



**DEPARTMENT OF BUSINESS STUDIES**

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COURSE: INTERNATIONAL MARKETING

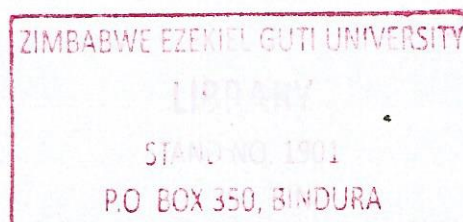
COURSE CODE: CMA404

DURATION: 3 HOURS 30 MINUTES

**DATE 21 JUNE 2017**

**INSTRUCTIONS TO CANDIDATES**

1. No cell phones are allowed in the examination venue.
2. Answer all questions in Section A and any other three (3) questions in Section B.
3. Begin each question on a new page.
4. The number of marks for each question or part question is shown in brackets [ ]



## SECTION A ( mini case study)

### CROSSING BORDERS Trade Does Not Work as a Stick, Only as a Carrot

It was 1807 when Thomas Jefferson proposed trade sanctions as an innovation in diplomacy. The donkeys he endeavored to persuade were quite big and quite stubborn— England and France. The goal was to get these warring nations to leave American ships alone on the high seas. Lacking a competitive navy, our third president dreamed up the trade embargo; rather than using trade as a carrot, he planned to withhold trade and use it as a stick. However, instead of changing French or English policies and behaviors, Jefferson's policy actually endangered New England traders. They complained: Our ships all in motion, once whitend the ocean; They sailed and returned with a Cargo; Now doomed to decay, they are fallen a prey, To Jefferson, worms, and EMBARGO. Jefferson's embargo fell apart in just 15 months.

Only the War of 1812 settled the problems with English aggression at sea. Consider the track record of trade sanctions in the last century. In 1940 the United States told the Japanese to get out of China, and the ensuing embargo of gasoline and scrap metal led directly to the Pearl Harbor attack. Since 1948 Arab countries have boycotted Israel. Given that countries trade most with their close neighbours, you have to wonder how much this lack of trade has promoted the continuing conflicts in the area. Israel is still there. In 1959 Fidel Castro took over Cuba, and for the next 50 years, the United States has boycotted sugar and cigars, but Castro remained in charge.

OPEC's 1973 oil flow slowdown was intended to get America to stop supporting Israel. However, the dollars still flow fast to Israel and now Egypt as well. In 1979 the United States told the Soviets to get out of Afghanistan. They refused. America boycotted the Moscow Olympics and stopped selling the Soviets grain and technology. The Soviet response: They continued to kill Afghans (and, by the way, Soviet soldiers) for another 10 years. Moreover, in 1984 they and their allies' athletes stayed away from the Olympics in Los Angeles. And the high-tech embargo didn't work anyway.

A San Diego division of Caterpillar lost millions of dollars in service contracts for Soviet natural gas pipelines in the mid-1970s. These revenues were lost permanently, because the Soviets taught themselves how to do the maintenance and overhauls. In 1989 a Moscow

weapons research facility had every brand of computer then available in the West: IBMs, Apples, and the best from Taiwan and Japan as well. Perhaps the 1980s' multilateral trade sanctions imposed on South Africa hastened apartheid's demise. But look how well the world's 10-year embargo of Iraq changed policy there. Using trade as a weapon killed kids while Saddam Hussein celebrated at \$12 million birthday parties. Indeed, the best prescription for Middle East peace (and American taxpayers' wallets, by the way) is all sides dropping all embargoes.

The end of the last century witnessed great strides in the elimination of ill-conceived trade sanctions. Perhaps most important was the U.S. Senate's and President's approvals of permanently normalized trade relations (PNTR) with China. However, other important steps were the relaxation of some of the trade restrictions on Vietnam, North Korea, Iran, and Cuba. Indeed, as a result of President Clinton's diplomacy, North and South Koreans marched together at the Sydney Olympics; Americans can now buy pistachio nuts and carpets from Tehran, and U.S. firms can sell medical supplies and services in Havana. Remarkable!

These same kinds of carrots need to be thrown in the direction of the other countries on America's blacklist Myanmar, Angola, Libya, Sudan, and Syria. Be certain that the chorus of criticism regarding human rights, freedom of the press, and democracy should continue, loud and clear. But instead of dropping bombs (or threatening to), we should be selling them computers and Internet connections. The cost of a cruise missile is about the same as 2,000 Apple computers! And at the most fundamental level, coercion does not work.

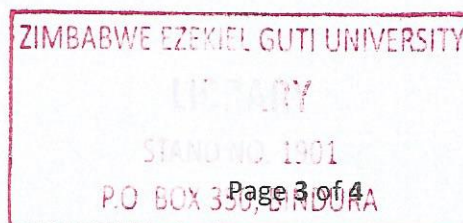
Source: John L. Graham, "Trade Brings Peace," in Joseph Runzo and Nancy M. Martin (eds.), *War and Reconciliation* (Cambridge, MA: Cambridge University Press, 2011).

### Question 1

- a. Discuss the trade barriers outlined in the case above. [10 marks]
- b. How can the barriers mentioned in 1(a) above be addressed? [6 marks]
- c. What influences does self-reference criterion (SRC) have on international trade?

[9 marks]

[Total 25 marks]



## SECTION B

### Question 2

Giving examples, briefly outline the stages in the evolution of international marketing.

[Total 25 marks]

### Question 3

a. What is your understanding of the theory of comparative advantage in international marketing? [10 marks]

b. Giving relevant examples briefly outline the Hofstede's five dimensions of culture.

[15 marks]

[Total 25 marks]

### Question 4

a. What is a 'borne global' company? [3 marks]

b. Explain any five merits of standardization in international marketing. [10 marks]

c. Discuss the four different modes of foreign market entry that a company can use.

[12 marks]

[Total 25 marks]

### Question 5

Discuss the major challenges faced by International marketing researchers.

[Total 25 marks]

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