

TRADING GAME

BACKGROUND

Molavia is a small nation situated on a narrow strip of coastline some 300 miles south of Yangon. Its 105,000 square miles is bounded to the north by Myanmar, to the East by Thailand and to the South by Malaysia.

Molavia has only recently become independent. The country is governed by the "Slatik", the legislative assembly. Despite the best intentions of President Akhtar and his ruling Progressive Democratic Party, the economy is only just recovering from the throes of a long struggle for independence. In this they have been aided by substantial long term loans from the United Kingdom, the United States and the World Bank.

The economy depends largely on the exports of timber, tin and rubber. Molavia imports all of its oil, consumer items, and fertiliser. The past two years has seen a major industrialisation campaign, aimed at reducing the substantial import bill in the long term. The imports of steel and machinery to support this campaign and the uncertainty regarding the international tin and rubber prices has increased the trade deficit and the pressure on the Molavian Rupee.

The Central Bank of Molavia (CBM) regulates the country's treasury and foreign exchange reserves. In the five years since independence, the value of the Molavian Rupee has depreciated almost 100 percent against the US Dollar. The exchange rate today is MR 10.25 to the dollar. In an attempt to prevent runaway inflation and preserve the value of the Molavian Rupee, the CBM has introduced stringent foreign exchange controls.

The capital and only commercial port is Supan. The fifteen berths are in three closed docks. The permissible draft at the entrance to the fairway leading to the locks ranges from 7.5 to 8.4 metres depending upon the tide. Due to the unexpected increase in the import traffic at the port, general cargo ships can expect to wait about 21 days for a berth.

The port is affected by severe rains during the monsoons from mid June to mid September. Congestion builds up and it is usually well into early December before the port gets back to "normal".

THE ORE PROCESSING PLANT

The Government has decided to invest MR 556 million in a specially designed plant to process the tin ore into plates. An added facility at the plant will be the production of high quality light-weight alloys. These alloys are built to required specifications and are in great demand in the computer, electronics and aircraft industries.

The plant is to be built in the foothills of the Nandi Mountains, close to the tin mining region but about 180 miles of rough road away from Supan.

After a fiercely fought tender, the construction of this plant was eventually awarded to Kolpcke GmbH of Dusseldorf, a well known international civil engineering firm. The contract required Kolpcke GmbH to complete the construction by 15th November 2012. If this were done the plant would go on stream by 1st January 2013.

Kolpcke faces heavy penalties if the plant is not completed on time.

The construction contract also requires that certain major items for the construction be put to tender by Kolpcke through local trading houses in Molavia who will obtain it from the world market. This is seen by the Government as a means of ensuring that some of the income generated by the project remains in Molavian hands.

CONSTRUCTION OF THE PLANT

The land was cleared and construction commenced in January 2012.

The main furnace is to be completed by 30th April 2012, thus allowing sufficient time for the completion of the three subsidiary furnaces by 7th June 2012.

A large quantity of specially processed, heat resistant steel plates are required for the construction of the subsidiary furnaces. It is vital that the steel be installed and the subsidiary furnaces be completed before the onset of the monsoons. The steel plates are expensive and will lose their heat resistant qualities if exposed to moisture. There are no adequate warehouses near the site or in Supan where the plates may be stored with adequate protection against the monsoon.

If the subsidiary furnaces are not completed before the monsoon, all work on the site will have to cease until the end of the monsoon in September.

It would then be impossible to complete the plant before mid March 2013.

THE TENDER

On 21st December 2011 the centre pages of the Molavian Times gave the full terms of the tender issued by Kolpcke GmbH, for the purchase of 20,000 metric tonnes of the specially processed furnace steel plates. The sealed applications for the tender had to be returned to the Kolpcke office in Supan latest by 1200 hours on 15th February 2012.

The terms of the tender are in Appendix 1.

The steel was to be delivered to the site latest by 5th May 2012. There are severe penalties for late delivery. Kolpcke has tried in the tender to pass on all the risks they would themselves face for late completion of the project as a result of the late delivery of the steel sheets.

APEX TRADING LTD

Apex Trading Ltd is a reputable Molavian company with offices on Main Street in Supan. They were established in 1993. They import grain through a grain trading house based in Sydney and export rubber and tin through brokers in Singapore.

Jimmy Tan is the managing director and principal shareholder of Apex Trading Ltd. He is forty three years old, an energetic and aggressive businessman known in Molavian business circles for achieving what he sets out to do. His business tactics have upset the conservative Molavian business community, some of whom would dearly like to see Apex Trading Ltd in trouble.

Jimmy Tan has been quick to appreciate that the rubber and tin markets may run into trouble in the near future and is anxious to diversify. For some weeks now he has known that Kolpcke would be coming out with a tender for the furnace steel plates.

Preliminary inquiries made by him indicate that the specially processed steel can only be supplied by producers in Northern Italy, France, Russia and Germany. He has made initial inquiries and established contact with traders in Genoa, Paris, Moscow and Dusseldorf.

Upon the tender being published in the Molavian Times, Jimmy Tan sent the full details to the suppliers. Their firm offers after heavy negotiations were received in the first week of February 2012.

The firm offers are contained in Appendix 2.

NOTICE OF TENDER**KOLPCKE GMBH OF MOLAVIA and MOLDECO LTD****REF: MOLDECO FURNACE / TENDER 2/11/STV dated 21st Dec 2011**

1. Offers are invited by Kolpcke GmbH of Molavia for the supply of 20,000 metric tonnes, in whole or in part, of specially processed furnace steel plates of the specifications given below. Non-Molavian companies responding to this tender will only be considered if the requirement cannot be met by a Molavian registered company.

2. Sealed bids, in Molavian rupees, to the tender should be received at Kolpcke GmbH of Molavia's offices at 2/226 Main Street, Supan no later than 1200 hours on 15th February 2012. The envelope should be clearly marked on the upper left hand corner as follows:

"MOLDECO FURNACE / TENDER 2/11/STV"

3. Specifications of the goods: Prime H.R. high yield sheets, chemical content conforming to G.S. 52/50 MIN 566, tested to 2700 degrees centigrade, out of new production, B/T factor not less than 0.56, coated on all sides with non-corrosive lamination conforming to G.S.I 22/75.

Each sheet to be of the following dimensions:

Length: 3.0 metres Width: 1.5 metres Thickness: 250 mms

4. Packing: In bundles of 20-25 sheets, with each sheet enclosed in cardboard packing and the bundle enclosed in thick PVC shrink wrapped, and secured by three metal bands at least 50 cms wide.

5. Quantity: 20,000 metric tonnes

6. Countries of Origin: Europe, United States, Japan, Korea

7. Terms of sale: ex-quay Supan, no later than 26th April 2012

8. Destination port: Supan

9. Payment Terms: Irrevocable Letter of Credit for 100 percent invoice value, against presentation of shipping and other documents, within fifteen days of shipment of the goods.

Letter of Credit to be opened within 21 days of the performance bond being received at Banque Nationale Molavia, Main Street, Supan.

MOLDECO. Introducing just about every alloy of aluminium in Moldavia. Pioneering practically every alloy of aluminium in Moldavia. Pioneering practically every end-use. Committed to make aluminium a way of life. From foil packed life saving drugs to currency coins, to high rise claddings, to industrial roofing, to fighter aircraft, to transformer winding sheets.... And now Moldavia's entire commercial transport industry is being taken to new heights of efficiency and profitability with MOLDECO'S pioneering efforts. Lightweight, high strength, extruded systems will transform the basic performance parameters of the road transport industry in tune with prevailing international standards. In energy savings. In increased payload. In better economy of maintenance. What's just one example of the many new directions MOLDECO is moving in?

MOLECO will set up the first aluminium company in Moldavia to go into chemicals. Special grades of alumina and hydrate have been developed by MOLDECO for newer and more high-tech uses in conveyor belting, ceramic fibre, refractories and insulators. Also in the pipeline are new projects in chemicals, extrusions and sheets, a caustic chlorine project employing the very latest pollution-free membrane cell technology.

Thus, aligning today's breakthroughs with tomorrow's priorities, MOLDECO stands poised to take off into greater heights than ever before.

MOLDECO

Moldavian Development Corporation Ltd.
Moldeco House
321 Main Street, Spain
Tel: 5262/3/4/5 Tlx: 3772 Moldeco



MOLDECO

Moving with the times.

687990 metal f
6278 apex md

5.2.2012 11.06 hours

to : apex trading attn: mr jimmy tan
from : metale fabrique / pierre dujot

ref: moldeco furnace / tender 2/11/stv dated 21.12.2011

ref yr comm 21.12.2011 and our later correspondence and
telecons

we are pleased to offer as follows

- a) 9,200 mts
- b) french origin
- c) irrevocable l/c payable upon presentation of
documents. otherwise clause 9 ok
- d) bid bond to be put up by apex trading
- e) production date no earlier than 1st March 2012
- f) price usd 315 per mt ex quay supan basis

all else acceptable as per tender

regards +++++

687990 metal f
6278 apex md

715626 imet I
6278 apex md

3/2/20121505 hrs

to apex trading limited / jimmy tan
from italmet / carlo marnetti

moldeco furnace / tender 2/11/stv dated 21/12/2011

thank you for providing us with the details of the above tender and guiding us in subsequent telecons

we are pleased to offer on behalf of our manufacturing subsidiary ital steel of genoa as below

1. upto max 10,600 mts
2. italian origin
3. production date no earlier than 05/03/12, shipment around 20/03/12 ex la spezia
4. price usd 305 per mt ex quay supan
5. bid bond to be put up by apex trading in first instance, performance bond will be put up by us immediately on award.

all else ok as per tender

thanks regards

715626 imet I
6278 apex md

245786 ruhr d
6278 apex md

6th February 2012

to : apex trading limited / jimmy tan
from : ruhrtech / hans schmidt

re; moldeco furnace / tender 2/11/stv 21.12.2011

thank you for your telex of 21.12.2011 and our subsequent discussions.

we are pleased to offer firm as follows:

1. quantity : 9,000 MTS, 5% more or less, suppliers option.
2. production date around 10.03.2012
3. german origin
4. fob / candf / cif basis only
5. rest ok as per tender except para 13, which rejected in full. if goods not supplied as contracted we undertake to return the purchase price but do not accept any penalty.
6. price fob hamburg usd 292 per mt
 candf supan usd 330 per mt
 cif supan usd 342 per mt

we are one of the world's leading manufacturers of furnace steel and have been in business since 1905. we trust our reputation for performance in many international contracts are sufficient. we consider para 13 of the tender to be too onerous a burden for the supplier to bear.

we look forward to hearing from you soon.

best regards ++++

245786 ruhr d
6278 apex md

30985 stalex su
6278 apex md

15-2-2012 11:31

to : apex trading
attn: mr tan
from: stalexport, ekaterinburg

ref: moldeco furnace / tender 2/11/stv dated
21.12.2011

further to earlier communications our offer for
steel follows:

i) steel type:
prime hr high yield sheets chemical content
conforming to g.s. 52/50 min 566. dimensions 3.0m x
1.5m x 250mm.

ii) quantity:
20,000 metric tonnes

iii) production not before 1 march 93, loading
mariupol no later than 1 april 2012.

iv) quantity available 10,000 metric tonnes

v) price usd 295 per metric tonne cif

whilst we are new to international trading, we have
been producing specialist steels used in tanks,
rockets and submarines for fifty years and will
have no trouble producing your steel to
specification. we are established reliable company
with good connections throughout cis and eastern
bloc.

look forward to doing business with you.

r. skulka
nnnn
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