KIBABII UNIVERSITY

UNIVERSITY EXAMINATIONS

2021/2022 ACADEMIC YEAR
FOURTH YEAR FIRST SEMESTER
MAIN EXAMINATION

FOR THE DEGREE OF BACHELOR OF COMMERCE

COURSE CODE: BCP 411

COURSE TITLE: MANAGING SUPPLY CHAIN RELATIONSHIP

DATE: 17/05/2022 TIME: 9.00AM – 11.00AM

INSTRUCTION TO CANDIDATES

1) The paper contains **FIVE** questions
2) Attempt **THREE** questions
3) Question **ONE** is Compulsory

TIME: 2 Hours

KIBU observes **ZERO** tolerance to examination cheating

QUESTION ONE

CASE STUDY

Africa must improve its infrastructure to mitigate the effects of US – China trade Tensions

Global supply chains continue to suffer disruptions with severe consequences for society, businesses, consumers and the global economy. Since 2018 the United States (US) and China have imposed various restrictive measures on trade flows between the two countries, of which increases in tariffs have been most prominent. On July 6, 2018, USA imposed a 25 per cent tariff on US$34 billion worth of Chinese imports. Since the start of the trade conflict the two countries have raised tariffs substantially on each other's exports, from 2.6% to 17.5% on Chinese imports into the US and from 6.2% to 16.4% on US imports into China. By the end of 2019, US had imposed tariffs on more than US$360 billion worth of Chinese goods, while China had retaliated with import duties of its own worth around US$110 billion on US products.

The US and China are the two largest economies in the world. Chinese foreign trade grew rapidly after its ascension to the World Trade Organization in 2001, with bilateral trade between the US and China totaling almost US$559 billion in 2019. China has grown to become a global leader in commodity exports and a dominant player in international scene from 2015. China is the world's largest exporter with an annual export volume of USD 2,263.33 million, compared to the US exports of USD 1,546.72 million in the second place. According to Peterson Institute for International Economics, China's absolute nominal GDP reaches USD 14 092 million (with a share of 16.1% on world GDP, second place behind the US (USD 20 412 million with 23.3% share of world GDP). The absolute GDP by purchasing power parity is higher in China (USD 23 159 million) compared to the US (USD 19 390 million) as at June 2021.

Due to these trade wars, Manufacturers are diverting operations outside of China to avoid U.S. tariffs. Chinese companies are moving some of their production for the US market to offshore factories in Vietnam, Indonesia, and Cambodia. These countries have relatively abundant supplies of skilled and productive low-cost labor in key areas of manufacturing. It has however become slower and more costly for many Chinese goods to enter the US market even if these Chinese companies relocate production elsewhere. Chinese products, like smart phones, electronics and home appliances have become more expensive in the offshore markets due to the trade tensions. For instance, due to the security concerns raised by the US about these companies, other US allies like Canada, Australia and various European and African countries followed suit. Google for instance announced that if Huawei phones are blacklisted, they were not going to provide the Android support services that its mobile phone would need in the US. Such restrictions would have a big spillover effect on Huawei's diverse products globally. US tariffs, combined with several domestic and external pressures, are slowing down Chinese production and reducing Beijing's demand for raw materials from sub-Saharan Africa.

China is Africa's largest trading partner, so if Chinese-made products are hit with US tariffs, there could be a ripple effect on all Chinese products in the continent. US tariffs have precipitated drops in commodity prices, local currencies, and major stock exchanges. The African Development Bank (AfDB) estimates that the trade tensions could cause a 2.5% reduction in GDP in resource-intensive African countries and a 1.9% reduction for oil exporters by end of 2021. The trade war is predicted to depress global commodity prices and decrease Chinese demand for imports, potentially exacerbating sub-Saharan Africa's economic vulnerabilities. Diminished Chinese demand could further reduce annual exports of $75.26 billion from Africa. A slowdown in the global economy could lead to a decline in demand for Africa's exports, more than 60% of which head to the US, China and Europe.

Kenya has maintained both bilateral and multilateral relations with majority of countries on the African continent and the world over. China specifically has continued to promote a dynamic cooperation with Kenya in areas such as capacity building, information technology, energy, water resources, telecommunications, culture and other areas of human endeavors.Trade war causes unwarranted economic pains on supply chain members, leads to diversion of trade flows away from warring parties, slows economic growth, freezes business investments and to a larger extent leads to lay offs. The tariff's war has forced most firms to accept lower profit margins, cut wages and jobs for their workers, defer potential wage hikes or expansions, and raise prices for consumers or companies. A 2019 report from Bloomberg Economics estimated that the trade war would cost the U.S. economy $316 billion by the end of 2021, while more recent research from the Federal Reserve Bank of New York and Columbia University found that U.S. companies lost at least $1.7 trillion in the war. Africa accounts for just 3 per cent of global trade and has a lower proportion of intra-regional trade than any other part of the world. Africa must improve its intra African trade through the development of a world-class infrastructure and improve trade facilitations among its members to remain competitive globally.

Required:

QUESTION ONE

a) Explain **FOUR** possible Sources of conflict between China and USA in the study. (4 Marks).

b) Demonstrate **FIVE** factors to consider when deciding which dispute resolution mechanism to use in the USA -China trade dispute as illustrated in the study. (5 marks).

c) Critique **FIVE** ways in which different cultures can influence negotiations in international supply chain (5 marks).

d) Explain **THREE** ways in which early supplier involvement can help build supply chain relationships (3 marks)

e) Outline **FIVE** features of strategic sourcing process (5 Marks)

f) Identify THREE characteristics that make a good supplier. (3marks)

g) Name **TWO** advantages of using E-procurement in your organization. (2 marks).

h) List THREE ways in which organization can apply green manufacturing to conserve energy use in production. (3 marks)

QUESTION TWO

a) Elaborate **FIVE** ways in which potential international supplier/s can be sourced. (10 marks)

b) Describe **FIVE** key Supply chain enablers (10 marks)

QUESTION THREE

a) Justify **SIX** reasons for termination of supplier relationships (12 marks)

b) Assess **FOUR** Reasons for evaluating supplier performance. (8 Marks)

QUESTION FOUR

a) Analyze **FIVE** methods of Identifying Customer Satisfaction (10 marks).

b) Using Examples,Explain **FIVE** dimensions of Quality (10 marks).

QUESTION FIVE

a) Demonstrate **FIVE** ways of effective supplier evaluation. (10 marks)

b) Illustrate **FIVE** criteria of measuring Suppliers performance (10 marks).