INTERNATIONAL TRADE AND FINANCE MASTERCLASS

PART 23 OF 25 · SECTION XI: CASE STUDY COMPENDIUMS

PART 23

CASE STUDY COMPENDIUM I — TRADE, SUPPLY CHAIN, AND PAYMENTS

Ten fully worked case studies from the physical and commercial dimensions of global trade — each one a real-world scenario with detailed calculations, cross-cultural context, and clear lessons for CFOs and finance leaders at any level.

IN THIS PART

- Ten three-page case studies with full financial detail
- Perspectives from Bangladesh, China, India, Nigeria, and Brazil
- Supply chain finance, customs optimization, and payment management
- Cross-cultural commercial context for each scenario
- The lessons that apply to your business today
- Calculations you can replicate with your own numbers

CASE STUDIES

Each part includes fully worked case studies with detailed calculations, real-world context, and practical lessons for CFOs and finance leaders.

CASE STUDY COMPENDIUM I

How to Use These Case Studies

Each of the ten case studies in this compendium is designed to be read as a complete, standalone story. Unlike the abbreviated illustrative examples in Parts One through Twenty-Two, these are fully developed narratives that walk through the entire commercial and financial arc of a real-world international trade situation — from the initial commercial context through the financial problem, the analysis, the decision, and the outcome. The calculations in each case study are designed to be replicated. The numbers have been chosen to be representative of real-world transactions in each sector, and the formulas and frameworks are directly applicable to similar situations in your own business.

CASE STUDY 1

01 Dhaka Fashion Exports

Bangladesh: Managing FOB vs. CIF, Production Finance, and Buyer Insolvency

The Commercial Context

Bangladesh is the world's second-largest garment exporter, with approximately forty-five billion dollars of apparel exports annually. A typical Bangladeshi garment manufacturer — like Dhaka Fashion Exports — operates on razor-thin margins in a highly competitive market where buyers constantly push for lower prices and faster turnaround. The financial management challenges are acute: production must be financed sixty to ninety days before payment is received, most buyers insist on open-account terms, currency risk is omnipresent, and buyer insolvency is a recurring feature of the industry.

The Scenario

Dhaka Fashion Exports received a purchase order from a mid-size US fashion retailer for two hundred thousand units of a seasonal product — total order value of four million six hundred thousand dollars on sixty-day open-account terms after delivery. The company needed to finance three million dollars of raw materials and production costs before the first garment was sewn. Midway through production, the buyer announced financial difficulties. The CFO of Dhaka Fashion had sixty days to protect the company's position.

◆ DHAKA FASHION — BUYER DISTRESS RESPONSE

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DHAKA FASHION — BUYER DISTRESS RESPONSE
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Order value: $4,600,000 | Production cost: $3,000,000
Payment: 60 days open account | Pre-export finance: $2,100,000
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BUYER DISTRESS DETECTED AT DAY 45 OF PRODUCTION:
65% of production complete — $1,950,000 cost incurred
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OPTION A: CONTINUE AND HOPE
Full $4,600,000 exposed if buyer enters administration
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OPTION B: DEMAND LC — HALT PRODUCTION
Buyer unable to open LC given cash constraints
Order cancelled; $1,950,000 sunk cost + $100,000 WIP write-off
Net loss: $2,050,000
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OPTION C: SELL WIP TO ALTERNATIVE BUYER (CHOSEN)
Alternative buyer found — accepts at 15% discount
Revised order value: $4,600,000 x 65% x 85% = $2,541,500
Less remaining production to complete: $400,000
Net proceeds: $2,141,500
Loss vs. planned: approximately $2,058,500
Better than Option A full exposure of $4,600,000
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TRADE CREDIT INSURANCE ALTERNATIVE:
Annual premium (0.6% of $12M turnover): $72,000
Recovery on insured loss (85%): $3,910,000
Net cost of insured loss: $690,000
vs. uninsured Option C loss: $2,058,500
Insurance saving: $1,368,500
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■ **LESSON FOR CFOS**

In open-account trading with unfamiliar or financially stretched buyers, trade credit insurance is not an optional extra — it is a fundamental cost of doing business safely. The premium of zero point six percent per year is immaterial compared to the potential loss on a single significant buyer default. Any exporter with concentrated buyer exposure or emerging market customer bases should review their trade credit insurance coverage immediately.

02

CASE STUDY 2

Shenzhen Electronics Manufacturing Ltd.

China: Navigating US Tariffs From the Chinese Side

The Commercial Context

The perspective on the US-China trade war that rarely appears in US financial media is the Chinese manufacturer's perspective. For Shenzhen Electronics Manufacturing Ltd. — a contract manufacturer producing consumer electronics for American brands — the Section 301 tariffs imposed in 2018 and 2019 created an immediate and existential commercial question: absorb the tariff cost and accept lower margins, pass it to buyers and risk losing orders, or restructure the manufacturing footprint to route around the tariff.

◆ CHINA MANUFACTURER — TARIFF RESPONSE DECISION

SHENZHEN ELECTRONICS — TARIFF RESPONSE ANALYSIS

Annual shipments to US customers: $85,000,000

Section 301 tariff imposed: 25%

Annual tariff burden on US buyers: $21,250,000

OPTION A: ABSORB THE TARIFF

Maintain USD prices; reduce invoice price by 25%

Revenue impact: $85M x 25% = $21,250,000 reduction

Operating margin pre-tariff: 8% = $6,800,000

After absorbing 25% tariff: operating loss of $14,450,000

VERDICT: Not viable — destroys the business

OPTION B: PASS THROUGH — RAISE PRICES 25%

Raise USD prices by 25% to cover tariff

US buyer's landed cost increases 25%

Price elasticity study: 40% of US buyers will switch source

Revenue impact: $85M x 40% = $34M in lost orders

Remaining revenue: $51M — order book halved

VERDICT: Partial pass-through possible; full pass-through not

OPTION C: VIETNAM MANUFACTURING SUBSIDIARY

Establish assembly operation in Vietnam

Ship components from China to Vietnam for final assembly

Vietnam GSP duty rate: 0-3.5% on most electronics

Vietnam assembly cost premium vs. China: 6%

Annual cost: $85M x 6% = $5,100,000

Annual tariff saving: $85M x (25% - 2%) = $19,550,000

NET ANNUAL BENEFIT: $14,450,000

Vietnam setup cost (18 months): $8,200,000

Payback: 6.8 months after completion

ORIGIN RISK NOTE:

CBP scrutinizes 'Made in Vietnam' claims on products

that are clearly designed in and shipped from China

Substantial transformation must occur in Vietnam

Mere repacking or cosmetic assembly does not qualify

Legal opinion on origin required before first shipment

CASE STUDY 3

03 Meridian IT Services India

India: Managing $180M of USD Receivables Against INR Costs

The Commercial Context

India's IT services sector exports approximately two hundred and fifty billion dollars of services annually — making it the world's largest services exporter by some measures. A mid-size IT services company like Meridian IT Services generates almost all its revenue in USD and euros, while incurring almost all its costs in Indian rupees — salaries, office rent, utilities, and local taxes. This creates a structural natural hedge of sorts, but the rupee's long-term depreciation trend and short-term volatility create both opportunity and risk for treasury management.

◆ IT SERVICES — FX MANAGEMENT FRAMEWORK

MERIDIAN IT — USD RECEIVABLES vs. INR COST MANAGEMENT

Annual USD revenue: $180,000,000

Annual INR costs: INR 12,600,000,000 (approx $150M at 84 USD/INR)

Annual USD profit: approximately $30,000,000

RBI REGULATIONS ON FX:

Export proceeds: must be realized within 9 months of shipment

Hedging: permitted through authorized dealers (banks)

Forward contracts: available up to 12 months

EEFC account: retain up to 100% of export proceeds in USD for use in future import payments (reduces conversion need)

NATURAL HEDGE ASSESSMENT:

USD revenue: $180,000,000

INR costs converted: $150,000,000 equivalent

Natural hedge: $150M of USD revenue funds INR cost conversion

Residual USD exposure (profit): $30,000,000

HEDGING STRATEGY FOR $30M RESIDUAL:

Hedge 70%: $21,000,000 via 12-month rolling forwards

Forward rate available: USD/INR 87.50 (12-month fwd)

Locked INR receipts: $21M x 87.50 = INR 1,837,500,000

Remaining 30% ($9M) unhedged — benefits from INR weakness

IMPACT OF 8% INR DEPRECIATION (USD/INR from 84 to 90.7):

Unhedged $9M at new rate: INR 816,300,000

vs. at original rate: INR 756,000,000

GAIN from INR weakness (unhedged portion): INR 60,300,000

Equivalent USD gain at 90.7: $664,000

INR weakness BENEFITS the USD-revenue company because more rupees are received for each USD

04

CASE STUDY 4

Makena Agricultural Exports Kenya

East Africa: Pre-Export Finance for a Tea Export Cycle

The Commercial Context

Kenya is one of the world's largest exporters of black tea, with annual exports of approximately five hundred million dollars. The Kenyan tea industry operates on a well-established auction system at the Mombasa Tea Auction — the largest in the world — where most Kenyan tea is sold. Small and medium-sized tea processors face a classic trade finance challenge: they must pay tea growers promptly, process and package the tea, and then wait for the auction cycle before receiving payment. The cash gap is typically forty-five to sixty days and must be financed.

◆ **TEA EXPORT FINANCE — CASH CYCLE MANAGEMENT**

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MAKENA AGRICULTURAL — TEA EXPORT FINANCE CYCLE
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Annual tea export value: $4,800,000
Monthly processing volume: $400,000
Cash cycle: Pay growers (Day 0) -> Auction (Day 45) -> Paid (Day 60)
Peak working capital need: $800,000 (two months overlap)
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WAREHOUSE RECEIPT FINANCE FACILITY:
Approved warehouse: Mombasa bonded warehouse (KRA-approved)
Warehouse receipt value: $400,000 (monthly lot)
Advance rate: 75%
Facility: $300,000 per monthly lot
Interest: 12% per annum in KES + 1% warehouse fee
Cost per 60-day cycle: $300,000 x 13% x 60/365 = $6,411
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CORRESPONDENT BANKING CHALLENGE:
Auction payments come from UK/EU buyers via SWIFT
Kenyan bank has limited correspondents for GBP/EUR
Average payment arrival: 5-7 days after auction settlement
FX conversion adds 1-2 days
Total cash cycle: 68 days (not 60 as planned)
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SOLUTION: KES/USD ACCOUNT AT NAIROBI BRANCH OF INTERNATIONAL BANK
Faster payment receipt via bank's correspondent network
FX conversion at more competitive rates
Cycle reduced from 68 to 62 days
Annual saving from 6-day improvement:
$800,000 working capital x 12% x 6/365 = $1,578
Not large — but the banking relationship also improves
access to larger facilities as company grows
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CASE STUDY 5

SaoPaulo Specialty Foods

Brazil: Boleto Bancario, IOF Tax, and the Cost of Doing Business in Brazil

The Commercial Context

Brazil presents a unique combination of commercial opportunity and financial management complexity. It is the world's ninth-largest economy, a major consumer market, and an agricultural powerhouse. It is also a market where the financial infrastructure differs significantly from what US and European companies are accustomed to — from the Boleto Bancario payment system to the IOF tax on financial transactions to the complexity of tax-on-tax cascading on commercial invoices.

◆ BRAZIL FINANCIAL COMPLEXITY — COST ANALYSIS

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SAOPAULOFOODS — BRAZILIAN FINANCIAL COMPLEXITY
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US company establishes Brazilian subsidiary
Annual Brazil revenue: BRL 45,000,000 (approx USD $9,000,000)
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PAYMENT SYSTEM: BOLETO BANCARIO
Most Brazilian B2B payments made by Boleto
(bank slip system, not bank-to-bank wire)
Boleto payment: customer goes to bank / app, pays slip
Settlement: next business day typically
Advantages: widely accepted, low fraud, trackable
Challenges: must be generated by Brazilian bank
Requires local bank account and technical integration
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NOTA FISCAL (TAX INVOICE) COMPLEXITY:
Every sale requires an electronic Nota Fiscal (NF-e)
NF-e includes multiple cascading taxes:
ICMS (state VAT): 4-18% depending on state/product
PIS (federal social contribution): 1.65%
COFINS (federal social contribution): 7.6%
ISS (municipal services tax): 2-5% on services
IPI (federal excise): varies by product
Blended tax on revenue: often 25-35% of gross revenue
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IOF ON FINANCIAL TRANSACTIONS:
Loan from parent company to Brazilian subsidiary:
IOF on short-term loan (<365 days): 6.38%
IOF on long-term loan (>365 days): 0.38%
Annual parent loan of $2M (short-term): IOF = $127,600
SOLUTION: Structure as 366-day loan: IOF = $7,600
Saving from correct tenor: $120,000 per loan
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TOTAL COMPLEXITY COST vs. US DOMESTIC EQUIVALENT:
Tax compliance: 4x more expensive ($180K vs $45K)
Banking setup: 3x more complex
Accounting: specialist IFRS-to-BRGAAP firm required
Worth it: $9M Brazil market, 25% EBITDA = $2.25M
Brazil complexity premium: approximately $400K extra/year
Net Brazil EBITDA: $2.25M - $400K = $1.85M
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Case Studies 6 Through 10: Summary Frameworks

The following five case studies are presented in condensed format — focusing on the financial decision framework and the key calculations rather than the full narrative. Each can be expanded into a full teaching case by applying the frameworks from earlier parts of this program.

Case Study 6: Gulf Pharma Trading LLC — UAE

Managing Murabaha trade finance for pharmaceutical imports from Europe. Key lesson: Sharia-compliant finance requires longer lead times but is commercially competitive with conventional finance at GCC banks.

Key Numbers: Annual import value: $12M. Murabaha rate: 5.8%. Conventional LC rate: 6.1%. Murabaha SAVES $36,000/year despite additional documentation.

Case Study 7: Lagos Auto Distributors — Nigeria

Managing the import of Japanese vehicles under CBN's mandatory LC requirement and FX allocation system. Key lesson: LCs protect the importer when the banking system is unreliable, even though they add cost.

Key Numbers: Vehicle import value: $24M. Mandatory LC cost: 1.5% = $360,000. Without LC and FX allocation broke down: vehicles stranded at port for 8 weeks. Port cost: $180,000. Net: LC was cheaper.

Case Study 8: Andean Copper Corp — Chile

Pre-export finance and copper futures hedging combined. Key lesson: commodity exporters can borrow against confirmed sales AND hedge price risk simultaneously, creating a capital-efficient expansion model.

Key Numbers: Export contract: $18M copper. Pre-export finance: $12M at 8.5%. Copper futures hedge: 100% of volume at $8,400/tonne. Net: company funded $8M of new mine equipment with zero equity injection.

Case Study 9: Vietnam Electronics Assembly — Vietnam

Managing rules of origin documentation for USMCA-alternative exports to the US. Key lesson: Vietnam's CPTPP membership and GSP eligibility make it the most attractive US tariff alternative in Asia-Pacific.

Key Numbers: Annual US exports: $35M. Tariff rate without proper origin: 15% = $5.25M. Tariff rate with proper origin certification: 0%. Documentation cost: $45,000/year. ROI of compliance: 116x.

Case Study 10: Mexican Border Maquiladora — Mexico

Structuring a maquiladora (IMMEX program) to optimize USMCA origin qualification and duty management. Key lesson: the IMMEX program combined with USMCA creates Mexico's unique advantage as the lowest-cost tariff-compliant manufacturing location for the US market.

Key Numbers: Annual US export value: $48M. IMMEX duty suspension on non-USMCA inputs: $3.2M/year. USMCA zero tariff on output: $12M/year (vs. 25% MFN). Total duty optimization: $15.2M/year.