

UNIVERSITY OF ESWATINI
FACULTY OF COMMERCE
DEPARTMENT OF BUSINESS ADMINISTRATION
FIRST SEMESTER EXAMINATION

TITLE OF PAPER : GLOBAL MARKETING ENVIRONMENT
COURSE : BUS323/ IDE 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****FREE TRADE IS A CIVILISATIONAL ACHIEVEMENT. RESTRICTING IT IS ANTI-POOR**

Trade is a cornerstone of the modern world. Of all the achievements that mankind has managed since the Second World War, a world in which free trade is the norm must surely rank as one of the greatest civilisational achievements. Getting more than 200 sovereign states, each with their own political constituencies to allow their citizens to trade freely (relatively) with each other is no mean feat. While we have a lot to celebrate, there's still a long way to go.

Tariffs are much lower on average than they have ever been and in economic faculties the benefits of free trade are generally acknowledged by academics who lean either left or right on the political spectrum. Unfortunately, the mercantilist thinking of old persists among politicians. This is evidenced by the kind of action that South Africa's trade and industry department often engages in, i.e. namely protectionist import tariffs.

The trade and industry department submitted a presentation to Parliament in March 2017 claiming that trade measures were required to protect the domestic chicken industry. The justification for this apparently included the protection of jobs. This kind of thinking ignores the fact that consumers are better off when they can buy products more cheaply, leaving their extra disposable income to go into other areas of the economy.

As of March 2019, the South African Revenue Service had 71 listed anti-dumping tariffs, ranging from 3.86% on frozen chicken supplied by three Dutch companies to 113.25% for "stranded wire of iron and steel" produced by Chinese companies. By doing this, to protect uncompetitive domestic industries, the government intentionally raises the price that South Africans must pay for the goods they consume.

The World Trade Organisation has done a lot in getting us to the point where global trade is the freest it has ever been, but the same organisation also encourages certain negative tendencies. The best example of which is dumping. The World Trade Organisation allows countries to charge anti-dumping duties to protect a domestic industry or facilitate the creation of one if it doesn't exist.

This is backward thinking. The point of trade is that no-one can produce everything they need. Imagine government deciding to punish Shoprite for offering products more cheaply in the townships than it does in more developed suburbs. That would seem nonsensical yet that is exactly the idea behind anti-dumping measures.

Companies are punished for offering products more cheaply in foreign – usually underdeveloped – markets than they do in their domestic (usually developed) market.

Some warped logic is going on here and it exemplifies the insanity of crony capitalism. As we saw in the case of South African and Brazilian chicken, the people who were most vocal in arguing for anti-dumping measures were representatives of domestic chicken companies.

Interestingly, the trade and industry department presentation to Parliament notes that the domestic chicken industry struggles to compete internationally because of factors like: increase in the cost of feedstock, increase in the price of electricity, and increase in the price of labour. The latter two problems are caused by government through its electricity monopoly and labour laws. Poor consumers who rely on cheap chicken as their main source of protein are being sacrificed at the altar of big chicken companies and big unions.

Another instance of trade restriction that benefits only the big trade unions: restrictions on the movement of labour across borders. In South Africa, this takes the form of a work visa but the effect is the same as any tariff. This artificial constraint on the supply of labour leads to an artificial increase not only in wages but also the price of the goods and services that that labour produces.

Restricting the free flow of trade can only make everyone worse off. History shows this to be an uncontestable truth.

Adapted from: <https://city-press.news24.com/Voices/frec-trade-is-a-civilisational-achievement-restricting-it-is-anti-poor-20190620>

QUESTION 1

- a) Based on the above article, do you agree with the writer's assertion concerning free trade? Justify your answer by taking into account both the advantages and disadvantages of free trade. (20 MARKS)
- b) Explain why protectionism and the use of tariffs are on the increase worldwide. (20 MARKS)

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

Eswatini is one of 54 nations in the African Union who are members of the African Continental Free Trade Area (ACFTA). Describe the characteristics of the free trade area and then discuss other preferential trade agreements Eswatini is a member of in Africa.

(20 MARKS)

QUESTION 3

Explain why global marketers should pay great attention to the balance of payment, the purchasing power parity (PPP), inflation, and interest rates of a country they plan to enter.

(20 MARKS)

QUESTION 4

Hofstede's cultural typology suggests that the cultures of different nations can be compared in terms of five dimensions. Enumerate on the five dimensions using low-context culture and high-context culture.

(20 MARKS)

QUESTIONS 5

Political risk manifests itself in the form of various restrictions on organisational activities, the most extreme of which is the seizure of assets. Discuss with examples, the different forms of asset seizure of foreign ownership of a business by a government.

(20 MARKS)