

UNIVERSITY OF SWAZILAND
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
RE-SIT/SUPPLEMENTARY EXAMINATION 2018

TITLE OF PAPER : GLOBAL MARKETING ENVIRONMENT
COURSE : BUS323/BA 326
DEGREE AND YEAR : BCOM 3& IDE BCOM 4
TIME ALLOWED : THREE (3) HOURS

INSTRUCTIONS:

- 1. THIS PAPER CONSISTS OF SECTIONS (A) AND (B)**
- 2. SECTION (A) IS COMPULSORY**
- 3. ANSWER ANY THREE (3) QUESTIONS FROM SECTION B**
- 4. THE TOTAL NUMBER OF QUESTIONS IN THIS PAPER IS FIVE (5)**

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****SOUTH AFRICA STEEL MANUFACTURERS CALL FOR GOVERNMENT TO PROTECT THE INDUSTRY**

Steel manufacturers and labour groups have asked the government to lessen the effect of a surge in Chinese steel imports, which are being supplied at prices as much as 25% below local production costs. The cheap steel has hurt the local industry, with companies including Evraz Steel and Scaw Metal Group announcing plans to cut more than 2 000 jobs combined. ArcelorMittal has said it may close a loss-making plant by the end of the month.

ArcelorMittal wants South Africa to set import tariffs on steel at the maximum bound rate of 10%-15% for various subcategories of products. The bound rate is the maximum a country is allowed under its commitments to the World Trade Organisation. If the process of reviewing the tariffs can be accelerated, that would also be great, said O'Flaherty.

The company is also looking for more stringent anti-dumping duties on particular steel products, which requires investigations and takes months to put in place. ArcelorMittal also wants the state to boost demand by finally making steel a designated input – meaning there would be a minimum local content requirement on infrastructure projects. The fact that steel has not yet made it on to the designations list has been seen as an indication of the government's animosity towards ArcelorMittal.

O'Flaherty calls the “unabating surge” in Chinese steel imports part of a “fundamental structural change” in the steel market. Official trade statistics put the steel and iron imports from China at about 240 000 tons in the first five months of last year. In the same five months this year, South Africa imported 489 000 tons from China – more than double last year's number. The company is also suffering from the global drop in iron ore prices – something it derives zero benefits from due to its contractual relationship with Kumba Iron Ore on a cost-plus basis.

According to Henk Langenhoven, chief economist of the Steel and Engineering Industries Federation of SA, any tariff relief for primary steel production would need to be replicated all the way down the value chain, otherwise it would just add costs to the wider sector to protect one company. "It's no use protecting one and hurting everyone else," said Langenhoven. The heavily subsidised steel from China includes products all along the value chain anyway, he told City Press. "No one can compete against the lowest cost quintile in China."

Adapted from: <http://www.fin24.com/BizNews/ArcelorMittal-calls-for-anti-dumping-cheap-imports-could-cost-13-500-jobs-20150805>
<http://www.fin24.com/Economy/SA-readying-to-add-tariffs-on-Chinese-steel-imports-20150824>

QUESTION 1

- a) Explain what protectionism is and then discuss the reasons why steel manufactures want the government to protect their industry. **(20 MARKS)**
- b) Besides tariffs what other trade barriers can the government of South Africa institute in order to discourage the imports of steel from China. **(20 MARKS)**

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

Describe the difference between ethnocentric, polycentric, regiocentric, and geocentric management orientations. **(20 MARKS)**

QUESTION 3

Describe some of the sources of political risk. Specifically, what forms can political risk take? **(20 MARKS)**

QUESTION 4

Identify the major trade groups in Southern Africa which Swaziland is a member, and then discuss the characteristics of each trade group. **(20 MARKS)**

QUESTIONS 5

A country's natural (physical) environment influences its attractiveness to global marketers. Discuss using a nation of your choice. **(20 MARKS)**