



STRATHMORE BUSINESS SCHOOL

MASTER OF SCIENCE IN DEVELOPMENT FINANCE

END OF SEMESTER EXAMINATION

MDF 8206: INTERNATIONAL TRADE AND NEGOTIATION

Date: Thursday 13th April 2023

Time: 3 Hours

Instructions

1. Read questions carefully before answering.
2. Answer **Question ONE** and **any other TWO questions**.
3. Marks will be awarded for clarity of expression and accurate relevant examples.

Question 1 (Compulsory) (40marks)

THE AIRPORT AUTHORITY (AA)

The Airport Authority (AA) has been under considerable pressure from the Regional Government to increase capacity at Changow Airport. Originally built fifty years ago as a small regional airport serving a population of 250 000 people, Changow's single runway is at full capacity for 20 hours of the day. The region's population has climbed to over 5 million and much of this growth in air travel is due to the rapid economic expansion of the region from industry and tourism.

The options facing the AA are not attractive. To increase capacity at Changow presents some serious engineering problems on the only available land to the north, over which a new runway must be built. The problems are due to local geology and some regular flooding from the Hankse River delta flowing nearby. A residential population of about 1 million lives within an area of 15 kilometers to the north of the airport and they believe that their lives would be affected severely by a major new runway.

Moreover, economic developments close to the airport crowd right up to the southern boundary, which is the only suitable means of access from Changow city for a wider road. The land close to the east and west boundaries contains mainly high-income residential properties, mixed with isolated green sites, containing rare natural plants, exotic birds and other small wildlife. The State Government recently designated some of these areas as 'National Heritage Sites'.

The other option is to build a completely new airport at Fongow, at a distance of forty kilometres from Changow, in agricultural land, presently farmed by thousands of small holders, whose families have worked the land there for many generations. New access roads would be needed, plus, perhaps a railway system which would require many bridges and tunnels, and the

airport would be close to high wooded hills. There are doubts about the operational feasibility of building an airport so far from the regional capital.

The local political representatives, all members of the governing coalition, favour expansion of Changow airport on the grounds of 'increasing international trade, 'national economic development', 'social progress' and national pride. So does local business, which claims that the current airport is holding back economic expansion in the region. Airport passengers, business and tourist alike, are plagued by long delays to flights and missed connections, and traffic jams during access and entrance along the airport's single and inadequate southern road to Changow city.

Public disquiet about proposals to expand Changow airport have surfaced and are attracting media interest. The main opposition comes from local residents around the airport, though they do not yet form a majority. On the southern boundary, people living along the main road to the airport oppose widening the road because this would mean demolishing many thousands of homes. People living just behind these houses oppose widening because this brings the new road right up to their properties. A 'Homes Before Roads' campaign is underway.

People to the north oppose a new airport runway because of the impact during construction and afterwards on the residents who would have to move to make way for it, and on those left behind, who would be near aircraft taking off and landing. A 'Hands off the Hankse' campaign has been formed.

REQUIRED: You are the chief advisor to the State Government department at the Ministry of Civil Aviation and infrastructure and to defuse opposition to the new runway, you are preparing notes for an upcoming meeting. You are preparing notes on the following questions for the team led by the Cabinet Secretary.

- a) What are the interests of residents who oppose the new runway? **(8 marks)**
- b) What negotiable issues might serve those interests? **(6 marks)**
- c) What are the interests of the state government? **(8 marks)**
- d) Who are the other stakeholders with interests in the proposed project and whose positions must be managed and negotiated? **(6 marks)**
- e) Does the State government have a BATNA? Is it a strong or a weak BATNA and Why? **(12 marks)**

Question 2 (30 marks)

- a) Borrowing from the ACH Challenge 1: Entering International Trade case, briefly discuss any five factors that a company should consider when entering new international markets. **(15 marks)**
- b) Briefly discuss any five critical developments during the industrial revolution and the extent to which African countries benefitted from the industrial revolutions. **(15 marks)**

Question 3 (30 marks)

- a) Explain FOUR (4) possible barriers to negotiation that could be encountered during an engagement and how they can be overcome successfully? **(15 marks)**
- b) With the help of any one example, justify the statement “negotiation is an interdisciplinary field.” **(15 Marks)**

Question 4 (30 Marks)

- (a) *Foreign competition is unfair and hurts other countries when it is based on low wages.* Discuss this statement and indicate whether it is true or false. **(9 marks)**
- (b) Consider the tariffs on tires (A and B) case. In 2009, President Barack Obama announced that his administration would impose a hefty tariff for three years on low-cost automobile and light truck tires imported from China. What was the rationale for the US’s imposition of the tariffs on the imports from China? **(9 marks)**
- (c) The country of Wokita recently elected a new government. The new government is reviewing its trade policy and is considering whether to identify and specialize in a few products for exports or to diversify their export basket. Briefly discuss any three pros and cons of specializing in specific products. **(12 marks)**

Question 5 (30 marks)

You are a Kenya and have recently been appointed to the high-profile job of the Secretary General of the East Africa Community. In this role your first task will be to lead delegations to various East African countries to progress discussions and prepare for the signing of the East African Union Pact. There are various country specific bilateral trade agreements for the private sectors to be negotiated and finalised before the final signing ceremony. You will be visiting Rwanda, Uganda, and Tanzania.

- a) Prepare a Four Point brief outline of the Kenya country negotiation context which would very likely influence your approach to these negotiations. **(16 marks)**
- b) For Rwanda, Uganda and Tanzania indicate FOUR key country specific negotiation context issues that are vital for success of your missions. **(14 marks)**