Money Laundering and Income Tax Evasion: The Determination of Optimal Audits and Inspections to Detect Abnormal Prices in International Trade

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Abstract

Untrimmed pillow cases imported from France for $909.29 each? Slip joint pliers from the UK for $489.75 each? Razor blades from Panama for $29.35 each? Machine guns exported to France for $364.08 each? Military rifles to the UK for $106.87 each? SLR 35mm cameras to Colombia for $7.44 each? These and thousands of similar transactions reveal the magnitude of abnormal pricing in international trade. However, the inability to analyze the massive amounts of detailed data contained in international trade data bases have allowed for many to use international trade as a means to launder money and evade taxes. The purpose of this paper, therefore, is to present a statistical auditing system that provides a methodology to conduct a statistical analysis of international trade prices. This analysis can help governmental and international lending agencies, as well as private sector firms who engage in international trade, determine the optimal level of audits and inspections of inbound and outbound cargos needed to detect abnormally priced imports and exports.

KEYWORDS: Audits, Inspections, Money Laundering, Tax Evasion, Abnormal Pricing
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Introduction

The lack of detailed international trade transaction data has made the analysis of international trade flows and international trade pricing a difficult task. International trade flows and pricing are of great interest to both private and public sector organizations.

The major obstacle to analyzing international trade flows and prices has been the inability to analyze the massive amounts of detailed data contained in international trade databases. The contribution of this research is the development of a statistical auditing system that facilitates this analysis. The statistical audit system will assist governments and international economic development agencies in the determination of abnormally priced imports and exports. The use of this technique will provide a means to conduct a statistical analysis of international trade prices and the determination of optimal audits and inspections of inbound and outbound cargos.

International Trade Flows

The ability to analyze the details of international trade flows will assist government and international development agencies to promote economic development of a country and the development for industrial sectors within a country. Import and export information on commodities such as, dollar values, quantities, and market share and prices, will greatly enhance the ability to conduct market research studies and establish economic development programs. Private sector exporters will find the data useful to determine their competitive position in the world market.
International Trade Pricing

The detection of abnormal pricing in international trade has long been an area of concern of governments of developed and less developed countries, international economic development agencies, and private sector firms engaged in international trade.

Governments and international economic development agencies are interested in the detailed analysis of international trade prices as a means of monitoring and detecting illegal activities and illegal transactions. Abnormal pricing in international trade may be due to a lack of knowledge of worldwide prices, but they may also be motivated by various illegal activities.

Over invoiced import transactions may be utilized as a means to evade income taxes, launder money obtained from illegal activities, and facilitate capital flight. See Chart 1 for examples of over-invoiced imports into the United States during 2001.

Over invoiced import prices may also serve as a justification for excessively high domestic prices in countries where price control exist. They may also conceal illegal commissions that are hidden in the inflated prices. Under invoiced import prices may reflect attempts to avoid or reduce import duties or the dumping of foreign produced goods at below market prices as a means of driving out domestic competition.

When analyzing tax avoidance and evasion in international trade, it has been found that collected import duties as a share of import value rise less than one-for-one with the tariff rate, which has been interpreted, in the literature, as evidence of tax evasion/avoidance. A study by Fisman et al finds that import-tariff evasion between Hong-Kong and mainland China is significant, both through under invoicing and through misclassification of imports into tariff lines with lower rates. The study concludes that
there exists a positive relationship between tariff rates and under invoicing.

Under-invoiced export transactions may also be utilized as a means of evading income taxes, laundering illegally obtained money and facilitating capital flight. See Chart 2 for examples of under-invoiced exports from the United States during 2001. Under-invoiced export prices may also be used to avoid or reduce export surcharges in countries where they exist. Over-invoiced export prices will increase the amount of export subsidies offered by some developing countries and they may also conceal illegal commissions hidden within the inflated prices.

Governments of less developed countries and international development agencies are also interested in detecting abnormal prices as a means of promoting efficiency in their procurement transactions. Economic development is severely hindered when necessary import commodities related to economic development and the welfare of the citizens are purchased at the over invoiced prices. Conversely, the export of domestic goods at below market prices due to a lack of knowledge of worldwide prices may result in sub-optimal revenue flows to the developing country and its industries.

Private sector firms and individuals engaged in international trade are also interested in detecting abnormal import and export prices. The international trade market has been characterized as being highly inefficient due to a lack of detailed global price information. It appears that in many less developed countries prices are determined by “whatever the market will bear.” Benchmark prices are unavailable and competitive market pricing is more difficult to determine. Domestic importers are concerned that they may be paying too high a price for commodity, while exporters are concerned that
they may be selling for a price below market. In addition, private sector insurers find it
difficult to determine the true value of insurable cargo.

The ability to determine the accuracy of international trade pricing will be of great
value to market participants in both developed and developing countries. Accurate
international trade prices are necessary for the success of economic development
agencies. International trade pricing based on well-informed market participants is the
cornerstone of an efficient and competitive global market structure.

II. Audits and Physical Inspections

The detection of abnormal price transactions in international trade may be
accomplished through the auditing of trade documents and the physical inspection of
cargo. Commodities being imported into and exported from a country could be examined
to determine if the prices being paid or charged reflect the market value of the products.
The determination of the agency conducting the audits and physical inspections will be
country specific. Some countries may employ the services of a private inspection firm.4
Other countries may elect to have individuals from their customs agency conduct the
audits and inspections of imports and exports. In the past it has been difficult for a
country’s custom service to conduct audits and inspections because of a lack of accurate
and detailed price data. Access to a price data base that details normal price ranges for all
commodities would allow customs agencies to conduct the necessary audits and
inspections. In either case, the objective of transaction audits and physical inspections is
to determine if prices reflect true market value.

Another approach in auditing and inspecting inbound cargo is done through pre-
shipment inspection (PSI) services provided by private sector firms. Pre-shipment inspection requires imports to be inspected by foreign inspectors (private inspection firms) in order to assign the tariff classification and value of individual incoming shipments before they leave their origin countries, instead of just at the importing country’s customs.

A recent study by Cadot et al. has examined whether Pre-Shipment Inspection (PSI) helps governments detect import-tariff evasion and prevent further under invoicing. According to the study, PSI serves as a tool that provides additional information on shipment value, something necessary given that customs officers may have difficulty assessing the exact valuation of the items imported even after careful inspection. The results of the study are twofold. First, in the absence of PSI, under invoicing is neither reported nor corrected, depriving cash-constrained governments of much-needed tax revenue and second, inefficient customs operations, which includes but is not limited to long clearance times and complicated procedures, raises the cost of imports without generating revenue. The study further emphasizes that this lack of revenue may cause governments to resort to different methods of public finance in the long term.

**Audits and Physical Inspections: A Cost-Benefit Approach**

The issue of audits and physical inspections as a means of detecting abnormal prices in international trade is not in question. The issue facing governments and development agencies is, “what and how much to inspect.” The determination of the
optimal level of audits and inspections is an economic question that should be evaluated from a benefit vs. cost perspective.

The benefits of detecting abnormal international trade prices are many. The minimization of income tax evasion and import duty fraud will add additional revenues to the treasuries of the countries that deter these illegal transactions. The curtailment of the laundering of money attained through illegal activities will generate social benefits, enhance the quality of life of the citizens of the country and may also lead to the seizure of the assets of the criminals engaging in these activities. The minimization of capital flight will provide the additional capital necessary for investment in many developing countries. The detection of illegal dumping by foreign producers will provide protection and foster the development of domestic industry by eliminating unfair competition.7

As in all economic activities, the detection of abnormal international trade prices will also require expenditures directly related to the detection process. Private inspection firms may have various cost structures. For example, a commonly applied price for their service is one percent of the value of the commodities inspected. Countries that choose to engage their own custom agencies to conduct audits and inspections will also incur costs related to additional physical space, employees, and other operating expenses. Physical inspections will also generate non-quantifiable costs such as delays in the movement of goods.

**Determination of the Optimal Level of Audits and Inspections**

The determination of the optimal level of audits and physical inspections to detect abnormal pricing is similar to the determination of the optimal level of inspection in a
quality control process. Based on statistical analysis, one can determine the optimal level of audit and inspection by comparing the expected marginal benefit with the expected marginal cost at various levels of audit and inspection.

The extreme levels of audit and inspection are 0% and 100%. With no audits and inspections, no costs will be incurred but no abnormal prices will be detected and no economic gains will be accrued. At the other extreme, the audit and inspection of every import and export transaction will lead to significant benefits; but this level of audit and inspection will also require significant costs. The net benefit to cost for both of these extreme cases is probably sub-optimal.

Another technique often used in quality control inspections is to conduct random inspections on a subset of the population. This approach implicitly assumes that every item being inspected has an equal probability of being defective. If the random audit and inspection of imports or exports is adopted, the process would also be based on the assumption that all trade transactions have equal probabilities of being abnormal. Although random audits and inspections may be preferable to no audits and inspections or total audits and inspections it may also be sub-optimal when compared to statistically base audits and inspections.

In addition, these random inspections may cause shipping costs to increase. A study by Hare states that “the real barrier to trade is again institutional, taking the form of unreasonable customs delays at many borders in the transition economy region, accompanied by widespread demands for bribes to expedite the movement of goods.” Another study by Cudmore et al. emphasizes that the precise length of any delay caused by random inspections, or any sort of inspection, is inadequately documented in the
literature; but that their impact on trade is unquestionable. The authors ascertain that
more often than not, these delays are caused by officials and importers who negotiate
over the valuation of the imported products. This is emphasized in a different study that
points out that any unexpected delay at the ports of entry caused by extra custom
requirements or cargo inspections is liable to increase considerably the associated port
costs and hence reduce importers competitiveness.\textsuperscript{10}

Statistical techniques may also be employed to determine the optimal level of
audits and inspections. These techniques require the analysis of historical price data for
every commodity traded and the determination of a price that represents a measure of
central tendency and upper-bound and lower-bound prices representing benchmark prices
in determining abnormality. The objective of using a statistically based audit-inspection
program is to select international trade transactions, which if audited or inspected, have a
high probability of being abnormal. The audit and physical inspection of an international
trade transaction would be conducted when the expected marginal benefit of the audit-
inspection exceeded the expected marginal cost.

Upper-bound and lower-bound trigger prices could be adjusted over time to
reflect historical marginal benefits and costs. Upper and lower bound prices could also
be adjusted on an ad hoc basis by government officials based on other factors relating to
the pricing of the commodity.

III. \textbf{The Statistical Model}

The objective of our research is to apply a computer software technique that
allows us to statistically analyze transactions between the United States and any country
in the world for all commodity classifications. The result of our research is the production of a set of price filters that can be utilized by government agencies of developed and developing countries to detect abnormal import and export prices.

**a. Data and Methodology**

The following is a summary of the description of the data set and the methodology we used to determine the upper and lower bound prices.

- Combine all records on the 12 monthly U.S. import databases and 12 monthly U.S. export data bases, by commodity and by country. Commodities are defined by 10 digit harmonized commodity codes. As an example, the 2001 U.S. trade database contained 17,183 import commodity codes, 8,638 export commodity codes, and 231 country codes.

- Determine total U.S./World import and U.S./World export trade for each commodity. For each commodity determine a frequency distribution of prices of all U.S./World import and U.S./World export transactions during the 12-month period.

- Determine total U.S./Country import and U.S./Country export trade for each commodity. For every country and for every commodity determine a frequency distribution of prices of all U.S./Country import and U.S./Country export transactions during the 12-month period.

- Recalculate the data monthly and determine the 12-month moving statistical price parameters. The data set will always contain price information related to the last 12-month period.
b. Inter-quartile Range

We employ the inter-quartile range as the benchmark to determine if a transaction price is considered abnormal. In 1994, the United States Internal Revenue Service issued its 482 transfer pricing regulations and stipulated that the inter-quartile price range should be used to determine the validity of transfer prices in international trade. Imports at prices exceeding the import upper quartile price, and exports at prices below the lower export quartile price are considered abnormal. In its transfer pricing regulations the Internal Revenue Service also stipulated that prices outside the inter-quartile range should be adjusted and brought back to the median price, when determining the dollar adjustment of abnormally priced transactions. We take a more conservative approach and determine that the dollar value of over or under invoicing should be based on the dollar value of deviations from the inter-quartile prices determined from the population of transactions in each commodity with each country and the world.

We recognize that the characteristics of import and export transactions may vary among countries. Therefore we also investigate import and export transactions relative to United States/country trade, for every commodity for all countries. We analyze total United States/country imports and total United States/country exports and determined the lower, median and upper quartiles United States/country import price and lower, median and upper quartiles United States/country export price for every commodity traded.

The result is a set of price filters for the year studied. Every country and the world are represented by 231 columns, while every import harmonized code and every export harmonized code are represented by over 23,000 rows. The resulting set of combinations contains over 5.5 million cells. Each cell contains the price data based on
the population of transactions related to the United States import or United States export of a particular commodity from and to a specific country, as well as from and to the world.

The issue of homogeneity of the products defined by a harmonized commodity code in the international price matrix should also be addressed. Harmonized commodity codes should not be confused with Standard Industrial Classification (SIC) codes. SIC codes attempt to classify firms by industry and in most cases lead to mis-specification in transfer pricing issues. Industrial classifications are very broad and include firms with diverse markets and multiple product lines. Their use in transfer pricing disputes has been discredited in prior litigation. Harmonized commodity codes relate to specific product classifications and are more useful in determination and analysis of transfer prices. However, some harmonized commodity codes are more detailed than others. Thus, harmonized commodity codes will provide more meaningful information for some commodities and less for others. In all cases, the information contained in the statistical price filters is the most exhaustive and the most detailed U.S. information compiled from public sources that can be used to assist in the determination of "comparable" prices.

The following is an example of how the proposed statistical auditing system can be used to determine abnormal pricing in international trade. Assume that China is concerned about over-invoiced imports that result in income tax evasion and possible money laundering activities. If a shipment of ERYTHROMYCIN (HC# 2941500000) is being imported into China at a price greater than the upper bound trigger price it would signal the need for an inspection. For example, erythromycins were imported into China at a price of $482.54/GM in November 2001 and $245.94/GM in December 2001.
The following are the upper and lower bound trigger prices for erythromycin as of December 2001 (see Table 1 below).

TABLE 1: Price Filters (upper and lower quartile prices)

<table>
<thead>
<tr>
<th></th>
<th>World Upper Bound Price:</th>
<th>$ 1.0555 / GM</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Median Price:</td>
<td>$ 0.2513 / GM</td>
<td></td>
</tr>
<tr>
<td>World Lower Bound Price:</td>
<td>$ 0.0758 / GM</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>China Upper Bound Price:</th>
<th>$ 5.5753 / GM</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Median Price:</td>
<td>$ 0.8055 / GM</td>
<td></td>
</tr>
<tr>
<td>China Lower Bound Price:</td>
<td>$ 0.5046 / GM</td>
<td></td>
</tr>
</tbody>
</table>

Conversely, if China’s Custom Authorities were concerned about import duty fraud, they would inspect import transactions that are priced below China’s and World trigger prices. If China imposed an import duty on optical fibers (HC# 9001100000) and if a shipment of the item was being imported into China at a price less than the lower bound trigger price it would signal the need for an inspection. For example, optical fibers were imported into China at prices less than $ 0.02/FBM in large quantities several times in 2001.

The following are the upper and lower bound trigger prices for optical fibers as of December 2001 (see Table 2).

TABLE 2: Price Filters (upper and lower quartile prices)

<table>
<thead>
<tr>
<th></th>
<th>World Upper Bound Price:</th>
<th>$ 9.80 / FBM</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Median Price:</td>
<td>$ 6.08 / FBM</td>
<td></td>
</tr>
<tr>
<td>World Lower Bound Price:</td>
<td>$ 3.20 / FBM</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>China Upper Bound Price:</th>
<th>$ 2,775.00 / FBM</th>
</tr>
</thead>
<tbody>
<tr>
<td>China Median Price:</td>
<td>$ 9.26 / FBM</td>
<td></td>
</tr>
<tr>
<td>China Lower Bound Price:</td>
<td>$ 6.20 / FBM</td>
<td></td>
</tr>
</tbody>
</table>

*FBM = Fiber Meter
IV. Results from Prior Studies

Due to the inability of many government agencies to analyze the massive amounts of detailed data contained in international trade databases, abnormal trade pricing may be the least risky technique for shifting capital across borders. The economic impacts of abnormal trade pricing have been estimated in several studies using the price filtering method proposed in this paper in detecting abnormal international trade prices.\textsuperscript{11}

A paper by Zdanowicz et al. analyzes the statistics of trade merchandise between Brazil and the United States.\textsuperscript{12} Data from the 1995 U.S. Merchandise Trade Database was used in order to document the amount of capital flow that could have been disguised as commodity trade. The results of the study show that in the year 1995 capital flight from Brazil into the United States amounted to anywhere between $2 and $4 billion. In percentage basis, the amount of income shifted due to abnormal pricing is between 11.13\% for under-invoiced exports and 15.23\% for over-invoiced imports.

A later study by Pak et al. utilizes the same framework to estimate the economic impact of under/over-invoicing imports/exports to/from Greece from/to the United States.\textsuperscript{13} The results show that these transactions shifted between $132 and $276 million during 1995 from Greece to the U.S. and about $5.5 billion from Greece to the World. The percentage of income shifted due to abnormal pricing in this case varies between 2.04\% for under-invoiced exports and 5.88\% for over-invoiced imports.

A more recent paper on Switzerland’s capital flight by de Boyrie et al. evaluates every reported import and export transaction between the United States and Switzerland during the years 1995 and 2000.\textsuperscript{14} The authors report that the amount of capital flight from Switzerland to the U.S. through trade is $31 billion for the period studied, that is, an
average of $5.3 billion per year. The study shows a significant amount of income moved through over/under invoicing. For example, in 1995 alone, the amount shifted out of Switzerland on a monthly basis ranges between 9.58% and 54.02% of total trade volume. A similar study on Russia by de Boyrie et al. shows that the amount of income shifted through abnormal prices from Russia to the U.S. in 1995 accounts for 3.46% and 5.79% of total trade for exports and imports, respectively.15

V. Conclusion: Application of Statistical Analysis

The raw transactions trade data contained in this analysis is currently available to U.S. and foreign government agencies from the U.S. Department of Commerce. If a country is interested in monitoring the transaction prices of international trade, the relevant statistical information can be generated and updated monthly. The actual analysis of international trade prices in real time can be facilitated on work stations located at the country’s ports and on a main frame computer that is networked to the country’s ports. The statistical information may also be produced in printed format so that developing countries that do not currently have computerized trade data entry system can immediately begin to implement the system manually.

Countries that adopt a statistically based audit and inspection system must also decide if the audit of trade documents and the physical inspection of cargo with suspected transactions prices will be conducted by a private inspection firm or its own customs service. Having access to this data will now allow countries greater choice in the audit and inspection process. They will now be able to control and determine both the level of
physical inspection and the means of inspection that will result in the most cost effective monitoring of their international trade flows.
**CHART 1: ABNORMALLY HIGH U.S. IMPORT PRICES**

<table>
<thead>
<tr>
<th>ITEM</th>
<th>COUNTRY</th>
<th>PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Multiple Vitamins</td>
<td>China</td>
<td>$1,868.77/kg</td>
</tr>
<tr>
<td>Plastic Buckets</td>
<td>Czech</td>
<td>$972.98/unit</td>
</tr>
<tr>
<td>Fence Posts – Treated</td>
<td>Canada</td>
<td>$1,853.50/meter</td>
</tr>
<tr>
<td>Wood Moldings</td>
<td>Bolivia</td>
<td>$1,124.17/meter</td>
</tr>
<tr>
<td>Toilet/Facial Tissue</td>
<td>China</td>
<td>$4,121.81/kg</td>
</tr>
<tr>
<td>Briefs and Panties</td>
<td>Hungary</td>
<td>$739.25/doz</td>
</tr>
<tr>
<td>Dishtowels of Cotton</td>
<td>Pakistan</td>
<td>$153.72/unit</td>
</tr>
<tr>
<td>Other Made-Up Articles</td>
<td>Arab Em</td>
<td>$106.73/unit</td>
</tr>
<tr>
<td>Unglazed Tiles – Ceramic</td>
<td>Italy</td>
<td>$4,480.00/sqmtr</td>
</tr>
<tr>
<td>Rubies – Cut, Not Set</td>
<td>Burma</td>
<td>$38,192.30/carat</td>
</tr>
<tr>
<td>Bolts – Iron or Steel</td>
<td>France</td>
<td>$3,067.17/kg</td>
</tr>
<tr>
<td>Threaded Nuts</td>
<td>Belgium</td>
<td>$2,426.70/kg</td>
</tr>
<tr>
<td>Tweezers – Base Metal</td>
<td>Japan</td>
<td>$4,896.00/unit</td>
</tr>
<tr>
<td>Lawnmower Blades</td>
<td>Australia</td>
<td>$2,326.75/unit</td>
</tr>
<tr>
<td>Razors</td>
<td>UK</td>
<td>$113.20/unit</td>
</tr>
<tr>
<td>Air Pumps – Hand/Foot Operated</td>
<td>Malaysia</td>
<td>$5,000.00/unit</td>
</tr>
<tr>
<td>Camshafts and Crankshafts</td>
<td>Saudi Arabia</td>
<td>$15,200.00/unit</td>
</tr>
<tr>
<td>Telephone Sets – One Line</td>
<td>Japan</td>
<td>$2,728.00/unit</td>
</tr>
<tr>
<td>Unrecorded Magnetic Disks</td>
<td>Denmark</td>
<td>$164.19/unit</td>
</tr>
<tr>
<td>Smoke Detectors – Battery Powered</td>
<td>Germany</td>
<td>$3,500.00/unit</td>
</tr>
<tr>
<td>Industrial Hand Trucks</td>
<td>Spain</td>
<td>$3,800.86/unit</td>
</tr>
<tr>
<td>Hypodermic Syringes</td>
<td>Switzerland</td>
<td>$142.78/unit</td>
</tr>
</tbody>
</table>
### CHART 2: ABNORMALLY LOW U.S. EXPORT PRICES

<table>
<thead>
<tr>
<th>ITEM</th>
<th>COUNTRY</th>
<th>PRICE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bovine Animals - Live</td>
<td>Mexico</td>
<td>$ 20.65/unit</td>
</tr>
<tr>
<td>Multiple Vitamins</td>
<td>Finland</td>
<td>$ 1.34/kg</td>
</tr>
<tr>
<td>Dynamite</td>
<td>Canada</td>
<td>$ 1.24/kg</td>
</tr>
<tr>
<td>Radial Tires – Bus/Truck</td>
<td>UK</td>
<td>$ 11.74/unit</td>
</tr>
<tr>
<td>Diamonds – Not Industrial</td>
<td>India</td>
<td>$ 13.45/carat</td>
</tr>
<tr>
<td>Toilets - Bowls with Tanks, one piece</td>
<td>Hong Kong</td>
<td>$ 1.75/unit</td>
</tr>
<tr>
<td>Aluminum Ladders</td>
<td>Japan</td>
<td>$ 4.40/unit</td>
</tr>
<tr>
<td>Fork-Lifts, Self Propelled</td>
<td>Jamaica</td>
<td>$ 384.14/unit</td>
</tr>
<tr>
<td>Industrial Robots</td>
<td>Ireland</td>
<td>$ 324.37/unit</td>
</tr>
<tr>
<td>Bulldozers – Self-Propelled</td>
<td>Colombia</td>
<td>$ 1,741.92/unit</td>
</tr>
<tr>
<td>Automatic Teller Machines</td>
<td>France</td>
<td>$ 97.00/unit</td>
</tr>
<tr>
<td>Trash Compactors</td>
<td>UK</td>
<td>$ 54.82/unit</td>
</tr>
<tr>
<td>Video Monitors - Color</td>
<td>Pakistan</td>
<td>$ 21.90/unit</td>
</tr>
<tr>
<td>Video Projectors – Color</td>
<td>Brazil</td>
<td>$ 33.95/unit</td>
</tr>
<tr>
<td>Road Tractors – For Semi-Trailers</td>
<td>Nigeria</td>
<td>$ 3,750.00/unit</td>
</tr>
<tr>
<td>Truck Caps</td>
<td>Mexico</td>
<td>$ 10.77/unit</td>
</tr>
<tr>
<td>Cameras – SLR, 35mm</td>
<td>Colombia</td>
<td>$ 7.44/unit</td>
</tr>
<tr>
<td>Clinical Thermometers</td>
<td>Germany</td>
<td>$ 0.06/unit</td>
</tr>
<tr>
<td>Wrist Watches – Cases of Precious Metal</td>
<td>Colombia</td>
<td>$ 8.68/unit</td>
</tr>
<tr>
<td>Missile and Rocket Launchers</td>
<td>Israel</td>
<td>$ 52.03/unit</td>
</tr>
<tr>
<td>Prefabricated Buildings</td>
<td>Trinidad</td>
<td>$ 1.20/unit</td>
</tr>
<tr>
<td>Seats – For Motor Vehicles</td>
<td>Belgium</td>
<td>$1.66/unit</td>
</tr>
</tbody>
</table>


See Cadot et al., ref. 4 above.

This holds especially true for capital equipment which requires technical knowledge to be properly valued.


(12) See Zdanowicz et. al., ref. 11 above.

(13) See Pak et al., ref. 11 above.

(14) See de Boyrie et al. (2004a), ref. 11 above.

(15) See de Boyrie et al. (2004b), ref. 11 above.