External trade

Final Exam

Problem 1 (2 points)

Provide a short description of the following concepts and their domain of application in the theory of the external trade

1) Release of the merchandise
2) TARIC
3) Passive temporary importation under bond
4) Custom Union
5) CESCE

Problem 2 (1 point)

Referring to the national account, provide a formalised argument about the importance to held a positive trade balance to compensate a structural deficit in order to guarantee sustainable economic conditions in a country.

Problem 3 (2 points)

The production of a clocks involves the combination of material for 50€ and labour for 50€. The national government decides to implement a tariff-policy to protect the national industry. It is thinking of introducing an *ad-valorem* tariff of 15% on the imports of clocks. In addition, instead of introducing a tariff on the import of the final product, it is also evaluating the possibility to introduce a tariff on the import of material for clocks. This tariff will be (again) an *ad-valorem* tariff of 20%.

Compute the nominal and effective rate of protection under the two hypotheses. Which is the best policy to be adopted for the local producers of clocks? If, instead, the government will decide to adopt the two policies jointly: will the national producers be even more protected?

Problem 4 (3 points)

The company LAMPS SA deals with the import/export of electronic devices. It is a Girona based company. LAMPS needs to import several devices and sell them with the support of a local representative paying for it a commission equal to 10% of the value of the contract. It got an offer from the Korean company LUM (Seoul) with the following conditions:

> Firm: **LUM**
> Type of contract: CIF (Barcelona)
> Price: 32,500 €
> Payment: Documentary draft in 30 days

Further information is also available:

- Packing costs: 400 €
- Transport from the LUM's premises in Seoul to the port of Incheon: 500 €.
- Transport and insurance from Incheon to Girona: 3,800 €, knowing that the international part of this costs is 90% and the internal Spanish transport costs is the remaining 10%.
- Costs for loading the merchandise in Incheon: 180 €
- Costs for the delay in loading the merchandise in Incheon: 50€
- Costs for the delay of the shipment in Incheon: 150€
- Costs for unloading the merchandise in Barcelona and Girona: 250€
- Ad-valorem import tariff: 10% with a maximum of 10,000€
- Commission fees associated with the documentary draft: 0.9% on the value of the exchange bill
- Interest rate: 0.5% per-year (360-day per year).

Determine:
1) The EXW and FOB value of the offer.
2) The VAT at the custom (in Barcelona, by assumption)
3) Compute the (final) VAT associated with this purchase of merchandise.
4) Would it more convenient a FOB contract for LAMPS SA ?

Problem 5 (2 points)

A Catalan firm exports machineries to Guinea. The contract has been signed for a total value of 4,500,000 €. The exchange bill presented at the custom includes the following information:

- Value of the merchandise (FOB):   4,000,000 €
This value includes:
- Part of the material produced in France: 1,000,000 €
- Part of the material produced in Guinea: 800,000 €
- Part of the material produced in the US: 50,000 €
- Commissions   :   150,000 €

- Freight and transport costs: 500,000 €
- CESCE   200,000 €

According the available data, determine the maximum amount of credit to export (namely CARI) that this firm can enjoy when the freight and transport services are provided by
   a) A Spanish carrier,
   b) A French carrier,