



**University of Azuay**

**Faculty of Legal Sciences**

**School of International Studies**

**AUTOMOBILE PARTS IMPORT PLAN FOR THE  
COMPANY "AUTOMOTRIZ LAS AMÉRICAS".**

Graduation work before obtaining the degree of:  
**B.A. in International Studies with Bilingual mention in  
Foreign Trade**

Author:  
Josseline Zhingri

Director:  
Gabriela Bonilla

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## **DEDICATION**

I dedicate this work to God, thank you for giving me the strength to continue and allowing me to reach the most critical moment of my professional training.

To my parents for being the pillar of my life, and who have accompanied me throughout my student journey.

To my grandparents, aunts and uncles, who have always watched over me, showing me their unconditional love and support.

## **AGREEMENTS**

“I thank my teachers for their time, effort, and patience. In addition to all the wisdom they passed on to me along my professional path.

Gabriela Bonilla, because without her guidance and advice I would not have been able to complete this journey ”

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## SUMMARY

The company "Automotriz las Americas" is a company in Cuenca with a trajectory of almost twenty years. Created under a family business structure model headed by Mr. Victor Chuchuca, has come to consolidate as one of the most known automotive parts stores in the city. For this reason, this thesis is based on the collection and analysis of data from the company "Automotriz las Américas", with the objective of analyzing its level of local and national commercialization and verifying whether it is feasible to acquire partners and foreign suppliers of products, which will allow the company to be more competitive in the market.

For this, an empirical-analytical method was used, which extract data about the macro and micro environment of the company, for the search of international markets and suppliers that allow the importation of automotive vehicle parts at reasonable costs. Therefore, within this work we will find both theories and fundamental bases to understand the internationalization processes, as well as a series of strategies coupled to the reality of the company to position in the local and national market. Additionally, import costs, analysis of incoterms and methods of negotiation and international payments were determined for the economic evaluation of this import project. Finally, the conclusions obtained from this work regarding the decision to import vehicle parts and spare parts by the company "Automotriz las Américas" are presented.

**Key words:** Imports, supply chain, negotiation, suppliers, automotive parts.



## **ABSTRACT**

Automotriz las Americas is a company from Cuenca with a history of almost twenty years. Created under a family business structure model headed by Mr. Victor Chuchuca, and has become one of the best-known autoparts stores in the city. Due to this, the expansion and improvement are a requirement for the company. For this reason, the present thesis is based on the collection and analysis of data from the company Automotriz las Americas, with the objective to analyze its local and national commercialization level and acquire foreign partners and suppliers of products, which would allow the company to be more competitive in the market.

For this, an empirical-analytical method was used, which extracts data about the macro and micro environment of the company, for the search of international markets and suppliers that allow the importation of automotive vehicle parts at reasonable costs. Therefore, within this work we will find both theories and fundamental bases to understand the internationalization processes, as well as a series of strategies coupled to the reality of the company to position in the local and national market. Additionally, import costs, analysis of incoterms and methods of negotiation and international payments were determined for the economic evaluation of this import project. Finally, the conclusions obtained from this work regarding the decision to import vehicle parts and spare parts by the company Automotriz las Américas are presented.

Key words: Imports, supply chain, negotiation, suppliers, automotive spare parts.

# CHAPTER 1

## THEORETICAL BACKGROUND ON INTERNATIONAL TRADE

### Introduction

International trade, as we know it today, is the result of the contribution of theorists who have focused their efforts on explaining empirically why and how the goods and services occur across national borders, thus achieving a greater scope in the commercial sphere. There is no doubt that the new economic landscape is characterized by increasing globalization and international business activity, in this trade arena, the different sectors of the local market such as agriculture, manufacturing, and service providers are more closely linked to the markets of other countries. The concept of a world, seen as a set of countries separated by imaginary borders identified and captured by cartography, has disappeared, as we now conceive it as a more interconnected sphere as a result of economic integration processes either in the same continent or treaties that go beyond the continental zone. It should be emphasized that this dynamic has its roots in (Soler, 2020) with his theory of absolute advantage, considered the first to explain trade relations between nations, although somewhat limited for geographical reasons, so that authors after him began to develop more complete theories that included other variables, one of them being, as will be explained below. (Calderón, 2020)

This first chapter presents a theoretical framework about the proposal regarding foreign trade and international competitiveness, as a fundamental principle for the development of this import plan, such theories begin with Smith's developinge as expressed in his work *The Wealth of Nations* (James, 2021). At the same time, all economic activity, especially imports, must be carried out in accordance with the provisions of the law, so this chapter will also introduce the main rules that every importer must know to avoid incurring penalties from the customs authority (SENAE) and maximize their profitability.

### Theories of Foreign Trade and Competitiveness

Trade has existed since the beginning of mankind; in ancient times, cultures used to barter by exchanging certain goods for others. It can be said that economic theory began with

Aristotelian thought, but it was embedded in politics and did not enjoy social autonomy. Aristotle claimed that economics was a natural activity aimed at satisfying people's material needs, but the accumulation of wealth was a counternatural activity that dehumanizes peowalth accumulation the other hand, the chrematistic theory is the opposite of that proposed by Aristotle, since its nucleus resided in the accumulation of wealth or profit. Here two types of activities were distinguished that served as a complement to the *polis*, on the one hand it allowed the acquisition through trade of any good produced by a city, and on the other it sought a pecuniary benefit, the latter was considered morally inferior. (Villasuso, 2009). In the Modern Age, with the birth of the first states and the formation of their respective governments, one of the most protectionist theories in history was established: mercantilism.

Mercantilism proposes that the wealth of a country is measured by the amount of monetary reserves in gold, so nations must export more than they import, this through restrictive policies on imports and subsidies to production. Now the problem of mercantilism is that many countries took advantage of their colonies to achieve this goal of maintaining a surplus, while the counterpart presented a deficit in its trade balance, the move was that the colonies exported extremely valuable raw materials at a low price, and imported manufactured products at a high price for the principal countries. (Daniels, Radebaugh, & Sullivan, 2013).

Mercantilism had its peak between 1500 and 1800, the beginning of the end of this doctrine began with the theories of free trade, with this it can be stated that commercial activity has not been an equal or linear process over the years, but has been in constant evolution, which is why the collection and analysis of the following theories seeks to understand the different patterns of trade that have marked the relations of countries, especially Ecuador with the world. The following are the classic theories of international trade, which seek to explain how the trade phenomenon is produced according to its causes, influence and the participation of certain factors that produce competitive advantages.

### **Adam Smith: Absolute advantage**

In 1776, Adam Smith published his first book "The Wealth of Nations", in which he challenged the mercantilist belief that the amount of wealth in the world is fixed and that trade is a zero-sum game in which one country must gain at the expense of the other. Now, why did Smith argue that wealth is not fixed? His thinking was based on the fact that when countries participate in world productivity, it increases and consequently the whole world becomes richer. This happens because individual nations specialize in what they do most efficiently, and these gains are passed on to all trading partners (Parboteeah & Cullen, 2018).

By the end of the eighteenth century, Smith was already trying to demonstrate the different benefits derived from free trade, for which he based himself on a model in which each country would specialize in the production of certain products to make production more efficient and thus acquire an absolute commercial and productive advantage that would differentiate it from the rest. By acquiring specialization, such a country would focus on certain exports and would only import those goods or services in whose production it is less efficient at producing them (Blanco, 2011).

But why did Smith say that specialization can increase a country's productive efficiency? He proposed three reasons: first, the labor force (MDO) would become more specialized with the repetition of the same tasks; second, the MDO would not waste time in shifting production from one type of product to another; and third, long production hours encourage the development of more effective ways of working. In this way, a country can use its surplus of specialized production surplus to purchase goods otherwise have produced less efficiently (Daniels, Radebaugh, & Sullivan, 2013).

This being said, we can define absolute advantage as "the advantage in the production of a good when it is more efficient than any other" (Hill, 2011, p. 157) But Smith's theory did not stop there, because to deter to products a country should specialize, the author concluded that this advantage can be natural or acquired. The former is presumed to be due to the climatic conditions, natural resources or availability of labor that a country enjoys to create a product or service. The second, on the other hand, is the result of the development

of new technologies that allow the country to manufacture a unique good or one that is easily distinguishable from the competition (Daniels, Radebaugh, & Sullivan, 2013).

Smith's theory does not consider other factors such as market monopolization, which becomes a problem for free competition, nor the supposed case in which a state does not have enough factors to specialize, causing it to be isolated from participation in international trade. Faced with these failures, our next author, David Ricardo, takes as a starting point the ideas proposed by Smith to present his proposal "comparative advantage" at the beginning of the 19th century.

### **David Ricardo: The comparative advantage**

As mentioned above, David Ricardo formulated his theory of comparative advantage as a response to Smith's theory; it is based on the premise that when a country has absolute disadvantages in the production of its goods, in some of them it will have minor disadvantages, therefore there will be relative or comparative advantages. The Ricardian model is best explained by means of relative pricing on the basis of mutual trade activities. (García Escobar, 2010). For example, if country (A) has a lower relative price of a product (x) compared to country (B) in that good, country (A) should specialize in the production of that good.

However, even when a country has a disadvantage compared to another country in all its productions, it will be able to compare its own productions and focus in which it is more efficient and thus export goods; on the contrary, the more efficient country will specialize and export the product in whose production it is more efficient or has a greater absolute advantage (Carbaugh, 2009). (Carbaugh, 2009) One of the shortcomings of David Ricardo's theory is that it is based on the following grounds:

1. The world consists of two nations with a single input for the production of products.
2. Labor is the only input, and each nation has a fixed labor endowment.
3. Labor moves freely between labor endowments.
4. The level of technology is static for both countries, although it may use different

technologies.

5. Costs do not vary with the level of production and are proportional production level.
6. The prevailing form of competition.
7. There are no government barriers to trade.
8. The cost of transportation is zero.
9. Production decisions are focused on maximizing profits.
10. Consumers focus solely on consumption choices while companies focus on production choices.
11. There is trade equilibrium: exports equal to imports. (Carbaugh, 2009)

David Ricardo's theory, together with Smith's, received several and Smith's theory model showed unrealistic assumptions such as: two nations, two types, one production factor (labor), production conditions were homogeneous, as were economic and political conditions, among others. In addition, it was criticized that comparative advantage can be explained in terms of the economic theory of opportunity cost, and that solutions to world trade should be defined by the production possibilities frontier should define solutions to world's trading is on specialization or increased production, but they are made on the focusing options as mentioned above, which are not always. Still, they ate: first, labor, both theories assume that resources are fully utilized, but what happens when there is unemployment, countries may restrict imports to employ those unused resources. Second, it is believed that nations seek economic efficiency; however, excessive specialization undermines the ability to react to major changes in technology (Daniels, Radebaugh, & Sullivan, 2013).

Third, the assumption of two countries and two products, the authors assume in a very simple way a world composed of two actors, however, although it is far from reality, this does not imply that the usefulness of this idea is null. Fourth, none of them take into account the costs of transportation from one country to another, because if it is more consider sport a good than the cost of processing it, the gains from trade would be nullified (Daniels, Radebaugh, & Sullivan, 2013). Given these shortcomings in the value-labor relationship, the new trade theory promotes a more generalized approach to comparative advantage, through

the Production Possibility Frontier Theory.

This theory also called Transformation Curve shows different combinations of two products that a country can produce, also called Transformation Curve, which shows different combinations of two products that a country can produce when all its factors, not only labor but also land and capital, are used more efficiently, illustrating a state's maximum production possibility commercial actor can realize how much of one product it must sacrifice to obtain an additional unit of the other product being produced (Carbaugh, 2009).

### **Heckscher and Ohlin (H-O): factor endowment theory**

At the beginning of the 20th century Heckscher and Ohlin developed the theory of factor endowment, which is comprised of the amount of land, labor and capital that a nation possesses; thus any country that possesses an abundance of one of the aforementioned factors will export the product or service in whose production the use of that factor is intensive. (Krugman, Obstfeld, & Melitz, 2012).. Contrary to David Ricardo's theory, Heckscher and Ohlin state that international trade is determined precisely by the differences between countries in terms of their factor endowment. Some countries because of their geography and territorial extension are endowed with many factors, this helps to explain why there are asymmetries in the costs of a factor, therefore when it is abundant the result is the production of a good at a cheaper cost (Hill, 2011).

The Heckscher and Ohlin (H-O) model is considered the neoclassical theory of international trade exchange and is based on the following assumptions:

1. There are two countries, two goods and two factors (e.g. capital and labor).
2. Goods move between countries, there are no transportation costs or other trade barriers; similarly, factors move between industries within a country.
3. The production functions are the same and have constant yields.
4. The supply of factors is given and they are used with different intensity.
5. There is perfect competition in the market.
6. The demand of the agents is the same, prices are the same and in both countries the two goods will be consumed independently of the level of income (Bajo, 1991).

The focus of the H-O model lies in the difference in factor endowments and in the relative prices of these factors, which focuses on the difference in factor endowments and gaps in the explanation of this trade dynamic between countries because of the aforementioned assumptions that are not valid when it comes to constant returns to scale and perfect competition. Now, when economies assumptions above companies begin to have certain advantages over small ones, that is when monopolies or oligopolies emerge, which in turn cause the market to become imperfect (García Escobar, 2010).

To conclude with Heckscher and Ohlin's theory, it is convenient to present an example that explains this model in more detail. Taking as a reference the United States, a country that, due to its geographical location, climatic conditions and territorial extension, enjoys the majority of factors; assuming that it is an exporter of agricultural products, and having as a counterpart China, a country where labor is abundant, it exports goods that are manufactured in a labor-intensive way, such as textiles or shoes. The United States, whose MDO is cheap, will proceed to import the products manufactured by China. And China will in turn import U.S. agricultural products.

### **Wassily Leontief: The Leontief Paradox**

The H-O theory, being one of the most influential in international economics, was subjected to some empirical tests, among them Leontief's in 1953. The author one of the most influential in international economics, was subjected to some empirical tests, including it would be believed that it should export capital goods and import goods that demanded a lot of labor, however it was found that U.S. capital exports were lower than imports, this analysis was called the Leontief's paradox (Hill, 2011).

So far the cause of this paradox is not known with certainty, although the possible explanation may be the following: since the US has an advantage in manufacturing goods using new technologies, which do not necessarily require as much capital as other products whose technology has taken time to mature, it will therefore export goods that use more specialized labor such as software and import products that require huge supplies of capital. (Hill, 2011). Other studies claim that this paradox applies to the time period analyzed, however, economists collected data from a large number of countries with more factors of production, and came to the same explanation as Leontief, such was the case of the study by Harry



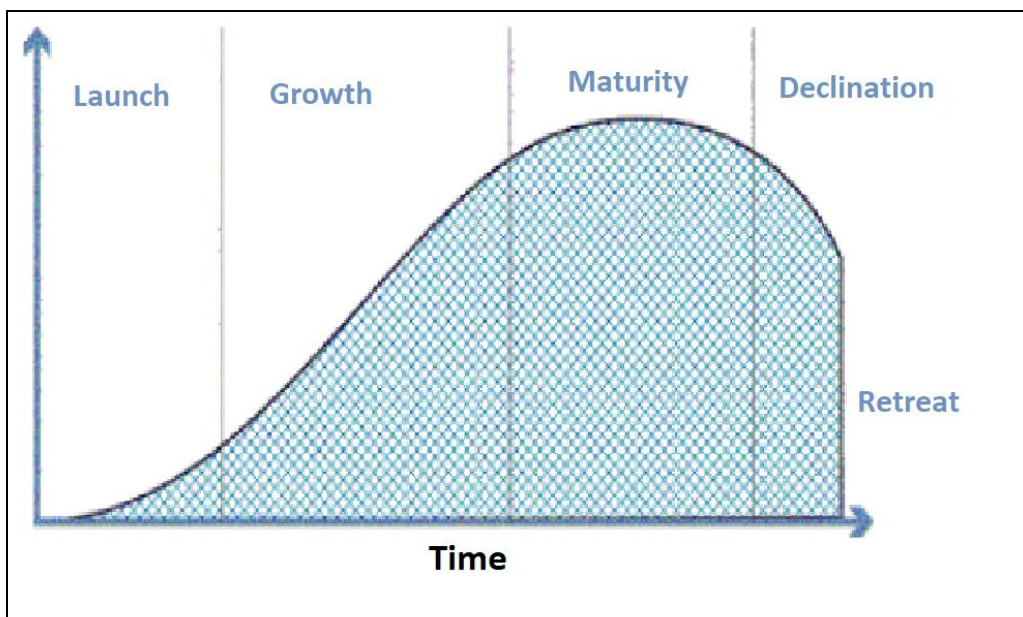
Bowen, Edward Leamer and Leo Sveikauskas who analyzed the trade of 27 countries and 12 factors of production (Krugman, Obstfeld, & Melitz, 2012)..

### Product life cycle theory

During the 1960s, Raymond Vernon presented his product life cycle theory based on his observations of new products launched by US companies. The author argues that the wealth and size of the US provided companies with a strong incentive to develop new consumer products such as automobiles, cameras, photocopiers, etc. The cycle of a characteristic new product begins first to be sold within the territory of that same country, when the demand grows rapidly in that territory, the other advanced countries are limited to import, but benefiting high-income groups (Hill, 2011).

According to this theory of trade, production moves from one country's location to another depending on the stage of its cycle. These stages are classified as: introduction, growth, maturity and decline (Figure 1).

*Figure 1 Product life cycle*



(Source: Enroque Peiró, 2015)

- a) Launch: begins with market development, this is the initial and most critical stage, since between 50% and 70% fail at this stage. This stage is characterized by

negative profitability where advertising and distribution play an important role in getting the product to consumers.

- b) Growth: once the introduction of production is over, the market growth phase begins, here we can see a rapid increase in sales and profits, and the first competitors begin to be attracted by the novelty. As sales increase, new versions of the product are also created, improving its performance.
- c) Maturity: this stage begins with a moderate growth in sales (market maturity), its main characteristic is stagnation and a decline in profits. It is the longest stage of the cycle, and parallel to the competition in companies, price competition intensifies. Advertising decreases and efforts are concentrated on achieving brand loyalty.
- d) Decline: this is the stage prior to the disappearance of the product from the market (market decline). Sales are decreasing and profits tend to disappear. Generally, not all companies realize that they are at this point because sales decrease due to the appearance of other similar products that are cheaper.
- e) Disappearance: this is the final stage of the cycle. Faced with falling sales and negative results, the company decides to withdraw the product from the market by replacing it with a more profitable one (Godás, 2006).

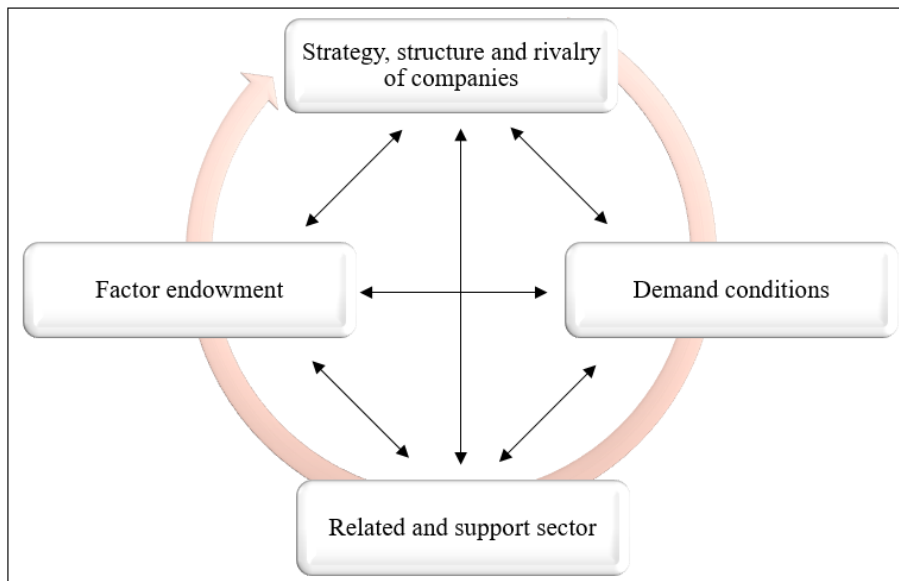
The product life cycle theory emphasizes that the location of production plant facilities changes as the product goes through its life cycle, and that most of these plants are located in developing countries. However, this theory has some limitations since for some types of products the locations do not change, and this is due to high transportation costs; others whose innovation is too fast have very short life cycles. Finally, regardless of the type of product, international companies have created a tendency to introduce new products in their own territory and abroad simultaneously, thus not only observing the needs of the local market, but also meeting the requirements of the world market (Daniels, Radebaugh, & Sullivan, 2013).

## Michael Porter: The Diamond of National Competitive Advantage

One of the modern theories that has been the subject of study to date is Porter's Diamond developed in 1990. It starts from the premise of why a nation becomes the basis of successful international competition, for example, Switzerland is a pioneer in pharmaceuticals and chocolate production, or Germany is a leader in the manufacture of luxury automobiles. Porter, first of all, rejects the idea of comparative advantage to explain world trade and considers that theories based on factor endowments take for granted the efforts of managers to compete. He is therefore more concerned with what makes industries more competitive in different environments and how they can take advantage of such conditions (Parboteeah & Cullen, 2018).

To this end, he noted that there are four factors in a country that motivate companies to be more competitive in the international arena, these factors are mentioned in the following illustration:

*Figure 2 Diamond of national competitive advantage*



Own elaboration  
Source: (Daniels, Radebaugh, & Sullivan, 2013)

- a) Demand conditions: this is the first characteristic of the theory, as well as that of the product life cycle, since new products always arise from an existing need and

that is when they start production.

- b) Related and support sectors: this is nothing more than the presence or lack of suppliers and competitive companies in the same sector.
- c) Factor endowment: sufficient quantities and combination of labor, capital and raw materials available at affordable costs.
- d) Company strategy, structure and rivalry of companies: these are conditions that determine how companies are created, organized and structured in the face of competitive reactions that will allow them to evolve and improve their position in the market (Daniels, Radebaugh, & Sullivan, 2013).

Porter states that companies whose diamond is more favorable are more likely to prosper in economic sectors; each factor is closely related, since the effect of one attribute depends on the state of the others, for example, demand conditions will not produce a competitive advantage if the state of rivalry is not sufficient for companies to react. In addition to these four factors, there are two variables that can influence the national diamond: chance events and government. The former can alter the structure of an industry and open the way for firms from one country to substitute those from another; the government, on the other hand, with its policies has the power to facilitate or hinder the competitive advantage of any firm (Hill, 2011).

## Factors involved in trade

### **Politicians**

International politics is one of the most important and fragile factors of the international system, since it is through it that international trade agreements, international cooperation, tariff and non-tariff barriers and different management mechanisms are defined in order to achieve a harmonized international system. With globalization, a series of procedures, instruments and measures have been promoted that countries in the global system have implemented to promote their exports or limit their imports (Poveda, 2018).

Foreign trade policy, depending on the approach and circumstances of each state, can be a tool that provides incentives to domestic production, creating barriers to imports with the objective of making national products more competitive in the domestic market, thus

generating internal economic protection. On the other hand, it is said that trade policy focused on the liberation of tariff barriers for greater freedom of trade can benefit countries whose domestic production is not a relevant factor, or it can destroy domestic production by making the prices of foreign products more accessible to the type of market. All these factors will depend on the approach and situation of each state, however, more and more states are acquiring protectionist foreign trade policies arguing that international policy generates inequalities. (Food and Agriculture Organization of the United Nations, 2020)..

The United Nations (UN) and the World Trade Organization (WTO) are the two main international organizations that, through their committees and agencies, have sought the integration of countries within an international context. Considering that in the world scenario there are developed countries and other developing or least developed countries as categorized by the WTO; these organizations have directed efforts to ensure equal access of least developed countries to the international market through the promotion of foreign trade policies aimed at applying the principle of special and differential treatment for these states (United Nations, 2019).

The United Nations 2030 Agenda, which encompasses different sustainable development goals for member nations, mentions in its goal number 10 on reducing inequalities that one of the main goals of development is the growth of countries. This would be achieved through the reduction of the economic gap that differentiates them by improving redistributive, macroeconomic, trade and labor policies; thus guaranteeing equal opportunities and access to international markets (United Nations Organization, 2019).

However, there are several factors that influence the creation of foreign trade policies that are relevant at the time of decision-making in each state, several of these include issues related to: food sovereignty, protection of national production, the predominance of large global companies and their impact on local businesses, the environmental impact generated in the transformation of artisanal economies to manufacturing, among others. (Food and Agriculture Organization of the United Nations, 2020).. Therefore, it is important to consider not only the trade policies of states, but also the international trade agreements to which they are subject, in order to be able to identify to what extent the policy affects international trade.

## **Economic**

The economy is one of the main factors affecting foreign trade, as it focuses on the economic growth and development of the countries in the world system. In recent decades, this development has been the product of a process of technological change and efforts focused on reducing trade barriers between countries, as well as comprehensive goals aimed at reducing poverty levels and improving the living conditions of civilians in less developed countries (International Monetary Fund, 2001).

From an economic perspective, international trade refers to all movements of income (imports) or output (exports) of goods, services or capital, regardless of their nature, that take place between nations and have a direct effect on the financial and trade balance of countries. Therefore, trade growth has a directly proportional impact on the economic development of the nations participating in these international transactions, thus generating an interdependent or globalized economic flow (Guerra Zavala, 2012).

Within this globalized system, a country is said to have economic growth attributed to foreign trade when exports have a significant share in the country's gross domestic product (GDP). This translates into an increase in the labor and capital factor, which in the long term allows for investment in new productive and industrial areas, thus creating an efficient productive cycle aimed at market expansion. Therefore, economic growth is linked to the increase of wealth and the economic and social welfare of its inhabitants, significantly improving their quality of life (Guerra Zavala, 2012).

## **Regulatory**

The World Trade Organization is responsible for regulating international trade among member countries through various agreements, committees and resolutions that may or may not be applied by the states, taking into account their sovereignty. This organization has identified that there are certain regulatory aspects that regulate and limit international trade, such as technical barriers to trade and non-tariff barriers, among others (World Trade Organization, 2021).

Trade barriers are commonly categorized as those measures adopted by countries to protect their domestic economies from foreign products, i.e. barriers that hinder imports. Their purpose is to:

To protect the health of the population, in order to guarantee food quality and safety; to support domestic exporters by allowing them to compete on an equal footing in international markets; to safeguard public safety by regulating or prohibiting the entry of products that pose a danger; to raise revenue for government programs or projects; and to encourage domestic production (Chile's Undersecretariat for International Economic Relations, 2020).

The WTO classifies the various barriers to trade as follows:

- Tariff barriers: these are the taxes (tariffs) that must be paid in a country in order to import or export, sometimes these are usually excessive.
- Non-tariff barriers: These include import licenses, sanitary and phytosanitary measures, bureaucratic documentation, regulations for the valuation of goods, prior inspections, rules of origin, investment measures, etc.
- Measures of economic compensation of goods: Safeguard, dumping, subsidies and countervailing measures.

(World Trade Organization, 2021)

## **Commercials**

When we talk about commercial aspects that impact international trade, we refer to the different tools, benefits and negative points of trade within a global context. The main tool available to nations are trade agreements, regardless of whether they are bilateral or multilateral or whether they were negotiated between countries or reached through international organizations. The trade agreement is a fundamental pillar of the world economy, with it, the growth and development of countries is accelerated, as it allows an opening to global markets and a range of products that other countries do not have or produce, generating a supply of such demand or need. In a win-win framework, country A that produces acquires a market abroad and sells its products and improves its economy, and country B satisfies its local demand for said good and improves the quality of life of its inhabitants, as mentioned in the theories of foreign trade (Central Bank of Ecuador, 2019).

International trade also strengthens international relations between countries, and is impacted by globalization. This has led to trade transcending borders and forcing it to constantly improve and change. Proof of this can be seen in the reduction and standardization of prices, the creation of innovative competition and the need to create global production and marketing strategies. The international market by creating global supply and demand; has also created the need to employ international jobs, investments in multinational infrastructure, increase in research and innovation sectors in order to be on a level playing field with the competition, and finally, a necessary change in wealth distribution patterns (Rojas Casas, 2018).

## Current legal framework

In every project, whether for profit or not, in this case an import plan, it is necessary to take into account all the legal details that govern within the Ecuadorian state and the local environment in which a company operates, since all these codes, laws and regulations regulate the actions of the company Automotriz las Américas with its managers, employees, civil society and tax activity. For the development of this section, the following regulatory bodies have been considered, which establish the rights that all commercial activities have, in addition to the obligations that a legal entity must comply with before the State; since it is a plan for the importation of spare parts and automobile parts, there are specific regulations that must be fully complied with due to the effects that they may have on people and the environment, which will be detailed below.

### Trade Law

Before addressing the provisions of the Commercial Code, it is essential to mention the rules set forth in the Constitution of the Republic, from which this Code is derived. As is generally known, according to Kelsen's pyramid, the Constitution is the highest law that a State possesses and from which all other organic and special laws, regulations, ordinances and sentences are derived. In Title II of the Supreme Law corresponding to Rights, specifically the Sixth Chapter referring to the rights of freedom, Art. 66, numeral 15 stands out, which establishes "The right to develop economic activities, individually or collectively,



in accordance with the principles of solidarity, social and environmental responsibility" (Constituent Assembly, 2008).

That said, Art. 2 of the present body of law recognizes as merchants all those persons who, in their capacity to contract, carry out commerce as their daily profession. According to Art. 3, commercial acts are the following:

- 1 Purchase or exchange of movable goods, for the purpose of resale or exchange in the same form; the sale of crops and livestock by farmers are subject to mercantile jurisdiction.
- 2 Purchase and sale of commercial establishments and of the shares of the shareholding company.
- 3 Commissions
- 4 Businesses of stores, stores, bazaars, cafes, restaurants and the like.
- 5 Land and river transportation services of goods or people.
- 6 Warehousing of goods.
- 7 Documents payable: bills of exchange, promissory notes, even if they are not merchants.
- 8 Financial entities.
- 9 Stock exchange and brokerage operations.
- 10 Construction sector, manufacture of buildings for sale.
- 11 Maritime expeditions
- 12 Freight, among other contracts for maritime trade.
- 13 Events leading to damage, shipwrecks and salvage.

(National Assembly, 2019)

The company "Automotriz de las Américas" falls within this range of activities, since it is a commercial establishment whose economic activity is based on the importation of spare parts for motor vehicles of different brands for subsequent sale in the local market, complying with the requirements proposed by INEN so that they are suitable for consumer use. In addition, the company must abide by the principles that govern all commercial activities: freedom; transparency; good faith; legality; corporate social and environmental

responsibility; fair trade; gender equity; solidarity; cultural identity; and respect for consumer rights.

### **Import regulations**

The National Customs Service of Ecuador (SENAE) is the competent body, together with the Ministry of Foreign Trade, to delimit the regulations and procedures required for the importation of goods into Ecuadorian territory. In Ecuador, any natural or legal person residing in the country who has been registered in the ECUAPASS system and approved by SENAE (National Customs Service of Ecuador) may import goods into Ecuador (Servicio Nacional de Aduana del Ecuador, 2021)..

In order to import, it is necessary to take into account the import regime under which the merchandise that is going to enter the Ecuadorian border applies, as well as to have all the accompanying and supporting documents up to date (commercial invoice, transport documents, etc.), the import customs declaration, and all the documents that are directly related to the merchandise. It is important to emphasize that in order to carry out the customs clearance of goods it is necessary to have the service and advice of a customs broker authorized by SENAE (National Customs Service of Ecuador, 2021).

The main import regimes are:

- Importation for Consumption (Art. 147 COPCI)
  - Temporary Admission for Re-export in the same state (Art. 148 COPCI)
  - Temporary Admission for Inward Processing (Art. 149 COPCI)
  - Replenishment of Duty-Free Goods (Art. 150 COPCI)
  - Transformation under Customs control (Art. 151 COPCI)
  - Customs Warehousing (Art. 152 COPCI)
  - Reimportation in the same state (Art. 153 COPCI)
- (SENAE). (National Customs Service of Ecuador, 2021)..

Every importer must take into account that it is necessary that the merchandise is declared with the correct Harmonized Tariff System code, since with this code the calculation of foreign trade taxes can be made, in addition to verifying if it has trade preferences related to a trade agreement in force. The main foreign trade taxes are:

- "AD-VALOREM (Tariff Charged on Goods) These are those established by the competent authority, consisting of percentages according to the type of goods and are applied to the sum of the Cost, Insurance and Freight (taxable base of the import).
- FODINFA (Development Fund for Children) 0.5% is applied on the taxable base of the import.
- ICE (Special Consumption Tax) Variable percentage according to the goods and services imported (See the IRS website: [www.sri.gob.ec](http://www.sri.gob.ec), link: Taxes).
- VAT (Value Added Tax) corresponds to 12% of the taxable base + ADVALOREM + FODINFA + ICE: Taxable Base + ADVALOREM + FODINFA + ICE". (Servicio Nacional de Aduana del Ecuador, 2021)

## Conclusion

This chapter has briefly discussed the theory of international trade in goods, services and capital, as well as the main factors involved in it. Therefore, it can be concluded that:

- International trade is fluctuating and depends on the needs of the member countries of the international market.
- Globalization has had a major impact on trade, as it has broken down national borders and created a single world market with competitive standards that require constant innovation.
- Global trade has created opportunities for economic growth and development for several nations around the world, as well as inequality gaps between developed and less developed countries.
- Trade agreements provide the opportunity for fair treatment and trade between the parties, as well as access to new markets.
- It is necessary to know and be informed about all export and import regulations and procedures, as well as the benefits in force for the international exchange of goods.

## CHAPTER 2 HISTORY AND ANALYSIS OF THE COMPANY "AUTOMOTRIZ LAS AMÉRICAS".

### Introduction

Next, this chapter presents an empirical study applied to the reality of the company in question through the collection of qualitative data and observations made in the city. It is intended to show the company's profile, corporate name, objectives, economic activity and how it is hierarchically constituted. To learn about the internal state of the organization, some tools will be used such as the SWOT matrix and Porter's five forces framework that measures the level of competition within the given industry, this will serve as a complement to what was studied in the previous chapter.

Additionally, this chapter seeks to determine the product portfolio of the company up to the time of the development of this work, highlighting those products whose sales are superior to those of other spare parts or accessories. All this in order to focus the efforts of this import plan on those products that generate greater profitability for the company and that will serve as the basis for the following chapter. The company under study has been in the Cuenca market for almost 20 years, offering spare parts, accessories and parts for a variety of brands of motor vehicles; the following is a brief description of the company.

### Automotriz Las Américas Company

The company has the following general data according to the Internal Revenue Service (SRI) of Ecuador:

**TAX IDENTIFICATION NUMBER:** 0101669521001

**Company Name:** CHUCHUCA CRUZ VICTOR ANTONIO

**Status:** Active

**Principal economic activity:** Retail sale of all types of parts, components, supplies, tools and accessories for automotive vehicles such as: tires (rims), inner tubes (tubes). Includes spark plugs, batteries, lighting equipment, electrical parts and pieces.

**Type:** Natural Person - Obligated to keep accounting records

It is important to mention that according to the data found in the SRI, the company ceased commercial activities on October 12, 2004, and after two years it reactivated its commercial activity on June 25, 2006.

### History of the company

The company "Automotriz las Américas" was created and established by Mr. Victor Chuchuca in February 2003. It is located at Av. de las Américas s/n and Isabel la Católica in the city of Cuenca-Ecuador. Its main economic activity has been the commercialization of automotive spare parts for gasoline vehicles.

After many years in the market, it has established its position in the city; therefore, according to market demand, the need to increase its stock of products has arisen. As a result of the growth in demand, the company's payroll has grown. Currently, "Automotriz las Américas" is made up of seven members: three people in the administrative area, three people in the sales area and, finally, the owner, Mr. Victor Chuchuca.

In 2017 the company experienced an increase in sales, which led to the implementation of new technological tools such as a data processing system, inventory (stock control), accounting system and an electronic invoicing system that would allow both to comply with the obligations to the Internal Revenue Service (SRI) of the country, as well as with the internal needs of the company to control its internal activities.

Automotriz las Américas is currently seeking to increase its market position by seeking new business partners and offering competitive prices to its customers. For this reason, it is looking for a foreign trade analysis, since, with its current demand, it is considering the possibility of starting to import gasoline car parts directly and no longer depend on local intermediaries.

### **Creation and objective**

The company was created with the objective of satisfying a need found by Mr. Victor Chuchuca in Cuenca. Which is focused on the sale of spare parts for automobiles at reasonable prices for the final consumer - and that these no longer depend on the commercial houses to acquire them.

## **Vision**

To be the best company in the city that sells spare parts for gasoline vehicles, providing an excellent service in sales and generating added value for our customers and society.

## **Mission**

To be the first choice of purchase for our customers and to have a management of excellence in our value chain.

## **Objectives**

Automotriz las Américas has the following objectives for the period 2022- 2024.

### **General - Years 2022-2024**

Increase revenue by implementing new product procurement and cost reduction strategies.

### **Specific**

- a. Seek new product sourcing opportunities abroad and domestically
- b. Increase sales by 5% annually
- c. Reduce purchasing and operating costs by 7% based on the PVP value.

### **Current status**

#### **Analysis of the legal structure**

The company "Automotriz las Américas" does not have general statute and the owner, Mr. Victor Chuchuca, does not have a legal appointment where he is considered the legal representative of the company. On the contrary, this being under the figure of "natural person", it is considered a company with legal commercial activities, but it is not governed by the Superintendencia of Companies, Securities and Insurance (SUPERCIAS), since it does not have partners or shareholders, but only the owner of the RUC.

However, the company does have a physical document that regulates its internal

activities and determines the limits of the members or collaborators. This document is called "Comprehensive Plan for the Prevention of Occupational Risks of CHUCHUCA CRUZ VICTOR ANTONIO", whose last update was in 2021, which has been reviewed and approved by the Ministry of Labor of Ecuador, alluding that the company has what is necessary to continue with its business activities.

This document includes the obligations, responsibilities and prohibitions of "Automotriz las Américas" with respect to its personnel. Several of its points mention that the company will be responsible for providing optimal working conditions, supplies and work materials, as well as adequate control and prevention of occupational hazards. In addition, it mentions the responsibilities of the workers towards the company, as well as their inviolable rights, taking into account the provisions of the Labor Code.

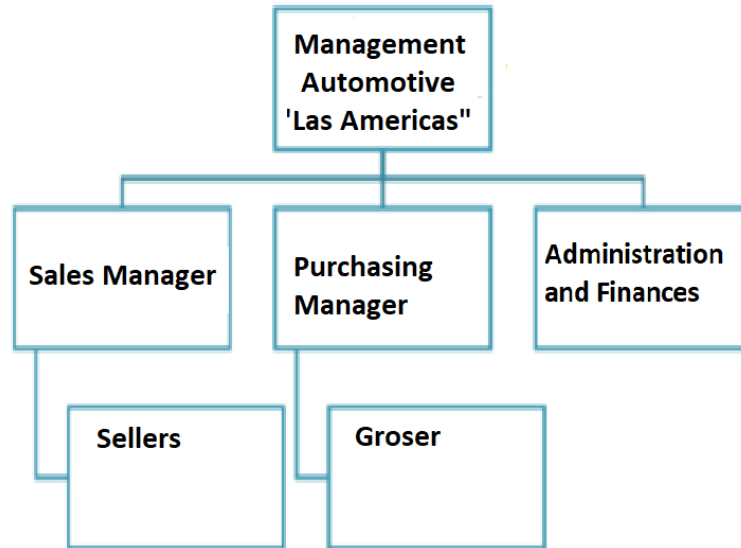
However, in this comprehensive plan, the company does not mention certain points present in other business statutes, such as the description of the responsibilities and activities of each department, nor does it show a definitive organizational structure, nor does it have a description of its short, medium and long term objectives. Although many companies under this figure of natural person do not have this type of physical documents, nowadays it has become a latent need, since it allows its collaborators to better identify their tasks and responsibilities, as well as to place the company in a more tangible environment at a local and national level.

### **Organizational structure flowchart**

This flow chart was drawn up based on visits to the company and interviews with its personnel. It should be noted that the company does not have a fixed organization chart at present.



Figure 3 Flow chart of the organizational structure of the company "Automotriz las Américas".



Own elaboration  
(Source: Chuchuca Victor, 2022)

## Analysis of the financial situation as of 2021

### Balance Sheet Accounting

The balance sheet or the accounting balance sheet is a financial tool used by companies to calculate and determine their economic situation at a given time. It calculates the total income and assets of the company and subtracts them from the total liabilities or expenses of the company, in order to analyze the profits or losses incurred during that period of time.

At a glance, it can be seen in Figure 4 that the company "Automotriz las Américas" had total assets of \$402,659.44 USD in 2021 and liabilities of \$331,759.77 USD, which indicates that the company had more income and tangible assets than expenses and debts during this year. However, if we look at the Banks account, it shows a not very high negative balance of \$-2122.09 USD, which may mean that by the end of the year the company has a debt with its bank or has had an overdraft problem. In cases of much higher values this may mean a problem of liquidity and indebtedness to which attention and control must be paid.

However, in spite of having this account in negative values, it can be seen that the company has some short-term receivables, this, added to the rest of the liabilities, does not exceed the company's income, generating an annual profit for the year totaling \$37,592.76 USD.

Figure 4 Balance Sheet - year 2021

CHUCHUCA CRUZ VICTOR ANTONIO BALANCE GENERAL Al 31 de diciembre del 2021					
<b>ACTIVO</b>				<b>PASIVO</b>	
<b>ACTIVO CORRIENTE</b>			<b>320101,89</b>	<b>PASIVO CORRIENTE</b>	<b>331759,77</b>
<b>DISPONIBLE</b>		<b>12757,82</b>		<b>EXIGIBLE A PLAZO CORTO</b>	<b>331759,77</b>
Caja	19067,53			Proveedores	264911,02
Bancos	-2122,09			Obligaciones laborales x pagar	1880,46
Cheques por depositar	912,38			less por pagar	441,43
<b>EXIGIBLE</b>		<b>20359,44</b>		Administración tributaria	2234,09
Cientes por cobrar	17862,73			Cuentas por pagar	51050,11
Otras cuentas por cobrar				Instituciones financieras	9610,81
Tarjetas de crédito por cobrar	2496,71			Provisiones sociales	1625,85
<b>ADMINISTRACION TRIBUTARIA</b>		<b>10034,77</b>		15% Participación trabajadores	0
Retenciones en la fuente	2896,76				
Crédito tributario impuesto a la renta	6373,87				
Iva Crédito tributario	764,14				
<b>REALIZABLE</b>		<b>276949,86</b>		<b>PASIVO A LARGO PLAZO</b>	<b>19999,98</b>
Inventario de mercadería	276949,86			Instituciones financieras	19999,98
<b>ACTIVOS FIJOS</b>		<b>82557,55</b>		<b>TOTAL PASIVO</b>	<b>351759,75</b>
<b>BIENES INMUEBLES</b>	<b>0</b>	<b>81445,76</b>		<b>PATRIMONIO</b>	<b>50899,69</b>
Edificios	116351,08			<b>PATRIMONIO</b>	<b>50899,69</b>
- Depreciación acumulada edificios	-34905,32			Utilidad del ejercicio	37592,76
<b>BIENES MUEBLES</b>		<b>0,00</b>		Utilidad acumulada	13306,93
Muebles y enseres	1360,02				
- Depreciación acumulada muebles y enseres	-1360,02				
<b>EQUIPOS DE OFICINA</b>		<b>41,08</b>			
Equipo de oficina	205,36				
- Depreciación acumulada equipo de oficina	-164,28				
<b>EQUIPO DE COMPUTACIÓN</b>		<b>1070,71</b>			
Equipo de computación	5353,55				
- Depreciación acumulada equipo de computación	-4282,84				
<b>TOTAL ACTIVO</b>		<b>402659,44</b>		<b>TOTAL PASIVO + PATRIMONIO</b>	<b>402659,44</b>
Sr. Victor Chuchuca Cruz PROPIETARIO			CPA. Lucía Cajamarca CONTADORA		

(Source: Automotriz Las Américas, 2022)

### Profit and loss statement

The Statement of Profit and Loss, also known as Income Statement, reflects relevant information on the operations developed by an entity or company during a given period of time. In general, this statement shows the efficiency of the company with respect to the management of its costs and expenses compared to its net income, that is, it shows how profitable (profit or loss) the company has been over a period of time and with this

information allows business managers to make decisions about the future of the company (Rankia MX, 2020).

Illustration 5 shows that the company had total sales of US\$ 1,323,972.06 and ended the year with a total inventory of goods valued at US\$ 276,930.56, which will generate income in 2022 if they are not considered low turnover products, which if they are, would generate additional costs in storage and depreciation of the product.

Another fact to take into account is that the company does not have a high administrative expense item, which allows them to have a gross profit of \$37,592.76 USD and a net profit (after taxes and non-deductible expenses) of \$23,601.57 USD. This money can be used to re-invest in the company to improve facilities, invest in marketing and advertising, or can be accumulated for future business expansion projects.

In a general overview, the company is financially stable and with a purchase and investment analysis it can acquire goods from abroad at lower prices and possibly increase its profit gap.

Figure 5 Income Statement - year 2021

CHUCHUCA CRUZ VICTOR ANTONIO ESTADO DE PERDIDAS Y GANANCIAS DEL 1 ENERO AL 31 DE DICIEMBRE 2021		
INGRESOS		1260919,29
Ingresos no operacionales	4769,37	
Ingresos en relacion de dependencia		
Rendimientos financieros	0	
Ventas mercaderias	1323972,06	
- Devolución en ventas	-67822,14	
COSTO DE VENTAS		1165095,41
Inventario inicial	250938,75	
Compras	1191087,23	
Inventario final	276930,5672	
GASTOS ADMINISTRATIVOS		58231,12
Sueldos	24530,76	24530,76
Horas extras		
less patronal	2980,32	4623,96
Fondos de reserva	1643,64	
Beneficios sociales	3243,96	4066,2
Vacaciones	822,24	
Deshaucio y bonificaciones		
Suministros	2887,79	
Internet	706,80	
Poliza seguros	420,25	
Honorarios	4279,96	
Correos fletes y transporte	2051,09	
Servicios de seguridad	169,96	
Otros servicios	3228,27	
Telefonos	625,7	
Depreciaciones	1111,78	
Servicios basicos		
Datafast	96,25	
Comisiones bancarias	3949,78	
Intereses financieros por crédito	4027,3	
Gastos no deducibles	1455,27	
TOTAL GASTOS		58231,12
UTILIDAD		
Utilidad del ejercicio		37592,76
15% participacion a trabajadores		5638,91358
Utilidad despues de part trabajadores		31953,84
Gastos no deducibles		1455,27
Base para calculo de imp a la renta		33409,11
Impuesto a la renta		8352,28
Utilidad neta		23601,57
Sr. Victor Chuchuca Cruz		CPA. Lucia Cajamarca
PROPIETARIO		CONTADORA

(Source: Automotriz Las Américas, 2022)

### SWOT (Cross SWOT)

For the development of this section, internal company information provided by the company's managers was observed and compiled. The SWOT matrix is an analysis

which allows to know the situation of the company, internally through the analysis of its strengths and weaknesses, and its position in the market through the analysis of the opportunities and threats that are visualized. This is why it is necessary to develop the SWOT analysis, since it will serve as the fundamental pillar to design the matrix; this is part of the so-called "strategic planning" that supports the company in the long term, and deals with the development of the mission, objectives already mentioned above, but also covers the strategies and policies of a company.

The SWOT analysis not only allows to identify competencies, but also allows to know the opportunities that the company is not currently able to take advantage of for certain reasons such as lack of capital resources or human talent. Over time, it has been proven that SWOT analysis is the most enduring technique and the most widely used in strategic management. The essence of this technique is the ratio of opportunity to capability, since there is no point in having an opportunity if the company is not capable of taking advantage of it on its own (Wheelen & Hunger, 2007).

In addition to the previous paragraph, it should be noted that there is no guide to warn a company when to perform this analysis, but it is usually done before creating a company, or after it has been in the market for a year, either to maintain the strategy or redesign a new one; other companies usually conduct this tool if they plan to create a new project; and for companies that have been in the industry for years it is crucial to perform this analysis when an internal or external change occurs that may directly affect their competitive position. In short, it serves to make better decisions based on a detailed analysis of the factors mentioned above, in addition to being a quick implementation tool (Sánchez Huerta, 2020).

The following is a SWOT analysis of Automotriz Las Américas:

### **Strengths**

- It is located in a strategic sector of the city.
- It has a wide portfolio of products of the best known brands in automobiles and motor vehicles.
- Dynamic and committed work team.
- It has information technologies to facilitate its operations for both employees and customers.

- Thorough stock and inventory control.
- Good financial management
- Price and brand differentiation.
- Good image and reputation of the company

### **Weaknesses**

- Due to its small work group, it does not have all the support departments such as the marketing and advertising department.
- Lack of storage space for new products.
- Poor positioning in social networks.
- Resistance to the use of new technologies.
- It does not have a communication policy.
- Casual internal operational problems.

### **Opportunities**

- Direct access to major suppliers and manufacturers of parts and components.
- Attention to additional customer groups.
- Possibility of opening new branches in the city to get closer to customers.
- Possibility to diversify complementary products.
- Few trade barriers to imports from the CAN.
- Foreign trade facilities.
- Rapidly growing market due to the entry of new commercial brands.
- Dynamic automotive market in terms of both products and prices.

### **Threats**

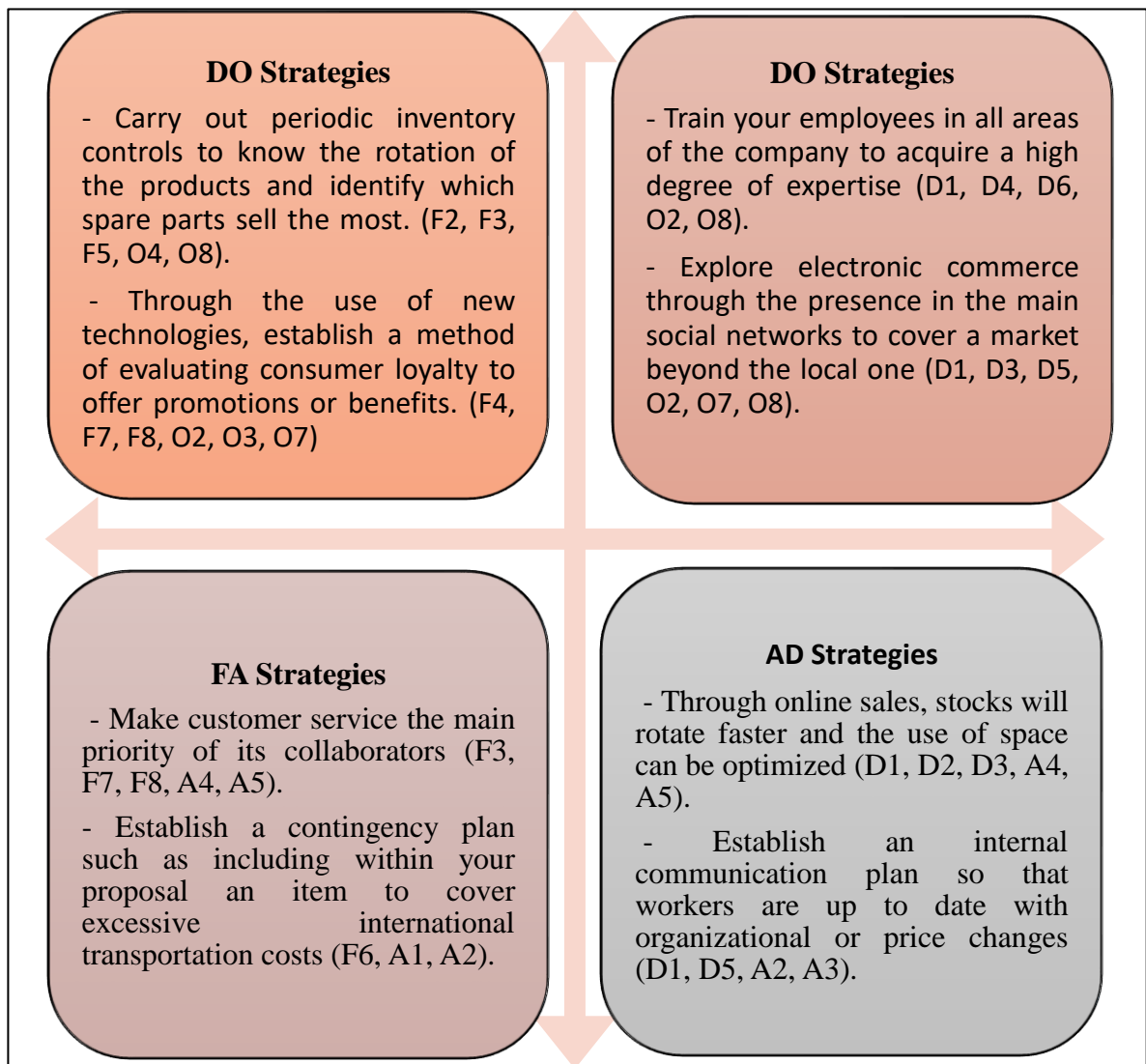
- Price increases due to supply and demand; geopolitical crises that cause delays in the supply chain.
- Increase in international freight rates
- Poor control of quality regulations.
- Competition from other cities opening new facilities.
- Substitute products and their growing demand.

- Changes in Ecuador's trade policies with respect to other countries.
- Powerful demographic change due to migration.

Up to this point, the SWOT analysis has been performed to evaluate the company's situation, and from this data it can be used to generate several alternative strategies. Then, taking into account that opportunities and threats can be related to strengths and weaknesses to create strategies: **FO**, which arise from the combination between strengths and opportunities; **FA**, consider strengths as an alternative to avoid threats; **DO**, serve to take advantage of opportunities to overcome weaknesses; and **DA** strategies, which act as a defense to minimize weaknesses and avoid threats as much as possible (Wheelen & Hunger, 2007).

From what is described in the previous paragraph, it can be seen that the FO strategies quadrant is the strongest one, since the company integrates both strengths and opportunities, and the weakest quadrant would be DA because it combines the weaknesses and threats faced by the organization. In the following illustration, some strategies are proposed according to their current situation.

Figure 6 SWOT Matrix of Automotriz Las Américas



Own elaboration

### Porter's Forces Analysis

In chapter one we mentioned the national competitiveness diamond proposed by Michael Porter, which is composed of four attributes plus the government variable, of which, if the company manages to adjust them in its favor, it can be said that the company has a competitive advantage over the others. Based on these forces, we intend to analyze the real environment in which the company "Automotriz Las Américas" operates in the city of Cuenca, considering its internal structure, the relationship with its suppliers and customers,



as well as the political situation that affects the development of its business operations, and the presence of other similar companies competing for a share in the local market.

To take Porter's thinking as a starting point, for a company to prosper in the market, the presence of the four components of the diamond is required to stimulate the level of competitiveness. On the other hand, the government can have a positive or negative influence on these components such as subsidies, public policies regarding capital markets, education policies, etc. The government can directly affect domestic demand through production standards or by creating laws that dictate the needs of customers. Government regulations affect related and support sectors with mechanisms focused on tax policies and anti-trust laws (Hill, 2011).

However, the fact that there are four factors or favorable conditions, this does not guarantee that the company can develop locally, but these factors can act in benefit of several different lines of business, so with the limitation of resources is the reason why companies would avoid competing in some industries where they even have an absolute advantage over other companies. A key point to consider is the increasing globalization, which happens when related companies are not available in the local market, because with the advances in transportation and easier import processes, any material or component can be obtained outside the national scope (Daniels, Radebaugh, & Sullivan, 2013)..

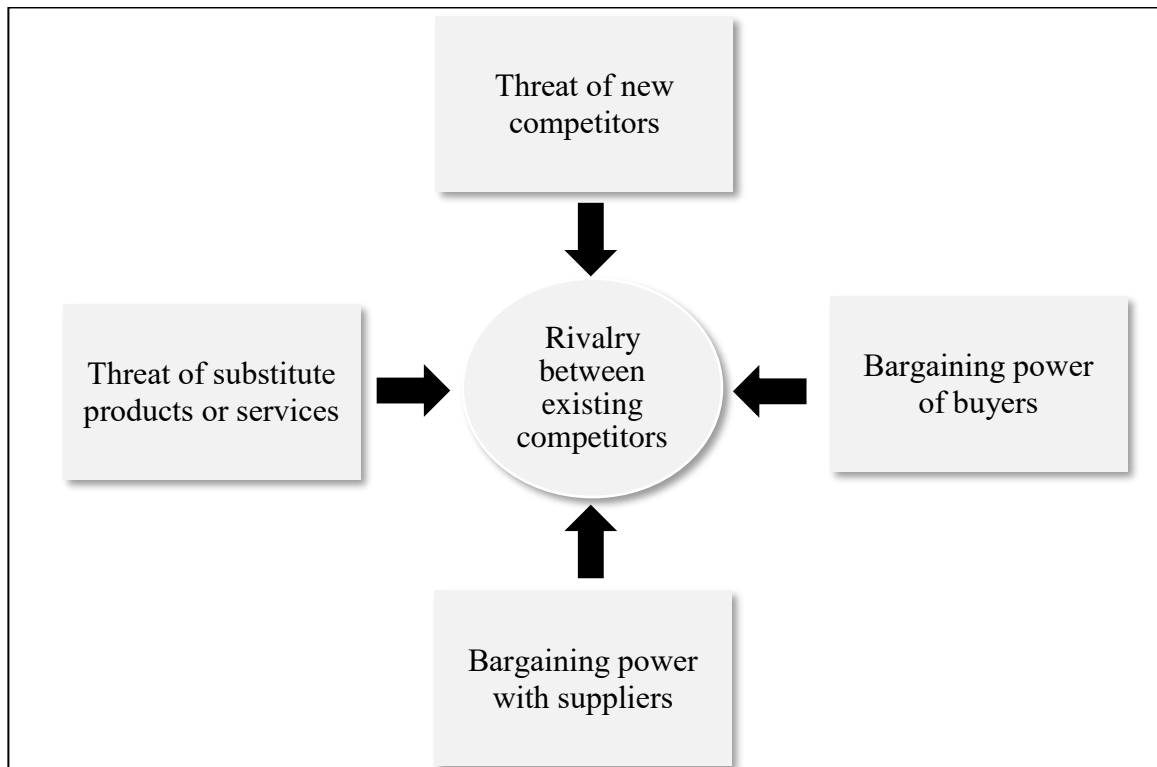
This is why Porter's diamond theory goes hand in hand with an analysis tool called Porter's five forces, which are a framework for evaluating the level of competition that exists within a given industry, in this case in the automotive sector. According to this method, competition does not come exclusively from competitors, but rather proposes that the competitive situation in a market sector depends mainly on five forces, whose analysis is necessary to assess the situation in which the company finds itself, this is part of the business strategy to position itself in its market niche (Porter, 2008).

There are two dimensions of the business environment: the macro environment, which comprises all the external forces over which the company has no control and which may have implications on the behavior of the sector and the company, such as economic, political, cultural, social, legal, environmental and technological development forces. On the other

hand, the micro environment or those factors that directly influence the daily operations of the company; it is in this environment where the five forces of this analysis framework are focused: direct competitors, customers, suppliers, substitute products and other potential competitors. (Baena, Jairo Sánchez, & Montoya Suárez, 2003)..

Understanding these competitive forces and their causes reveals the origin of a sector's profitability and provides an environment for anticipating and even influencing the actions of the competition. It is crucial to mention that the configuration of these five forces varies by industry, for example, the rivalry between companies in the commercial aircraft market cannot be compared with competitors in the movie and entertainment industry. For this reason, the strongest competitive forces determine the profitability of a company and become the most important elements in developing strategy (Porter, 2008).

Figure 7 The five competitive forces that determine competition in the sector



Own elaboration  
Source: Porter, 2008

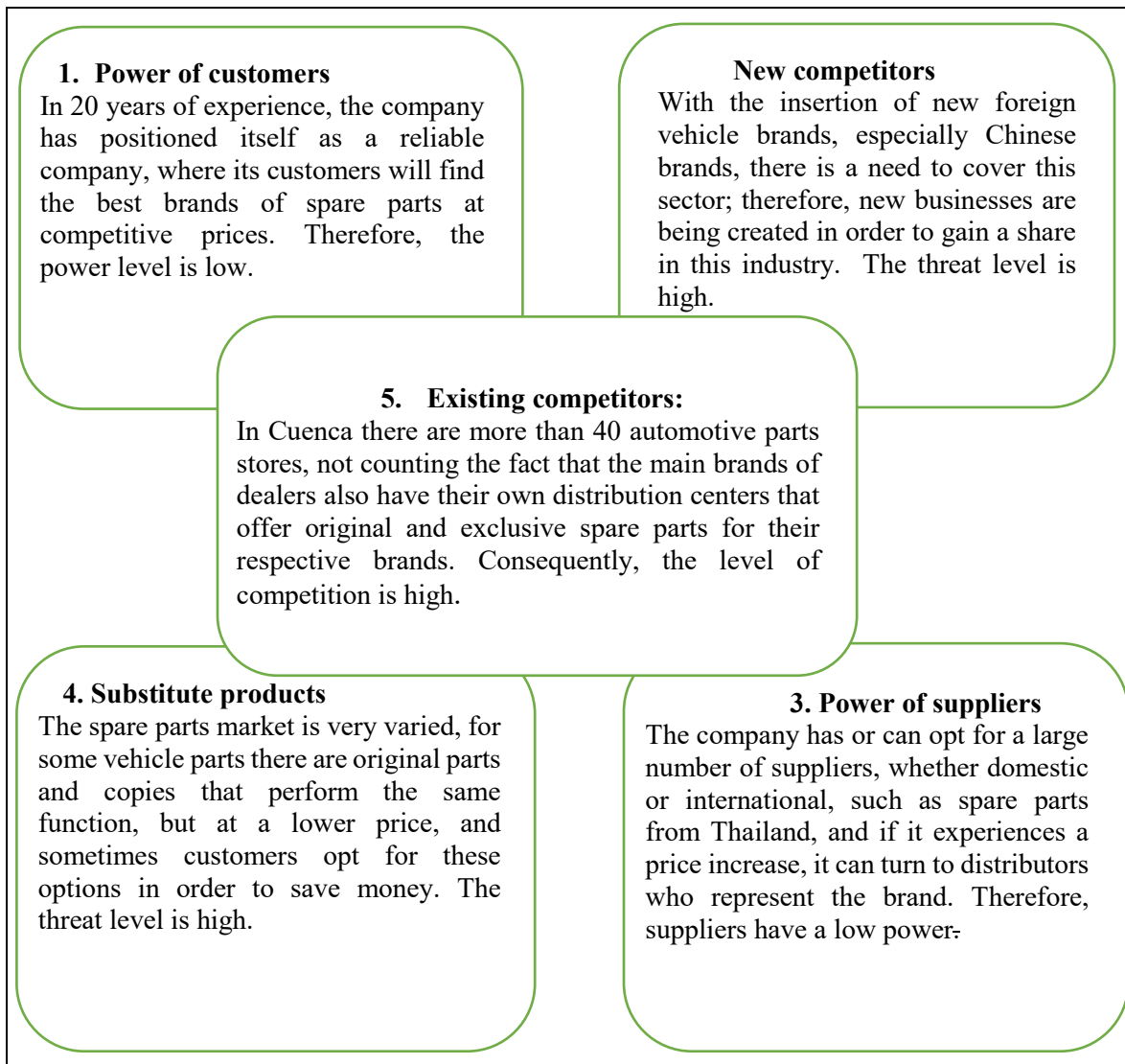
- **Threat of new competitors:** the entry of new competitors depends on the type and level of barriers at the time of their entry; when a company enters the market, it simultaneously increases the productive capacity of that sector. Therefore, the number of potential competitors will be determined by any mechanism by which the expected rent of a new competitor is lower than that being obtained by existing competitors. Some of the most common barriers are capital requirements, cost advantages, access to inputs, access to distribution channels, and government barriers, among others.
- **Rivalry among existing competitors:** this is the most decisive force in Porter's model; it is the way in which companies take actions to strengthen their positioning in the industry and protect their position. There are some factors that increase rivalry, but only three of them will be mentioned. First, concentration, which consists of analyzing whether there are few companies that dominate the market; second, competitor diversity, which consists of

differentiating in terms of origins, objectives, costs and strategies from other companies; and third, product differentiation, the characteristics that make a product unique.

- **Substitute products as a threat:** products that perform the same functions as the good under study are a threat to the sector because they meet the same consumer requirements, but at a lower price, sometimes even with superior quality. Companies in two sectors, even if they are different, if their products can substitute the other, it can be said that they are in direct competition.
- **Customer bargaining power:** competition in a sector is largely determined by the bargaining power that buyers have with supplying companies. This power can be analyzed in two dimensions: price sensitivity and bargaining power, although other variables such as a customer's purchasing volumes and buyers' information must also be considered.
- **Bargaining power of suppliers:** to a certain extent, suppliers define the positioning of a company; it depends on market conditions, other suppliers, and the importance of the product they supply. The strength of suppliers will be diminished if they come to offer a standard product and can be obtained very easily. However, if the good offered is scarce, buyers will not be in such a good position because they must acquire it for their processes (Baena, Jairo Sánchez, & Montoya Suárez, 2003).

Based on this descriptive review of the five forces that make up this analysis tool, it can be applied to the reality experienced by Automotriz Las Américas and its business model. Based on this matrix, the level of competition within the automotive sector will be analyzed, especially in the spare parts category, in order to establish an effective long-term strategy. In short, it is a model that serves to evaluate the attractiveness of a company in an industry. For this purpose, available information was collected regarding the companies that compete in this sector, delimiting the geographic area of Cuenca for this study. The following illustration shows the position of the company with respect to the five competitive forces:

Figure 8 Porter's 5 Forces Matrix applied to Automotriz Las Américas



Own elaboration

How the sector is structured according to the five competitive forces determines the long-term income potential. This indicates how economic value is divided, e.g., it can be determined how much companies retain versus how much they have earned as a result of their transactions with customers and suppliers; how much competition from substitute goods or threats from potential new entrants has been.

However, there are other factors that are visible in an industry that are not considered as forces, one of them is the growth rate of the industry. Sometimes it is believed that a fast-growing industry is attractive to new entrepreneurs or investors, but this is false, because a

fast growth rate does not guarantee high profits if customers have great power or if substitutes are more attractive (Porter, 2008).

Finally, what happens with complementary products and services that are used in conjunction with a specific product, complements arise when a greater benefit is achieved for the benefit of the customer by combining two products, however, these are not considered as the sixth force that determines the profitability of the industry (Porter, 2008).

### **Product portfolio analysis**

The product portfolio is nothing more than a group of products, services or brands offered to the consumer and intended to cover an existing need. Nowadays, analyzing this portfolio in companies has become a key factor that determines the profitability of the business. This is due to an innovation issue that necessarily requires the collaboration of suppliers and customers for the development or introduction of new products in the market. It is likely that many companies do not give much importance to the product portfolio and it is because most goods have been born from considerations and influences that different agents have been able to establish in the companies; or because there have not been clear patterns of creation that have been consistent with the company's image (Callarisa Fiol, Gallart Camahort, & Yuste, 2008).

To analyze a product portfolio it is necessary to keep in mind some concepts such as breadth, which describes the number of lines that the company has, secondly is the length represented by the total of goods that are marketed, the third aspect corresponds to the depth or the number of variations of each product per line of division, and finally the consistency that serves to analyze how much similarity exists between the different product lines considering certain factors such as frequency of use, forms of manufacture, sales channels, price, among others that are related to each other (Ranis Franquet, 2017).

Based on what was described in the previous paragraph, it can be analyzed that the company has three product lines: accessories, parts and pieces for all vehicles, and the line of all types of lubricants or liquids. In terms of length, the company currently has around 18,000 items available in stock, ranging from spare parts for engines, brakes, steering, electrical parts, and suspension parts. As for the depth, it is a bit complex to determine due

to the number of variants of each item, for example, within the category of filters there are oil filters, air filters, engine filters, etc.; likewise, lubricants can be found in many varieties depending on the brand and viscosity grade. Finally, in reference to consistency, it can be concluded that it is a very consistent portfolio because all its lines are intertwined due to the target market to which they are aimed, and they are also marketed in the same distribution channel, which is the traditional one through a physical store.

Now, a company that wishes to succeed in the future should consider the idea of periodically and systematically analyzing its product portfolio, which should not only involve tangible goods or aspects, but should also evaluate intangible aspects such as the image of the company or brand. For a product to remain in a catalog for a long time, it must be economically profitable, since there is a tendency to eliminate goods whose income is not as expected, or in the case of spare parts, they are discontinued and replaced by others. However, it is not recommended to eliminate a product immediately, since there may be internal problems in the company, causing a product to be unprofitable (Callarisa Fiol, Gallart Camahort, & Yuste, 2008).

### **Commercial offer of its five best-selling foreign products**

The commercial offer is the main activity of the entire communication process and consists of three aspects: the value proposition, the brand and the customer experience; these three elements are intertwined because, if the proposition does not attract the customer's attention or if the brand is not known, the customer experience becomes irrelevant, and any brand, no matter how fantastic it may be, can be destroyed if customers have a bad experience. Then to design a commercial proposal it is necessary to take into account the added value that it generates to consumers according to its usefulness and quality at a competitive price (VICA Consulting, 2019).

In addition to the characteristics of the tangible product, there must be an emotional appeal, i.e. how the product makes the customer feel, whether it is satisfaction or relief, this represents a positive emotional response, which creates value for the company. In the case of spare parts, the customer can be assured of having acquired a good that will not cause any inconvenience in the long term. To strengthen the proposal, it is necessary that it exceeds the

proposal of rivals and the average of the sector because if there is no clear problem among all the offers in the market, it cannot be expected that the customer will end up choosing our product (VICA Consulting, 2019). Every commercial offer comes with delivery terms, delivery times and payment terms.

The commercial offer of Automotriz Las Américas focuses on the retail sale of accessories, parts and pieces of motor vehicles of most of the brands that can be found in the market: Toyota, Chevrolet, Mazda, Mitsubishi, Suzuki, Hyundai, Great Wall, etc.; it is distinguished from other brands in the city by its personalized service that adapts to the requirements of customers even at their respective homes; its payment methods are the conventional ones that everyone can access, in addition to seasonal discounts. The following is a list of its five main products.

- MAP-CKP-CMP-TPS-TAC Sensors
- Oil seals
- Bushings
- Mobis spark plug
- Valve cover gaskets

### **Demand**

The demand for automotive spare parts in Ecuador is directly related to the number of vehicles sold during a given period and the need for replacement parts. Some of the spare parts with the highest turnover are batteries, brake pads, shock absorber systems, lights, electronic systems, among others. In the year 2021, the prices of vehicle spare parts increased by 4% and it has been an effort of the national government to negotiate commercial agreements that contemplate these products so that their price is more accessible to the consumer (Ecuavisa, 2021).

In Ecuador, in the years 2013-2018, in the automotive sector especially, the sale of vehicles has had a growth in the market with an annual average of 7%. A clear example occurred in 2018, as a total of 2 403 651 new vehicles were registered, which represents a percentage increase of 7.4% more than in 2017, where a total of 2 237 264 new vehicles



could be registered. The province of Azuay is one of the most outstanding in the automotive sector, since it is recognized as the third province with the highest number of vehicles per 1000 inhabitants (181) and with the highest number of vehicles purchased per family, this according to data published by the 2018 transportation yearbook, which is prepared by the National Institute of Statistics and Census (INEC) (Instituto Nacional de Estadística y Censos, 2019).

The market for vehicles and spare parts has been growing steadily due to the ease of credit offered by automotive companies, vehicle stores, as well as the amount of informal sales that occur in this sector. In addition to this, there is the tariff relief that has been implemented in recent years for the automotive sector due to trade agreements with Ecuador, such as the Agreement with the European Union, which have allowed price flexibility in the market and greater supply at affordable prices for the consumer, which was previously limited by high import and marketing costs (Zea & Álvarez, 2017).

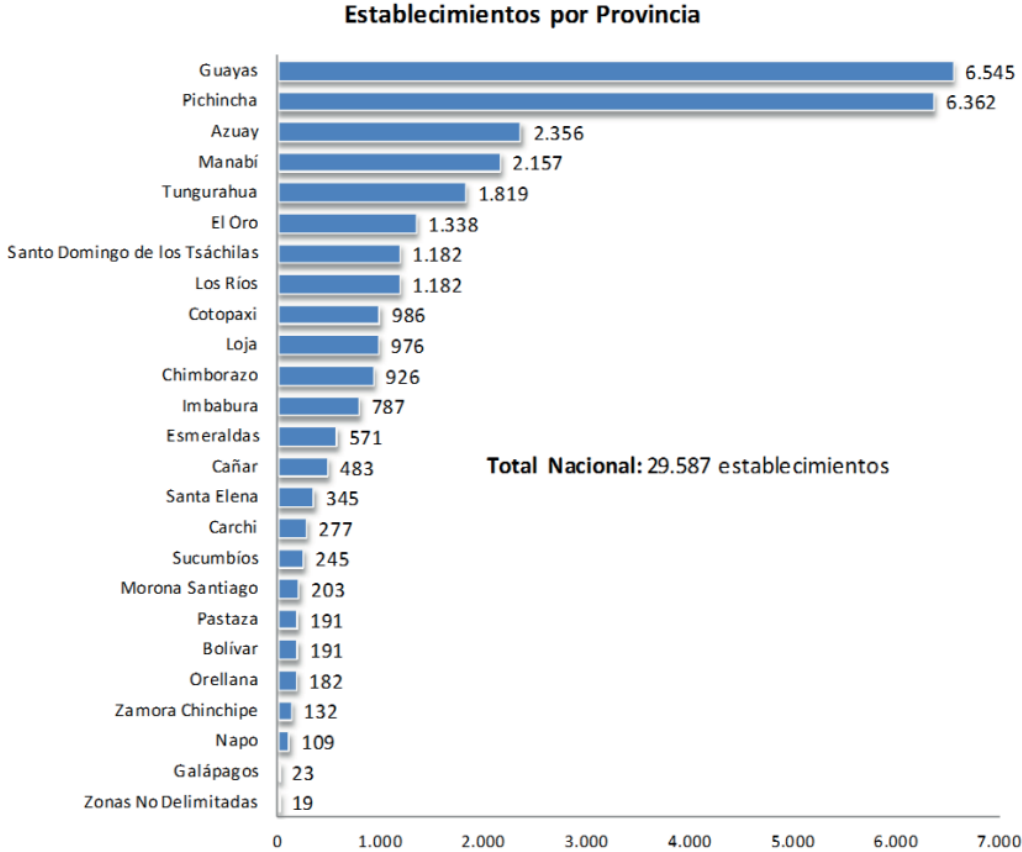
Therefore, it can be noted that local demand may be sufficient if we take into account as potential customers the final consumers and wholesale customers such as small auto parts stores, automotive repair shops, service centers, self-service stores and any other natural or legal customer engaged in the resale of automotive parts and pieces.

Final customers are considered to be the total population of men and women in the province of Azuay who are of working age and are part of the economically active population - and who have as a qualitative characteristic an average purchasing power that allows them to own at least one light vehicle, whether for personal or work use, and eventually make over-the-counter purchases of spare parts for preventive, corrective or predictive maintenance of their units. In the province of Azuay we have a total of 375,083 women and 337,044 men, of which only 324,665 are part of the economically active population of the province - this according to the data presented in the 2010 Population and Housing Census conducted by INEC (Instituto Nacional de Estadísticas y Censos, 2021)..

On the other hand, we consider as wholesale customers or potential customers for the wholesale business all those retail stores selling spare parts that exist in the province of

Azuay. According to the economic and sectorial statistics carried out by INEC in its last census of 2010- in Azuay there are around 2356, as shown in Figure 9, businesses whose commercial sector is the automotive sector- and whose commercial activities are related not only to the purchase and sale of light vehicles, but also to the sale of parts, pieces and accessories for this type of motor vehicles. (National Institute of Statistics and Census, 2021).. All of these businesses can be considered potential clients of the company "Automotriz las Américas" for the sale of its light vehicle spare parts and auto parts.

Figure 9 Statistics of active automotive trades - by province.



Fuente: Censo Nacional Económico 2010, INEC.  
 Elaboración: Dirección de Estadísticas Económicas, INEC.

Taken from: National Institute of Statistics and Census-Ecuador, 2010.

## Conclusion

It is concluded that the company "Automotriz las Américas" has a broad product portfolio and that its main products have a high turnover due to the constant demand for these auto parts in the market. This, added to the analysis of the company's commercial stability, its positioning in the market for almost 20 years and the number of potential customers mentioned above, leads to the conclusion that the company has the potential for growth and that it is necessary to find the appropriate strategies to achieve this growth. This analysis of the company allows us to propose, as one of the improvement plans, a direct import plan for the main products marketed by the company, in order to determine whether this process will result in the growth of the current profitability of Automotriz Las Américas.

## CHAPTER 3 IMPORT PLAN

### Introduction

The import of goods is defined as the action of bringing goods or services from a foreign market, which are acquired in order to distribute them in the local market for commercial purposes in most cases, or sometimes as temporary admission depending on the customs regime that the importer is using. Within this process several agents or intermediaries intervene in addition to the importer and exporter, among these we have freight forwarders both at origin and destination, customs agents, temporary warehouses, shipping or air companies, logistics companies for the transfer of goods in national territory, and of course, the authorities in the country of origin and in the country of destination.

The purpose of chapter three is to develop the entire import process for Automotriz Las Américas so that these concepts and strategies can be implemented in its business practice in order to plan in advance what supplies will be imported, how much budget they will need to have the nationalized products in their warehouses, taking into consideration technical regulations, import costs and possible barriers to importing the products. This chapter introduces the international trade terms that establish the obligations and responsibilities of each party along the chain; in addition, it proposes the means of payment that the company can use to carry out a secure international negotiation and transaction process.

### Products to be imported

#### **Choice of products to be imported**

For the import plan, it is necessary to take into account the products most sold by the company "Automotriz las Américas", among which are sensors, oil seals, bushings, spark plugs and valve cover gaskets, which can be obtained from local or foreign suppliers. However, in order to verify whether these products are viable for import, it is important to analyze the import volume of these products and the main importing countries of origin, which will allow us to make a selection of suppliers. For this purpose, the tariff classification will be analyzed to obtain the tariff subheading of each product to be imported according to Resolution No. 59 of the Foreign Trade Committee.

-MAP-CKP-CMP-TPS-TAC Sensors

-Chapter 87: Motor vehicles, tractors, velocipedes and other land vehicles, and parts and accessories of such vehicles

10-digit Harmonized Code: 8708.40.90.00

-Description: Other- sensor parts and accessories for automobiles

Arancelaria subheading: 87.08.40

-Roadblocks

-Chapter 84: Nuclear reactors, boilers, machinery and mechanical appliances; parts of such machinery or apparatus

10-digit Harmonized Code: 8487.90.20.00

-Description: Sealing rings (seals or retainers)

Arancelaria subheading: 84.87.90

-Bushings

-Chapter 87: Motor vehicles, tractors, velocipedes and other land vehicles, and parts and accessories of such vehicles

-Harmonized Code: 8714.93.00

-Description: Hubs without brake and freewheels

-Harmonized Code: 8714.94.00

-Description: Brakes, including brake hubs with brakes, and parts thereof

Tariff Subheading 87.14.93.....

-Mobis spark plugs

-Chapter 85: Electrical machinery and equipment and parts thereof; electrical machinery, apparatus and parts thereof; sound recording or reproducing apparatus; apparatus for recording or

sound reproducing apparatus, television image and sound recording or reproducing apparatus, and parts and accessories thereof.

-Harmonized Code: 8547.10.10.00

-Description: --Spark plug bodies

-Harmonized Code: 8544.30.00.00.00

-Description: -Spark plug wire sets and other wire sets of the type used in means of transportation.

Tariff Subheading: 85.44.30.....

-Valve cover packaging

-Chapter 84: Nuclear reactors, boilers, machinery and mechanical appliances; parts of such machinery or apparatus

Harmonized 10-digit code: 8484.90.00.00

-Description: --Other non-asbestos packaging.

Tariff Subheading 84.84.90....

According to data published by the Ecuadorian Federation of Exporters - FEDEXPORT, last year between January and November 2021, there was an increase in imports of the non-oil balance, whose products that stand out the most are: iron and steel castings, vehicles and parts, plastics and manufactures and cereals, which increased by more than 50%, compared to 2020. It should be noted that the automotive sector imports both finished vehicles and vehicle parts for assembly and spare parts. As shown in Figure 10, this sector had a special growth of 59% over the previous year and its FOB value was US\$ 1,704 billion, with China as the main supplier. However, it should be noted that currently there has been a greater flow of European vehicles and spare parts since the signing of the trade agreement with the European Union, which is making this sector, a competitive point of products (Ecuadorian Federation of Exporters, 2022).

Figure 10 Analysis of non-oil imports - January to November 2021- percentage growth with respect to 2020.

Rubro	Valor FOB enero - noviembre 2021 Millones de USD	Crecimiento enero - noviembre 2021	Principal proveedor
 Máquinas y aparatos mecánicos	<b>2.208</b>	24% ▲	China
 Vehículos y partes	<b>1.704</b>	59% ▲	China
 Máquinas y aparatos eléctricos	<b>1.602</b>	22% ▲	China
 Productos farmacéuticos	<b>1.309</b>	38% ▲	China
 Plástico y manufacturas	<b>1.147</b>	59% ▲	EE.UU.
 Preparaciones alimenticias para animales	<b>936</b>	40% ▲	EE.UU.
 Fundición de hierro y acero	<b>917</b>	129% ▲	China
 Productos químicos	<b>502</b>	15% ▲	Colombia
 Cereales	<b>742</b>	52% ▲	Canadá
 Aparatos quirúrgicos	<b>460</b>	24% ▲	China

**t** ▲ ▼ Crecimiento en valor importado

Fuente: BCE

Taken from: Ecuadorian Federation of Exporters  
Source: Central Bank of Ecuador

### Choice of foreign suppliers

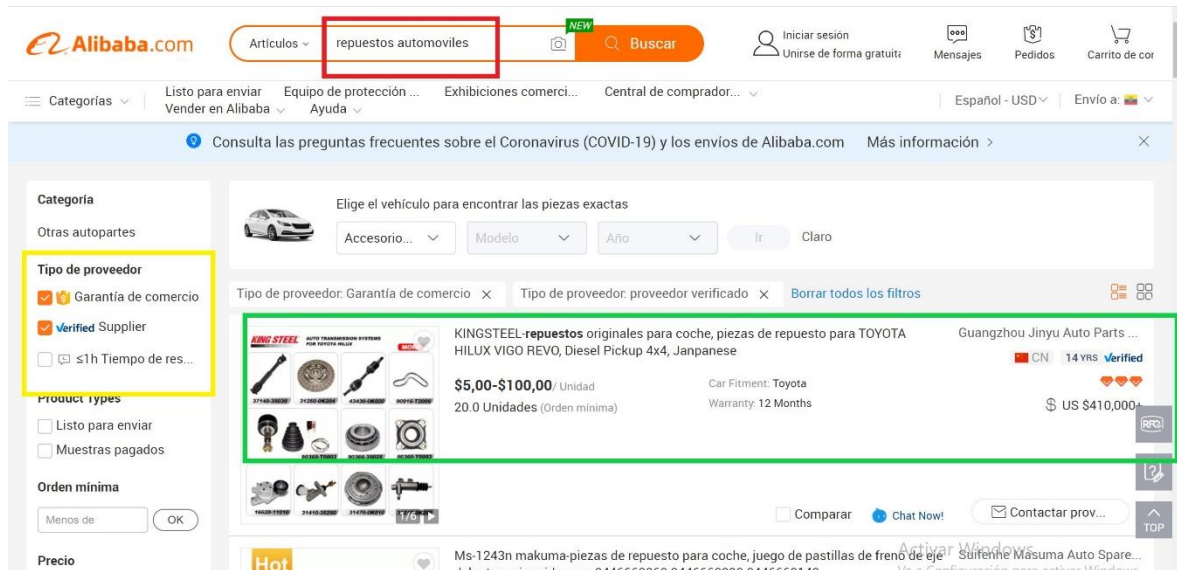
For the company "Automotriz las Américas" it is essential to choose an initial import market, and due to the amount of existing trade flow, the best option is to choose China as the main trading partner and based on this, look for a supplier that can meet the needs of the company both in terms of product quality and price, as well as in terms of trust.

Suppliers are the backbone of the parties involved in the international trade process. It is often difficult for small and medium-sized companies to find reliable suppliers with fair prices and that offer products with optimal quality standards. Therefore, it is essential to rely on B2B trade platforms or institutions that facilitate trade between one country and another.

An example of a B2B platform known and used by millions of users worldwide that offers a filter of reliable Asian suppliers is Alibaba.com. On this web platform, suppliers can be displayed by criteria of: a) Trade guarantee, b) verified supplier and c) years of presence and marketing in the market. All these criteria, allow buyers to choose a supplier with more confidence and they can make the trade transaction through the web platform, or they can contact the supplier directly. The first option creates a more controlled transactional environment as payments and delivery are made through Alibaba, but the second option is at the buyer's risk.

In Illustration 11, you can see an example of a supplier search on Alibaba.com, selecting criteria of verified supplier and trade guarantee. Once the search is done, you can look for the best price or the supplier with the highest production and products and who is reliable. With this, you can start conversations and define negotiation terms to carry out the international transaction.

Figure 11 Search for suppliers on Alibaba.com



Taken from: Alibaba.com

On the other hand, an institution that helps to establish commercial relations with China and the search for suppliers in this country is the Ecuadorian-Chinese Chamber of Commerce created with the purpose of promoting trade relations between Ecuador and China. Under this objective, the Chamber becomes a facilitator of information providing exclusive benefits



and services for partners interested in initiating or strengthening trade ties with the Asian giant ( Ecuadorian-Chinese Chamber of Commerce, 2022).

Therefore, it is a good nexus for the search of reliable business partners, but for this, it is necessary that the individual or company becomes a member of the chamber and acquires all its benefits and services.

The supplier we chose is: Guangzhou Zhenhua Auto Part Trading, because it has been in the market for more than 5 years, it is registered and the delivery time is in the time stipulated in the negotiation. It also has a lower price on all the parts we plan to import.

### Customs procedure to be used

The National Customs Service of Ecuador specifies that the country has seven import regimes recognized and listed in the Organic Code of Production, Commerce and Investment, which are: Import for Consumption (Art. 147 COPCI), Temporary Admission for Re-export in the same state (Art. 148 COPCI), Admission, Temporary for Inward Processing (Art. 149 COPCI), Replenishment of Duty-Free Goods (Art. 150 COPCI), Transformation under Customs control (Art. 151 COPCI), Customs Warehouse (Art. 152 COPCI) and Re-import in the same state (Art. 153 COPCI), (National Customs Service of Ecuador, 2020).

These regimes allow, according to their nature, the import of goods on a permanent or temporary basis. In the case of the present study, it is necessary to have an import regime that focuses on the consumption and sale of such imported product at national level, therefore, a regime of non-transformation of goods has been chosen, regime number 10, which is import for consumption. This customs regime is characterized by allowing the definitive entry of goods into the country and the procedures for its application will be established by the Director General of the National Customs Service of Ecuador. It should be noted that the goods entered under this regime may move freely within Ecuadorian territory once the customs tax obligation has been satisfied (Servicio Nacional de Aduana del Ecuador, 2020).

## Tariff item

In order to import, it is necessary to know the tariff heading of the goods and the taxes or duties to be paid for such goods. Table 1 shows the applied tariff for the products previously selected, assuming they are imported from China. It is worth mentioning that there is currently no trade agreement with this country. All data were taken from the ECUAPASS server of the National Customs Service of Ecuador - point 2 - Tariff Consultation.

**Table 1 Product Tariff Fraction - Imports from China**

Item	Product	Tariff	Taxes
8708.40.90.00	Other - sensor parts and accessories for automobiles	0%	FODINFA+VAT
8487.90.20.00	Sealing rings (retainers)	0%	FODINFA+VAT
8714.93.00	Brakeless hubs and freewheel sprockets	0%	FODINFA+VAT
8714.94.00	Brakes, including brake hubs with brake, and parts thereof	0%	FODINFA+VAT
8547.10.10.00	Spark plug bodies	0%	FODINFA+VAT
8544.30.00.00	Spark plug wiring harnesses and other wiring harnesses of the type used in means of transportation	0%	FODINFA+VAT
8484.90.00.00	Other non-asbestos packaging	0%	FODINFA+VAT

Own elaboration  
Source: National Customs Service of Ecuador

## Documents required in the import process.

Before going into the documents required in the import process, it is necessary that the company is registered with customs as an importer.

First you need to acquire the Digital Certificate for the electronic signature that is issued at the civil registry, or Security data. In addition, it is necessary to be registered in the ECUAPASS portal, where the database must be updated, creating the user and password, and then registering the electronic signature.

Within the scope of international trade operations, the parties involved must be aware of the type of documentation to be presented to the customs authorities for the correct transfer of the goods from origin to destination. Some of these documents are issued by third parties such as shipping lines, freight forwarders, customs, land logistics companies, certifying companies, among others. The most commonly used documents in foreign trade are the

following: customs documents, such as export/import declarations; certificates of origin such as EUR 1; commercial documents such as the proforma/commercial invoice; transport documents, including the bill of lading or airway bill; insurance policies; and other certifications related to export inspections.

In Ecuadorian foreign trade legislation, these documents can be classified into two types: supporting and accompanying documents, which will be used for the proper nationalization of the goods, and which demonstrate or certify the ownership of the goods.

### **Supporting documents**

In accordance with Article 73 of the Regulations to Book V of the COPCI, the supporting documents are all those that constitute the information basis for transmitting the Customs Declaration, such documents must be originals and must be presented physically or electronically:

- Transport document: it proves the ownership of the goods, and has the advantage of being endorsed before the presentation of the IAD.
- Commercial Invoice: it is used by Customs to determine the value of the transaction both in an import or export, after its acceptance, it becomes subject to the rules of valuation and customs control.
- Certificate of origin: the purpose of this document is the release of taxes as applicable for each international supranational agreement or treaty.
- Other documents that SENA or control agencies require to be necessary for compliance with the regulations. (Regulation to Book V of the Organic Code of Production, Commerce and Investments, 2013).

### **Accompanying documents**

On the other hand, Article 72 of the aforementioned regulation explains that the accompanying documents are the so-called prior control documents that must be processed and approved prior to the shipment of the goods. These documents, as well as the supporting documents, may be presented physically or electronically together with the IAD or when

required. (Regulation to Book V of the Organic Code of Production, Commerce and Investments, 2013)..

### **Technical regulations INEN**

In order for goods to be nationalized in the country, some or most of them need to have certain permits, licenses or comply with quality standards so as not to harm human health or the environment. The Instituto Ecuatoriano de Normalización (INEN) is the governmental entity in charge of verifying that all the technical specifications of the products entering the country are complied with according to its standards and technical regulations so that importers comply uniformly with such minimum safety requirements, otherwise they will not be able to nationalize the goods to be distributed in the national territory, obtaining one of these certificates could take time so importers incur in additional expenses for storage in bonded warehouses.

There is a difference between Ecuadorian Technical Standard and Ecuadorian Technical Regulation. Firstly, the Norm, this is a document established by consensus and approved by a recognized entity that indicates the rules, guidelines or characteristics for the common use of activities that seek to satisfy some order within a given context. Secondly, the Regulation, in contrast to the standard, is determined by the regulatory entity and its compliance is mandatory, otherwise penalties for non-compliance may occur, since the purpose of the regulations is to protect life, ecosystem health, animals, and to avoid misleading the consumer. Regulations have two parts: an administrative one that establishes the regulatory institution; and a technical one, which establishes the requirements to be met to determine the conformity of the products (INEN, 2016).

For the importation of spare parts, INEN has a list of products with their respective RTE that indicate the minimum safety parameters or characteristics that the products must comply with, in addition to the labeling standards that apply to specific goods. The following table lists some of the spare parts required by INEN, which generally applies to imports over \$2000 FOB value.

**Table 2 Technical regulations in force for automotive spare parts to be imported.**

<b>Product</b>	<b>RTE INEN</b>	<b>Effective date</b>
Tires	011	26/12/2013
Lubricating oils	014	14/04/2014
Hydraulic brake fluid	031	24/02/2014
Lead batteries for vehicles	115	06/01/2015
Oil, fuel and air filters	129	22/03/2017
Energy efficiency in electric motors	145	23/11/2017

Prepared by: Zhingri J  
Source: INEN, 2022

### Restrictions on imports of products

According to the World Trade Organization, there are various non-tariff measures that create barriers to international trade, including quotas, import licensing regimes, regulations, sanitary and phytosanitary standards, bureaucratic procedures, safeguard measures, etc. These measures are imposed by the governments of various countries to interfere with the importation of certain products in order to favor domestic production. These measures are imposed by the governments of various countries with the aim of interfering with the import of certain products in order to favor domestic production. This is considered to be a form of protectionism different from tariffs (Calderón, 2020).

**Table 3 Non-Tariff Barriers - Import from China**

<b>Item</b>	<b>Product</b>	<b>Non-Tariff Restrictions</b>
8708.40.90.00	Other - sensor parts and accessories for automobiles	Ecuador does not apply any trade remedy on the selected product.
8487.90.20.00	Sealing rings (retainers)	Ecuador does not apply any trade remedy on the selected product.
8714.93.00	Brakeless hubs and freewheel sprockets	Ecuadorian Technical Regulation RTE INEN 046 (1R) that establishes safety and operation requirements. Certification of Conformity with the Regulation in accordance with the provisions established by CONCAL, which includes: B310 -Labeling requirements- B700 -Product quality, safety or performance requirement- B830 -Certification requirement
8714.94.00	Brakes, including brake hubs with brake, and parts thereof	Ecuadorian Technical Regulation RTE INEN 046 (1R) that establishes safety and operation requirements. Certification of Conformity with the Regulation in accordance with the provisions established by CONCAL, which includes:

		B310 -Labeling requirements- B700 -Product quality, safety or performance requirement- B830 -Certification requirement
8547.10.10.00	Spark plug bodies	Ecuador does not apply any trade remedy on the selected product.
8544.30.00.00	Spark plug wiring harnesses and other wiring harnesses of the type used in means of transportation	Ecuadorian Technical Regulation RTE INEN 171. Quality requirements with which the product must comply. Labeling requirements. Sampling and testing. This includes: B310 -Labeling Requirements B700 -Product quality, safety or performance requirement B820 -Test requirement
8484.90.00.00	Other non-asbestos packaging	Ecuador does not apply any trade remedy on the selected product.

Prepared by: Zhingri J  
Source: National Customs Service of Ecuador

### FOB, FREIGHT, INSURANCE AND CIF calculation

In order to calculate the price of the product to be imported, it is important to take into account that the value of the commercial invoice and the prices established are based on quotations made on the Alibaba.com platform and from the supplier Guangzhou Zhenhua Auto Part Trading. Additionally, it is important to note that the cost of insurance, customs agent, among others, are base values applicable to imports.

*Table 4 Import calculation FOB terms*

<b>Product description</b>	Parts and spare parts for gasoline-powered vehicles - various products	
<b>Container</b>	20ft	
<b>Dimensions</b>	<b>CU.M.</b>	<b>WEIGHT (Kg)</b>
	33,00	28.230,00

<b>INCOTERM</b>	<b>FOB</b>	
	<b>U-value</b>	<b>Total value</b>
<b>Commercial invoice value</b>	\$21.890,76	
<b>International Marine Insurance</b>	1% invoice value	\$218,91
<b>Tariff - Ad Valorem</b>	0%	\$22.109,67
<b>Unloading and unloading destination</b>	\$150,00	\$22.259,67
<b>Internal Mobilization at destination customs office</b>	\$50,00	\$22.309,67
<b>Taxable Value</b>	\$22.090,76	

**Table 5 Calculation of import CIF terms**

<b>Product description</b>	Parts and spare parts for gasoline-powered vehicles - various products	
<b>Container</b>	20ft	
<b>Dimensions</b>	<b>CU.M.</b>	<b>WEIGHT (Kg)</b>
	33,00	28.230,00

<b>INCOTERM</b>	<b>CIF-INSURANCE included</b>	
	<b>U-value</b>	<b>Total value</b>
<b>Commercial invoice value</b>	\$22.250,76	
<b>International Marine Insurance</b>	Not Applicable	
<b>Tariff - Ad Valorem</b>	0%	\$0,00
<b>Unloading and unloading destination</b>	\$0,00	\$0,00
<b>Internal Mobilization at destination customs office</b>	\$0,00	\$0,00
<b>Taxable Value</b>	\$22.250,76	

Prepared by: Zhingri J

### Calculation of import taxes

Article 108 of Book V of the COPCI refers to the foreign trade taxes that arise at the time of entry of foreign goods into the country:

- Customs duties
- Taxes provided for by organic and ordinary laws
- Fees for customs services.

Additionally, there are other surcharges or taxes that are applied as a trade defense measure for the national industry, such as safeguards; these surcharges cannot be considered as taxes, and therefore are not governed by tax law. (COPCI, 2010)

Tariff duties may be presented as a percentage of the customs value or *ad valorem*, in monetary or *specific* terms, or as a combination of both, i.e., *mixed*. Regarding the modality of tariffs, they are classified as fixed when a single tariff rate is fixed for a particular tariff subheading of the national nomenclature; or tariff quotas when a tariff level is applied to the quantity or value of the imported or exported goods. The Law also recognizes other

modalities that are described in international trade treaties, in which Ecuador participates as a signatory country. (COPCI, 2010)

**Table 6 Calculation of import taxes according to FOB terms**

Product description		Parts and spare parts for gasoline-powered vehicles - various products	
Container	20ft		
Dimensions	CU.M.	WEIGHT (Kg)	
	33,00	28.230,00	
INCOTERM	FOB		
	U-value	Total value	
Commercial invoice value	\$21.890,76		
International Marine Insurance	1% invoice value	\$218,91	
Tariff - Ad Valorem	0%	\$22.109,67	
Unloading and unloading destination	\$150,00	\$22.259,67	
Internal Mobilization at destination customs office	\$50,00	\$22.309,67	
Taxable Value	\$22.090,76		
Freight	\$3.500,00	\$25.590,76	
Customs bonded agent	General basis \$300	\$300,00	
FODINFA	0,50%	\$177,95	
ICE	Not applicable		
VAT	12%	\$4.270,89	
Total with import taxes	\$30.339,61		

Prepared by: Zhingri J  
Source: SENA.E.

**Table 7 Calculation of import taxes according to CIF terms**

Product description		Parts and spare parts for gasoline-powered vehicles - various products	
Container	20ft		
Dimensions	CU.M.	WEIGHT (Kg)	
	33,00	28.230,00	
INCOTERM	CIF-INSURANCE included		
	U-value	Total value	
Commercial invoice value	\$22.250,76		
International Marine Insurance	Not Applicable		
Tariff - Ad Valorem	0%	\$0,00	
Unloading and unloading destination	\$0,00	\$0,00	



Internal Mobilization at destination customs office	\$0,00	\$0,00
Taxable Value	\$22.250,76	
Freight	\$3.500,00	\$25.750,76
Customs bonded agent	General basis \$300	\$300,00
FODINFA	0,50%	\$178,75
ICE	Not applicable	
VAT	12%	\$4.290,09
Total with import taxes	\$30.519,61	

Prepared by: Zhingri J

### Calculation of the price of the nationalized product

Since the import calculation is made under the import assumption, it is planned to import 1,500 units of each product, in total 6,000 units. The boxes will have a size of 30x40x50 cm, which will be distributed as follows:

- 7 boxes wide (30cm)
- 14 boxes long (40cm)
- 4 boxes upward(50cm)

The total number of boxes would be  $7 \times 14 \times 4 = 392$  boxes.

Each box has a volume of  $0,3 \times 0,4 \times 0,5 = 0,06 \text{m}^3$

Total volume :  $0,06 \times 392 = 23,52 \text{m}^3$ .

*Table 8 Calculation of the final price of the nationalized product-according to FOB terms*

<b>Product description</b>	Parts and spare parts for gasoline-powered vehicles - various products	
<b>Container</b>	20ft	
<b>Dimensions</b>	<b>CU.M.</b>	<b>WEIGHT (Kg)</b>
	33,00	28.230,00

<b>INCOTERM</b>	<b>FOB</b>	
	<b>U-value</b>	<b>Total value</b>
<b>Commercial invoice value</b>	\$21.890,76	
<b>International Marine Insurance</b>	1% invoice value	\$218,91
<b>Tariff - Ad Valorem</b>	0%	\$22.109,67
<b>Unloading and unloading destination</b>	\$150,00	\$22.259,67
<b>Internal Mobilization at destination customs office</b>	\$50,00	\$22.309,67
<b>Taxable Value</b>	\$22.090,76	

Freight	\$3.500,00	\$25.590,76
Customs bonded agent	General basis \$300	\$300,00
FODINFA	0,50%	\$177,95
ICE	Not applicable	
VAT	12%	\$4.270,89
<b>Total with import taxes</b>	<b>\$30.339,61</b>	
Internal transportation Guayaquil-Cuenca	Container trailer \$450	\$30.789,61
Unloading logistics	5 persons	\$150,00
Utility	30%	\$10.468,46
<b>Estimated total product price value</b>	<b>\$41.408,07</b>	

Prepared by: Zhingri J

*Table 9 Calculation of the final price of the nationalized product-according to CIF terms*

<b>Product description</b>	Parts and spare parts for gasoline-powered vehicles - various products	
Container	20ft	
<b>Dimensions</b>	<b>CU.M.</b>	<b>WEIGHT (Kg)</b>
	33,00	28.230,00

INCOTERM	CIF-INSURANCE included	
	U-value	Total value
Commercial invoice value	\$22.250,76	
International Marine Insurance	Not Applicable	
Tariff - Ad Valorem	0%	\$0,00
Unloading and unloading destination	\$0,00	\$0,00
Internal Mobilization at destination customs office	\$0,00	\$0,00
<b>Taxable Value</b>	<b>\$22.250,76</b>	
Freight	\$3.500,00	\$25.750,76
Customs bonded agent	General basis \$300	\$300,00
FODINFA	0,50%	\$178,75
ICE	Not applicable	
VAT	12%	\$4.290,09
<b>ADDITIONAL COSTS</b>	Professional salary	\$2.000,0
<b>Total with import taxes</b>	<b>\$32.519,61</b>	
Internal transportation Guayaquil-Cuenca	Container trailer \$450	\$30.969,61
Unloading logistics	5 persons	\$150,00
Utility	30%	\$10.529,66
<b>Estimated total product price value</b>	<b>\$43.649,27</b>	
<b>UNIT PRICE</b>	<b>7,27</b>	

**Table 10 Retail price Domestic-Imported**

<b>PRODUCT</b>	<b>DOMESTIC PRICE</b>	<b>IMPORTED PRICE</b>
<b>RETEN</b>	\$7,50	\$2,41
<b>SPARK PLUG</b>	\$2,10	\$0,88
<b>VAL COVER GASKET</b>	\$16	\$7,27
<b>BUSHINGS</b>	\$18	\$11,43

### **Negotiation plan**

A negotiation plan is the backbone of any international sales transaction, it sets the guidelines by which both buyer and seller will be governed according to their economic, logistical or commercial interests. This plan establishes which products will be acquired, their manufacturing and delivery time, as well as how payment will be organized so that both parties do not run risks due to lack of product or non-compliance in the transfer of funds; as a recommendation, the parties may opt for the inclusion of Incoterms 2020 to establish the responsibilities of each party, as well as at what time the risks are transferred.

### **INCOTERMS**

Incoterms or International Commercial Terms are a set of terms made up of three letters whose use is applied in international sales contracts. Their use is generalized and accepted in any part of the world, but if they are misinterpreted, the scope of these rules can lead to conflicts, litigation and even economic losses between importers and exporters. The purpose of incoterms is, first, to determine who will assume the logistic costs from origin to destination, second, to specify the risks resulting from the transportation of the goods, and third, to specify which documents or customs procedures will be carried out by the exporter and which by the importer for foreign trade activities. (Jimenez, 2021)

More specifically, incoterms provide for the place, conditions of delivery, transfer of risks between the seller and buyer at the time of delivery, cost sharing and delivery of documentation. It should be borne in mind that these terms do not constitute a legal ordinance, but rather a set of rules or recommendations that are accepted by the actors of foreign trade, and whose compliance will be applied to the extent that they are incorporated into international sales contracts (Jimenez, 2021). There are several versions of the incoterms, the last one corresponds to the 2020 update; however, it was in 1936 that the International Chamber of Commerce compiled and systematized this set of rules observed in commercial practice, since then they are regularly revised (Martin Castro, 2020).

The new version of these terms does not present relevant modifications if compared with the 2010 version since they obey the same structure, in total there are 11 terms, although one of those that integrate group D was modified, but they are structured in two blocks: those that can be used with any mode of transport, and those that are used exclusively for maritime transport. The term DAT (Delivered at Terminal) was replaced by the term DPU (Delivered at Place Unloaded) based on the premise that the goods can be delivered at a place agreed by the parties, which does not necessarily have to be a transport terminal, but rather a suitable place for the goods to be properly unloaded (Martin Castro, 2020).

As regards the aspects that are not regulated by the incoterms rules, the following can be mentioned: first, the transfer of ownership of the goods, law or jurisdiction to resolve any breach in the international contract, noting that the expressions used in the wording of these rules are "to supply" or "to make available" the goods. Second, the means and term of payment, since these may be conditioned according to the circumstances of the operation. Third, the quality and technical characteristics of the goods, as well as their delivery time, the Incoterms only indicate that the seller must provide the goods with their respective commercial invoice, which is why it is important to detail in the contract the characteristics that the goods must meet. And the fourth unregulated aspect is related to trade in services, the commercial guidelines expressed in the incoterms are applicable exclusively to tangible products (Cabrera Cánovas, 2020).

When speaking of the rules, as mentioned above, they are comprised of eleven identified by their acronyms, and are classified into the following groups:

- E Rules: delivery is at origin from the seller's premises.
- F Rules: the seller delivers the goods in the means of transport indicated and paid by the buyer.
- Rules C: delivery is at origin including payment of the international transport contracted by the seller.
- Rules D: delivery is made at destination, the seller assumes all costs and risks to bring the goods from origin to final destination. (Soler, 2020)

The following table describes the eleven incoterms together with their acronyms and denominations in English and Spanish:

**Table 11 Incoterms 2020 Rules**

<b>Acronym</b>	<b>Description</b>	
EXW	Ex Works	In Factory
FCA	Free Carrier	Franco porter
FAS	Free alongside ship	Franco on the side of the ship
FOB	Free on board	Franco on board
CFR	Cost and Freight	Cost and freight
VAT ID	Cost, Insurance and freight	Cost, Insurance and Freight
CIP	Carriage and insurance paid to	Transportation and insurance paid up to
CPT	Carriage paid to	Paid transportation to
DAP	Delivered at place	On-site delivery
DPU	Delivered at place unloaded	Delivery to unloaded location
DDP	Delivered Duty Paid	Delivered duty paid

Prepared by: Zhingri J

Finally, with regard to incoterms, it is necessary to mention what happens with the risks and costs assumed by both the seller and the buyer. Then, from the moment the goods are ready to be made available to the buyer, a series of risks and costs arise as a result of some factors such as the distance between the point of origin and destination, the nature of the goods, the means of transport, etc., but generally the following are included:

A) Origin:

- Verification of goods, packaging, and unit load configuration.

- Loading and stowage in the transport unit.
- Internal transportation.
- Customs clearance (export).
- Handling at port or airport.
- Main transportation.
- Insurance.

B) Destination:

- Handling at port of entry
- Customs clearance.
- Internal transportation (destination)
- Receiving, unloading and unstowing
- Insurance.

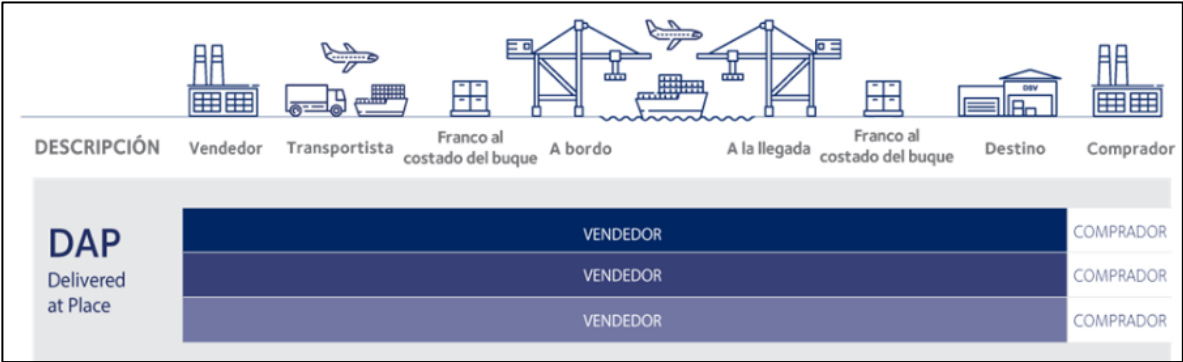
As a general rule, the seller assumes all risks up to the agreed point of delivery and on the agreed date until the transfer of risks that will be assumed by the buyer, similarly happens with the costs, the seller will be responsible for all those on the occasion of delivery at the agreed point and place. (Soler, 2020). However, there are other unforeseen costs that may be incurred during the logistics chain, such as when the cargo falls under examination or physical gauging either at origin or destination, or on other occasions when per diem or "demurrage" costs occur when the container is not returned within the established deadlines; all these situations should be foreseen by the importer before initiating the import process.

**First option (INCOTERMS DAP)**

In order to enter into the matter of study and based on what has been reviewed, it is proposed to Automotriz Las Américas to incorporate the Incoterm DAP - Delivered in Place in its negotiations for its import processes, this rule would be convenient for the company for the following reasons: firstly, it establishes that the seller can deliver the products in the place indicated by the buyer, this can be a place that is more convenient at destination, such as the importer's own warehouse; secondly, the risks would be transferred once the goods are at his disposal, but it must be taken into account that the customs clearance is the responsibility of the latter. And third, this Incoterm can be used for both sea and air cargo; the following

illustration graphically describes the process using the DAP rule (Global Transport and Logistics, 2020).

Figure 12 INCOTERM DAP

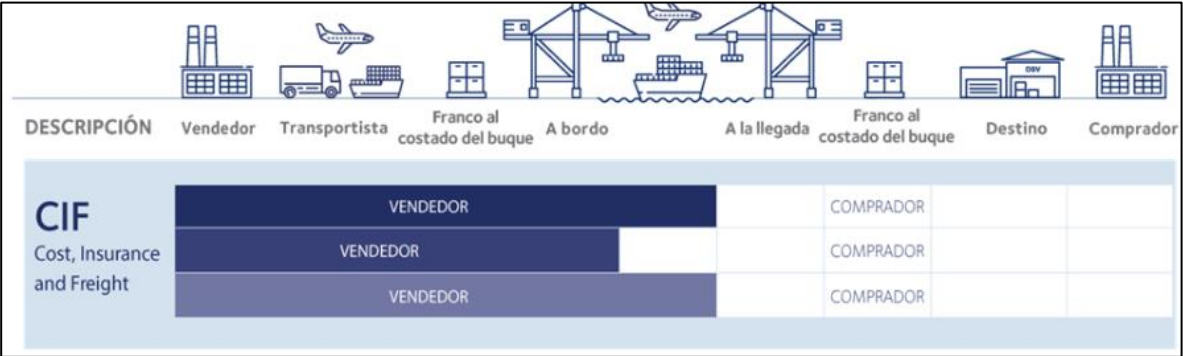


Source : Global Transport and Logistics

**Second option (INCOTERM CIF)**

Another option that the company can choose is the CIF Incoterm - Cost, Insurance and Freight, it should be noted that this is only used for maritime transport for full container loads or if it is imported as consolidated cargo. Under this Incoterm, the exporter will assume the costs of insurance and international freight to the port of destination; the nationalization process is the responsibility of the importer, as well as the internal logistics coordination for the transfer of goods from the port to the company's warehouse. The delivery of the goods and risks are transferred to the buyer once the cargo is on board the vessel. The following shows graphically how to proceed according to this Incoterm.

Figure 13 INCOTERM CIF



Source: Global Transport and Logistics

So far we have only mentioned two of the eleven rules proposed by the ICC for international sale and purchase of goods, however that does not mean that the company can not opt for other options in the future, for example if over time it begins to gain more experience in the world of imports, It can work with the EXW Incoterm, because due to the knowledge, infrastructure and contacts indicated can manage its own supply chain to collect the cargo from the seller's factory and take care of hiring the respective agents for the movement and export clearance of cargo from origin to destination and thus reduce logistics costs. Or another scenario may occur where the company chooses to have less control of the processes and opt to use the DDP Incoterm, under which its own agent at origin will be in charge of preparing all the logistics and documentation up to the payment of taxes at destination so that the cargo is received by the final consignee at destination.

### **International payment methods**

In order for companies to engage in international trade, whether the importer, exporter or financial institutions must provide financial support between the time when payments are made and when the goods or services are delivered. The type of payment used in specific transactions depends on the confidence of both parties, the countries involved and the competition that may be required to give one or the other party more favorable conditions to make the sale. The following means of payment represent a risk to a lesser or greater degree for the buyer or seller. In summary, they can be classified into simple and documentary means of payment (Parboteeah & Cullen, 2018).

The simple means of payment do not imply the participation of a third party such as the exporter's bank for the management of some commercial documentation, since it is sent directly by the exporter to the importer, so that one of them gives up control of the goods, this means that the delivery of the goods does not condition the payment or promise of payment, therefore the risk of non-payment increases substantially; Some examples that can be presented are the simple remittance, bank transfer, bank check, and personal check, the latter will depend a lot on the confidence that the seller has with the buyer since the collection will be made according to the solvency of the buyer, besides being a little used means (Serantéz Sánchez, 2011).



On the contrary, when a high risk is perceived by any of the parties, it is necessary to carry out a transaction with the maximum security conditions through documentary payments, which means for the exporter, that the shipment of the goods with the confidence that the collection will be made according to the adopted treatment; and for the importer to pay the debt only when he obtains the security of the reception of his order with conformity. In some cases, not only one-off purchases may be agreed, but also operations involving the investment of machinery, hiring of personnel or stocks for the manufacture and fulfillment of the order for the importer. Therefore, it can be said that there is full guarantee to satisfy the interests of both parties (Rodés Bach, 2017).

It is suggested to the company to use the following documentary payments that can be incorporated in its import processes in order to obtain a guarantee of compliance to receive the merchandise under the established conditions.

#### **First option (Letter of credit)**

A documentary credit (DC) is any agreement whereby an issuing bank, at the request and in accordance with the instructions of the client (originator of the credit), must make a payment to a third party (beneficiary) or authorize another bank to make the payment or accept bills of exchange drawn by the beneficiary, as well as negotiate against the delivery of required documents once the terms and conditions of the credit are fulfilled. In other words, it is a written commitment to make a payment of money within a limited period, in exchange for the seller's presentation of the required documents for subsequent internal customs processes in the country of origin (Serantez Sánchez, 2011).

As for the parties involved in this process we have:

- Notifying bank: located in the exporter's country, notifies the exporter of the credit at the request of the issuing bank.
- Originator: the person requesting the opening of the credit.
- Confirming bank: acts at the request of the issuing bank, and proceeds to confirm the credit.
- Issuing bank: issues the CD at the request of the payer.
- Designated bank: is the bank where the credit is available.

- Beneficiary: the seller who will receive the amount of the credit (Serantez Sánchez, 2011).

The CD provides the following benefits:

- Improve the commercial relationship with suppliers.
- Eliminates unnecessary risks with respect to the improvement of commercial documents, in addition to those inherent to the payment of the import.
- Optimizes the buyer's financial resources so that he can plan his liquidity until the maturity date of the CD.
- Assures the importer that all documentation will be reviewed by experts in a timely manner.
- Allows to control the date of delivery of the goods.
- It increases the possibility of requesting financing from the supplier, in case the payment is in installments (Pico Versoza & Coello Yagual, 2018).

### **Second option (documentary remittance)**

For medium-risk international operations, Automotriz Las Américas can opt for the documentary payment order, where it will request its bank to pay the exporter a certain amount of money when the exporter delivers the specific documents, one of the most commonly used methods is SWIFT, which consists of 8 to 11 digits to provide a secure interbank information exchange (Serantez Sánchez, 2011). However, there is another option which is the documentary remittance, which is more a collection management and gives great security to the exporter since the ownership of the goods does not pass to the importer until the time of collection.

However, it presents a relevant advantage for the importer since he obtains the control of checking the goods through inspections in the bonded warehouse, on the other hand, it offers the exporter the possibility of recovering the merchandise, since as mentioned above, the ownership is not lost until the delivery of documents. It may be the case that there is a case of management due to the storage of the cargo in the warehouse, and if there is damage due to deterioration or theft. As a certain degree of uncertainty persists, this means of payment is

situated in an intermediate degree between the documentary credit and the check (Rodés Bach, 2017).

Some of the modalities in which the documentary remittance is presented are:

- Bill of exchange against collection: it is the simplest, the exporter delivers the documents to his bank to manage the collection.
- Bills to accept and keep: the exporter delivers all the documentation to the bank, which manages the acceptance by the importer and keeps them in its possession through its bank, if applicable. Once the bills of exchange have been accepted, the importer is legally obliged to cancel the debt within the agreed period.
- To accept and return: once accepted by the importer, the exporting bank forwards these effects to its beneficiary.
- Trust receipt: or also called trust receipt acts as a collection guarantee that the bank proposes to the client at the time of delivering the corresponding documents of the merchandise, so that the client can withdraw them from customs, but without having made the corresponding payment (Rodés Bach, 2017).

However, there are other means of payment that can be used depending on the trust between the parties, or the analysis of other factors such as the review of the country risk with which it is being negotiated, foreign exchange risks or even commercial risks. But there are two means of payment that benefit each of the parties, for example, on the one hand there is the advance payment where the seller does not ship the goods until he has received the funds and thus avoids the risk of non-payment, but the buyer runs the risk that the order will not be shipped after the payment has been made. At the other extreme, there is "Open Account" which is the opposite of prepayment, meaning that the exporter ships the goods before payment is due; usually the importer agrees to pay within 30 or 90 days, but represents a high risk to the exporter if the importer does not pay on time. (Parboteeah & Cullen, 2018)

## Conclusion

After analyzing the product import proposal for the company "Automotriz las Américas", it is important to note the following:

- The company has five star products eligible for import: MAP-CKP-CMP-TPS-TAC sensors, oil seals, bushings, mobis spark plugs and valve cover gaskets.
- According to the import levels of automotive spare parts, we can highlight the significant import of these products from China-which have increased by 59% in 2021 with respect to 2020.
- All selected products have a 0% tariff for imports with China, however, they must comply with certain INEN technical requirements.
- For the company "Automotriz las Américas" it is convenient to use the DAP Incoterm - however, when negotiating with China, it is more common to do business through the CIF Incoterm - which is more used by exporters and manufacturers in this country - to this should be considered as a means of payment the documentary remittance, which allows the exporter a guarantee and a considerable level of confidence for the importer. However, if the purchase is not made directly with the factory, it is better to use the digital payment methods of the Alibaba.com platform, which offers a reliable transaction for all parties involved.
- For the company "Automotriz las Américas" it is convenient to import if it is done in the form of a full container, otherwise it would have to look for a commercial partner with whom it can work under the consolidated container modality, thus saving import costs.

## CONCLUSIONS AND RECOMMENDATIONS

### **Final conclusions**

In this degree project, different theoretical and practical aspects were analyzed in order to develop an import plan for the company "Automotriz Las Américas", which, based on its current situation, was able to formulate a plan with the necessary information and processes to make it known to its management in the logistical, economic and legal areas. The conclusions derived from this study are presented below.

- In the first chapter the theoretical part of what we know today as foreign trade or international business was analyzed. It should be noted that current practices are nothing more than a mixture of theories and postulates of experts in the field that have been perfected since the origin of trade between tribes, the theory of chrematism and mercantilism. An important milestone in international trade relations was the theory proposed by Adam Smith with his absolute advantage, a simple but complete idea that explained why and how nations trade according to the given context of the time, where the degree of specialization determined which products to import and export. Subsequently, other authors shaped this first theory by involving more factors and assumptions that participate in international trade until arriving at Michael Porter's theory of competitive advantage.
- On the other hand, chapter one also covered all those factors that are involved in trade: political, economic, regulatory and commercial, all of which play an important role when a company plans to get involved in the import sector, since there are national and supranational laws promoted by international organizations such as the WTO that establish rules applicable to all member countries, and which are constantly changing due to new forms of trade. As for the legal basis, for the development of this work, the reference point was the Law of Commerce that regulates all commercial

activities, and the COPCI together with its regulations to know the customs regulations applicable to the import of spare parts or other products.

- Next, in chapter two, the company in question was introduced to analyze its internal situation in terms of economic, human and organizational infrastructure resources in order to focus this study according to its market conditions. To this end, the most commonly used tools in management were used, which are the SWOT and cross SWOT matrix, in order to formulate strategies using opportunities and strengths to address the company's weaknesses and external threats. It can be concluded that the company has trained and committed personnel with an excellent projection into the future with regard to the automotive parts sector, although there are still certain obstacles such as poor positioning in social networks, or logistical factors due to the increase in international freight, with a proper contingency plan and respective training, such barriers can be overcome. Additionally, in this chapter, before proceeding with the import plan, it was necessary to know which products are most in demand, among them are oil seals, sensors and bushings, but the company also has other parts for the most popular brands of vehicles.
- The third chapter focused on the import plan as such according to the current regulations in accordance with the latest amendments to the Organic Code of Production, Trade and Investment (COPCI) and the regulations to Book V of the COPCI on customs facilitation for Trade. It should be noted that every import process begins with a purchase order resulting from negotiations and agreements between the parties. This order specifies the products to be imported along with their respective tariff classification for the calculation of foreign trade taxes and to consult if any goods have certain restrictions or need special permits. As a result of this study, it was determined that INEN, the entity in charge of compliance with quality and safety standards, issues its regulations with the minimum requirements that importers must fully comply with for the import of goods; for some spare

parts, a prior control document is required; these processes can be processed through the VUE.

- This chapter could not leave aside the process of calculating taxes, according to current regulations, the cost of freight is no longer considered to determine the taxable base on which tariffs (Ad-Valorem, specific or mixed), and other taxes such as VAT, FODINFA, or ICE for some products will be applied. Knowing the Incoterm to be used is of utmost importance to determine at what moment the risks are transferred and who will assume the logistic costs or the costs of acquiring an insurance policy; in this section, the company must decide on the rule that suits it best according to its needs. Finally, the choice of the means of payment must be the one that represents the least risk for the buyer and seller, such as the documentary credit used in high value transactions where the ownership of the goods will pass to the importer once the payment has been made.

### **Recommendations**

After analyzing foreign trade theories and investigating the possible commercial partners for the importation of vehicle parts, we can recommend the following to Automotriz Las Américas:

- It is necessary to analyze the amount of money available for investment in imports, since with this it is possible to better identify if the import is viable and if it can be done through convenient modalities, such as consolidated container with the support of the Ecuadorian-Chinese Chamber, or directly with a Chinese manufacturer or supplier by agreeing on a maritime commercialization method and identifying the amount of parts and spare parts to be imported.
- It is important to consider that for an import to be feasible, the level of demand must be high and the models and quantities of parts to be imported must be carefully identified; otherwise, the company runs the risk of

suffering a loss in product rotation and it would be better to continue working with local suppliers that provide the necessary products in less time, although at a higher cost.

- It is recommended that the company expand its wholesale chains in order to make the import plan work in the long term. As a small company, it needs a larger customer portfolio in order to have a sustainable rotating stock that does not generate extra storage costs or losses due to unsold products.



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