

**UNIVERSITY OF SWAZILAND**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF BUSINESS ADMINISTRATION**  
**MAIN EXAMINATION 2008**  
**FULL-TIME AND I.D.E.**

**TITLE OF PAPER : INTERNATIONAL MARKETING**  
**COURSE : BA 423**  
**DEGREE AND YEAR : BCOM4**  
**TIME ALLOWED : THREE (3) HOURS**

INSTRUCTIONS: 1. THIS PAPER CONSISTS OF SECTION (A) AND (B)  
2. SECTION (A) IS COMPULSORY  
3. ANSWER ANY TWO (3) QUESTIONS FROM SECTION B  
4. THE TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS FIVE

**NOTE: MARKS WILL BE AWARDED FOR GOOD  
COMMUNICATION IN ENGLISH AND FOR ORDERLY  
PRESENTATION**

THIS EXAMINATION PAPER SHOULD NOT BE OPENED UNTIL INVIGILATOR HAS  
GRANTED PERMISSION

## SECTION A (COMPULSORY)

READ THE FOLLOWING CASE AND ANSWER THE QUESTIONS BELOW

### Understanding Foreign Direct Investments: Spotlight on South Africa

South Africa has emerged as a free-market economy with an active private sector. The country strives to develop a prosperous and balanced regional economy that can compete in global markets. As a developing country, South Africa relies heavily on industrial imports and capital. Specialty minerals and metals, machinery, transport equipment, and chemicals are important import sectors. Minerals and energy are central to South Africa's economic activity, and manufacturing, the largest industry, is still based to a large extent on mining. South Africa receives more foreign currency for its gold than for any other single item, although it exports other minerals.

#### Liberalization Measures

The post apartheid government has clear priorities, including economic growth, job creation, and the reduction of inequality. In particular, the government has taken several high impact measures to liberalize the economy:

- Import tariffs have been reduced or eliminated.
- The financial rand has been abolished.
- The domestic market has been opened to international competition.
- A future timetable for privatizing industries has been put in place.
- Small micro and medium enterprises (SMMEs) and affirmative action objectives have been backed with government support.

As part of its effort to improve South Africa's business climate, the government has made a strong commitment to privatization. The government also offers overseas companies incentives to partner with disadvantaged community-owned South African enterprises and requires businesses with government contracts to contribute to social programs. Like many emerging markets, South Africa seeks to attract foreign investment for a number of reasons.

1. Foreign investment creates jobs
2. Foreign investment brings in much needed capital to help finance business expansion.
3. Foreign investment increases local competition, resulting in better quality goods and services at lower prices.
4. Foreign investment diversifies its economy and protects it from big downturns in the major export markets.

With the end of apartheid and the liberalization of the economy, international corporations began investing in South Africa and bringing much-needed jobs with them. Among these companies were large firms from the United States, the United Kingdom, Germany, and Malaysia. Foreign car manufacturers seemed particularly eager to invest.

For example, Daimler-Chrysler made its single largest investment in South Africa, and the U.S.-based car company, Ford, also invested heavily.

Despite its initial success, South Africa has failed in its efforts to attract further investments. In theory, between its progressive political and economic profile, its vast mineral resources, and its well-developed physical infrastructure, South Africa should be an attractive place to do business. South Africa boasts a population of about 43 million, with a respectable GDP per capita of almost \$3000, and it plays a dominant regional role, economically and politically. Yet, for the last couple of years, overseas companies and financiers have been reluctant to invest in South Africa. In fact, in 2000, there was the first net outflow of funds since 1998.

### **Looking Ahead**

Several factors continue to challenge South Africa's ability to attract sizeable investment capital. These factors include:

#### **Corruption, Confidence and Image**

In general, South Africa receives good marks in the international business world and is rated the fourth least corrupt country in Africa. The country is ranked among the top 25 nations in the world for its corporate governance and transparency, and the South African Reserve Bank closely monitors financial institutions. Nevertheless, corruption continues to be a problem. Many global executives consider extortion and bribery significant barriers to increased foreign investment.

#### **Poor Social Conditions**

South Africa's high crime rate has deterred foreign investment in recent years. The most publicized offences are the most violent — armed robberies, car hijackings, murders, and rapes — and the incidence of these crimes has been surging in the last decade.

Health issues have also discouraged foreign investment. HIV/AIDS causes an astounding number of deaths on the African continent, and South Africa is no exception. In 1997, it was estimated that some 3 to 4 million South Africans were living with HIV/AIDS, and projections are that by 2010, as much as a quarter of the country's black population may die from AIDS-related causes.

#### **Poor Labour Conditions**

Labour issues continue to obstruct efforts to attract foreign companies. Reconciling racial conflicts continues to be an important issue for the general public and the government. Foreigners are sure to notice that problems dealt with easily in other countries can quickly turn into politically charged racial issues here. Old prejudices and divisions often counteract attempts to create an inclusive "Rainbow Nation." These challenges often impact labour relations and everyday workplace behaviours.

South Africa has one of the highest union membership rates in the world — more than 22% of the employed workforce. Though the labour movement has a reputation for militancy, the tightening of the job market has made strikes virtually unheard of and labour relations have generally improved. Because of the country's strong union culture, unions must be consulted on most major decisions made by companies and the government alike.

South Africa has an economically active population of some 14.5 million. However, there continues to be an acute shortage of skilled labour and management personnel as skilled workers continue to migrate overseas in search of better opportunities. Furthermore, the educational system falls far short in providing South African youngsters with the skills the country's businesses need. Recent figures reveal that less than 30 percent of the population over the age of 20 has a basic high school education, and only 10 percent have any education beyond that. The need for skilled labour is especially critical in technical areas such as engineering, high technology, and communications.

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Adapted from Keegan video guides 2004

### QUESTION 1

- a) What factors challenge the South African government's efforts to attract and retain foreign direct investment? **(10MARKS)**
- b) What are the key risks and opportunities for a foreign firm considering investment in South Africa? **(20MARKS)**
- c) How can the government of South Africa improve the situation? **(10MARKS)**

**SECTION B (ANSWER ANY THREE QUESTIONS)****QUESTION 2**

Describe the similarities and differences between a free trade area, a customs union, a common market, and an economic union. Give an example of each. **(20 MARKS)**

**QUESTION 3**

- a) Identify some of the environmental constraints on global pricing decisions. **(10MARKS)**
- b) Explain how the exchange rate and inflation affect the way products are priced. **(10MARKS)**

**QUESTIONS 4**

Governments often pursue policies that promote exports while limiting imports. Discuss some of these policies? **(20 MARKS)**

**QUESTION 5**

Why do more companies not standardize advertising messages worldwide? Identify the environmental constraints that act as barriers to the development and implementation of standardized global advertising campaigns **(20 MARKS)**