c.  | the United States. |
|   | d.  | the world market. |

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| 58. Hong Ltd., a Chinese firm, imports its goods into the United States and offers those goods for sale at “less than fair value.” This is

|  |  |  |
| --- | --- | --- |
|   | a.  | confiscation. |
|   | b.  | defalcation. |
|   | c.  | dumping. |
|   | d.  | expropriation. |

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| 59. The United States taxes each barrel of imported oil at a flat rate. This is

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|   | a.  | an antidumping duty. |
|   | b.  | a dumping duty. |
|   | c.  | a quota. |
|   | d.  | a tariff. |

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| 60. The government of Japan sets a limit on the amount of rice that can be imported from the United States. This is

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|   | a.  | a dumping duty. |
|   | b.  | an antidumping duty. |
|   | c.  | a quota. |
|   | d.  | a tariff. |

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| 61. West Africa Investments, Inc., a U.S. firm, and Findora Commercial, a Nigerian firm, are parties to a contract that specifies that the official language of the contract is English. This is

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|   | a.  | a choice-of-forum clause. |
|   | b.  | a choice-of-language clause. |
|   | c.  | a choice-of-law clause. |
|   | d.  | an arbitration clause. |

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| 62. Telfonix Corporation, a U.S. firm, and Adex, Inc., a British firm, are parties to a contract with a choice-of-forum clause. The forum specified in the clause must be within the geographic boundaries of

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|   | a.  | the United States. |
|   | b.  | Britain. |
|   | c.  | neither the United States nor Britain. |
|   | d.  | either the United States or Britain. |

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| 63. Renew Energy Company, a U.S. firm, and Royal Petro, a Dutch firm, enter into a contract that includes an arbitration clause. This clause must provide that the arbitrator will be

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|   | a.  | any specified third party. |
|   | b.  | the American Arbitration Association. |
|   | c.  | the Dutch Arbitration Organization. |
|   | d.  | the International Chamber of Commerce. |

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| 64. Suisse Internationale, a Swiss maker of athletic equipment, enters into a price fixing agreement with Total World Sports, a U.S. wholesaler of Suisse’s products. U.S. courts will apply U.S. antitrust laws if

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|   | a.  | the agreement was made in Switzerland. |
|   | b.  | the agreement was made in the United States. |
|   | c.  | the price fixing has a substantial effect on U.S. commerce. |
|   | d.  | the Swiss government agrees to be sued in the United States. |

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| 65. To obtain a contract with the Chinese government, Road & Bridge Engineering Corporation, a U.S. firm, gives a Chinese official a sport utility vehicle. This may violate

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|   | a.  | the act of state doctrine. |
|   | b.  | the doctrine of sovereign immunity. |
|   | c.  | the Foreign Corrupt Practices Act. |
|   | d.  | the principle of comity. |

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| 66. Real World Sports Corporation (RWSC) is a U.S. firm with a workplace in Switzerland. Generally, RWSC must abide by U.S. anti-discrimination laws in Switzerland

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|   | a.  | under any circumstances. |
|   | b.  | under no circumstances. |
|   | c.  | unless to do so would contravene the cultural norms of Switzerland. |
|   | d.  | unless to do so would violate the law of Switzerland. |

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| 67. Dark Chocolate, Inc., a U.S. firm, enters into an agreement with Columbiana Cacao, S.A., a South American firm, to fix the price of imported chocolate in the U.S. market. If the agreement is a *per se* violation of U.S. antitrust laws, a U.S. court could exercise jurisdiction over

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|   | a.  | Dark and Columbiana. |
|   | b.  | Dark only. |
|   | c.  | Columbiana only. |
|   | d.  | neitherDark nor Columbiana. |

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| 68. Jack, or anyU.S. citizen, can bring a civil suit in a U.S. court against a foreign entity

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|   | a.  | for a tort allegedly committed in the United States only. |
|   | b.  | for a tort allegedly committed in the United States or overseas. |
|   | c.  | for a tort allegedly committed in the United States or overseas. |
|   | d.  | under no circumstances.  |

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| 69. Bango! Business, Inc., a U.S. firm, may have committed, in Chile, acts that would constitute, in the United States, violations of U.S. anti-trust laws. These laws apply

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|   | a.  | extraterritorially. |
|   | b.  | only to signatories of the North American Free Trade Agreement. |
|   | c.  | only to members of the World Trade Organization. |
|   | d.  | only within U.S. borders. |

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| 70. Nakeya and other foreign citizens allege environmental destruction committed overseas by the government of Cameroon on behalf of Earth Mining Company, a U.S. firm. To seek redress for their injuries in a U.S. court, these citizens can

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|   | a.  | subject the private company to the provisions of the Sherman Act. |
|   | b.  | bring civil suits under the Alien Tort Claims Act. |
|   | c.  | file criminal complaints under Title VII of the Civil Rights Act. |
|   | d.  | do nothing. |

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| 71. ​Fashion Industries Corporation owns assets in Vietnam, a country in Asia. The gov-ernment of Vietnam wants to nationalize all assets owned by foreign firms and investors. What can Fashion Industries do? Can it at least obtain payment for the assets? |

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| 72. The management of Sport Shoes Corporation, a U.S. firm, wants to expand into foreign investment and employment markets. They are considering ei-ther opening their own production facility in a foreign country or enter-ing into a licensing agreement with a foreign firm. What are the advan-tages and disadvantages of each of these courses of action? |

**Answer Key**

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| 1. False |

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| 2. False |

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| 3. True |

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| 4. False |

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| 5. True |

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| 6. False |

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| 7. True |

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| 8. True |

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| 9. True |

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| 10. True |

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| 11. False |

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| 12. True |

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| 13. True |

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| 14. True |

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| 15. True |

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| 16. True |

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| 17. False |

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| 18. False |

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| 19. True |

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| 20. True |

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| 21. False |

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| 22. True |

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| 23. True |

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| 32. False |

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| 33. False |

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| 34. True |

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| 35. True |

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| 36. d |

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| 37. d |

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| 38. a |

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| 39. c |

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| 40. a |

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| 41. a |

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| 42. d |

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| 43. c |

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| 44. b |

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| 45. a |

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| 46. a |

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| 47. b |

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| 48. c |

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| 49. c |

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| 50. a |

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| 51. d |

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| 52. a |

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| 53. a |

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| 54. a |

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| 55. a |

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| 56. a |

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| 57. b |

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| 58. c |

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| 59. d |

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| 60. c |

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| 62. c |

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| 63. a |

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| 64. c |

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| 65. c |

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| 66. d |

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| 67. a |

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| 68. b |

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| 69. a |

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| 70. b |

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| 71. If a government decides to seize property within its bor-ders, and not to pay for it, there are few remedies available. This is of course a confiscation, which results when a government takes private property for an illegal purpose without paying just compensation. (An expropriation, by contrast, occurs when a government seizes private assets or a private business for a legal purpose and pays for the seizure.) Under most circumstances, it is unlikely that a confiscating nation’s courts would order its government to pay just compensation, even if the court had the authority to do so. In a case alleging that a foreign government has wrongfully taken a business firm’s property, the defendant government has the burden to prove that the taking was an expropriation, not a confiscation.But the act of state doctrine can prevent a firm’s recovery in a court in the firm’s home country. Under that doctrine, a court in one country will not review the validity of a public act of a recognized foreign government within it own territory. (Some na-tions guarantee compensation to for-eign investors in their constitutions, stat-utes, or treaties. Others (such as the United States) pro-vide some in-surance for their citizens’ investments abroad. Claims are often resolved by lump-sum settlements after negotiations, as between the United States and the confiscating nation.)​ |

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| 72. One of the advantages of opening a wholly owned production facility, in the United States or in a foreign nation, is that all of the profits accrue to the owner. The disadvantages include the risk involved in open-ing a production facility in a foreign country. There is a possibility of the foreign government’s expropriation of the facility. Expropriation is the tak-ing of private property for a public purpose and the paying of just com-pen-sation. Foreign governments have also sometimes confiscated the property of foreign companies. Confiscation is the taking of private prop-erty for a public purpose without just compensation. Under the act of state doctrine, U.S. courts would be reluctant to intervene, either by ordering the property returned or ordering the payment of a fair price. Thus, there could be a considerable sum of money at risk in a foreign production facil-ity. A licens-ing agreement, by contrast, involves relatively little capital investment and represents less risk of loss from a confiscation or an ex-propriation. By en-tering into a licensing agreement with a foreign firm for the rights to manufacture Sport products, or to sell products under the Sport trade-mark, Sport eliminates the chance that its assets would be lost if they were confiscated. Of course, there will also be fewer profits and those will likely be in the form of royalties. |