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KOLEJ UNIVERSITI TUNKU ABDUL RAHMAN
FACULTY OF ACCOUNTANCY, FINANCE AND BUSINESS
ACADEMIC YEAR 2017/2018
APRIL/MAY EXAMINATION
BBBL3023 INTERNATIONAL TRADE LAW

MONDAY, 30 APRIL 2018

TIME: 9.00 AM – 12.00 NOON
(3 HOURS)

BACHELOR OF BUSINESS (HONOURS) IN LOGISTICS AND SUPPLY CHAIN MANAGEMENT

Instructions to Candidates:

This paper is divided into TWO (2) sections:

SECTION A: Answer **ALL TEN (10)** sub-questions. (40 marks)

SECTION B: Answer **THREE (3)** out of five (5) questions. (60 marks)

You should allow yourself approximately 70 minutes to answer the 10 questions in Section A and 35 minutes for each of the questions attempted in Section B.

Begin each question on a new page.

BBBL3023 INTERNATIONAL TRADE LAW**SECTION A (40 marks)**

Answer **ALL TEN (10)** sub-questions.

Question 1

- (a) How would the harmonisation and unification of international laws encourage international business? (4 marks)
- (b) Why would the adoption of an “express choice of law clause” lower legal risks in international commerce? (4 marks)
- (c) Discuss **TWO (2)** types of problems that may be faced by domestic traders despite the creation of free trade agreements. (4 marks)
- (d) Briefly discuss the similarities and differences between “documentary credit” and “documentary collection”. (4 marks)
- (e) What are the weaknesses of the United Nations Convention on Contracts for the International Sale of Goods 1980 (“CISG”)? (4 marks)
- (f) Why is the time for passing of property and risk important to international traders? (4 marks)
- (g) Describe the significance of documentation to international trade. (4 marks)
- (h) Devise **TWO (2)** measures for the seller to manage payment risks under an international sales contract. (4 marks)
- (i) Why must the seller enhance cyber-security in engaging in e-commerce, from the legal viewpoint? (4 marks)
- (j) Why must the shipper discharge his duty of disclosure to the carrier, under an international contract of carriage? (4 marks)

[Total: 40 marks]

BBBL3023 INTERNATIONAL TRADE LAW**SECTION B (60 marks)**

Answer **THREE (3)** out of five (5) questions.

Question 2

Peter, a Malaysian producer based in Korea, manufactures and sells computers and mobile phones. He would like to appoint Dan, a Malaysian based in China, to distribute his products in China. Peter seeks your advice.

- (a) Explain **TWO (2)** major legal concerns that Peter may face under an international distribution agreement, in relation to his target market and business products. (10 marks)
 - (b) Devise and explain **TWO (2)** sets of controls or restrictions that a producer may use to manage the concerns elaborated in part (a) above. (10 marks)
- [Total: 20 marks]

Question 3

The International Chamber of Commerce created INCOTERMS to assist global contracting. This initiative represents part of a wider international effort to converge terms and practices, and to set out universally recognised commercial provisions.

- (a) Appraise INCOTERMS (either version 2000 or 2010) in terms of its impact on the making and performance of international sales contracts. (8 marks)
- (b) Sam contracted to sell toys to Bam under an international sales agreement that incorporated INCOTERMS (version 2010) "CIF". Recently, Sam approached you for clarification on the consequences of choosing "CIF".

Sam states that his responsibilities over the transportation of goods end when the toys are handed over to Bam's agent or upon the cargo passing the ship's rail, at the port of origin. Sam insists that he is not responsible for the payment of freight forwarder's fees incurred in his own country, even though he is responsible for engaging the forwarder.

Sam argues that Bam must arrange for the latter's own insurance against the loss or damage of the goods during the voyage, prior to the shipment of the cargo. Bam had insisted that Sam is responsible for insuring the goods at Sam's own cost, on the basis that the risk of loss of the goods remains with Sam until delivery of goods at the port of destination.

Advise Sam.

(12 marks)
[Total: 20 marks]

BBBL3023 INTERNATIONAL TRADE LAW**Question 4**

Samboo currently sells spices and curry sauces as a medium-sized enterprise in the Malaysian market. He plans to penetrate the ASEAN markets in the near future and seeks your advice. Samboo is concerned about international contracting and his ability to address the demands of international business dealings. He is also worried about legal and regulatory matters, particularly those relating to the making and fulfilment of contracts.

- (a) Elaborate on **THREE (3)** contracting methods that are available to Samboo. Which would you recommend to him and why? (12 marks)
 - (b) Select **TWO (2)** major types of legal risks faced by Samboo in international business dealings, and explain the significance of both aspects to him. (8 marks)
- [Total: 20 marks]

Question 5

- (a) Define “insurable interest” under the law of marine insurance. (4 marks)
- (b) Compare and contrast the legal obligations of the seller and the buyer under an international sales contract, in relation to the taking out of insurance coverage, under INCOTERMS (version 2010) “CIF” and “FOB”. (6 marks)
- (c) Sambo agreed to sell a cargo of wine to Bimbo on the basis of INCOTERMS (version 2010) “FOB”, to be shipped on 1 April 2018. The wine would be transported in wooden casks. The goods were identified as food juices in the insurance application form forwarded to the insurer, Himbo. Coverage was granted against “perils of the sea”.

The vessel set sail with the cargo on the agreed shipment day. Halfway through the voyage, the ship encountered rough seas and the defective ventilation outlets of the vessel allowed the entry of seawater into the hold of the ship. The resulting heat, corrosion and humidity caused the casks to swell and as a result the wine lost their commercial value.

Would Bimbo face legal problems when she makes a claim under the insurance policy? Provide reasons for your opinion. (10 marks)

[Total: 20 marks]

Question 6

Sis, a manufacturer of bio-fuel and edible oils, is based in Malaysia. She is currently preparing for negotiations with Bro, an Australian citizen based in New Zealand, to sell her products to the latter. Sis seeks your advice.

- (a) Outline **TWO (2)** factors that a contracting party must carefully consider before deciding on, or agreeing to, the governing law and forum for dispute resolution for an international sales contract. (8 marks)
 - (b) Highlight **TWO (2)** major aspects of an international sales agreement that must be negotiated over by the said parties in the above scenario. Exclude the “choice of law clause” and the “forum clause” from your choice of topics. (12 marks)
- [Total: 20 marks]