

# 8

# International trade

- ▶ issues in sales mistakes
- ▶ credit agencies and insurance

## Internet research

Fluctuations in the exchange rate between currencies can be an important issue in exporting. Search for the keywords *Big Mac Index* to find out a fun way of measuring these.

## 8.1 About business Export sales and payment

### Discussion

**1** How can selling your product in other countries be more difficult than at home? With a partner, list four aspects of export sales where there may not be a level playing field.


### Scan reading

**2** Read the article opposite from a trade magazine. Which four export mistakes did Eisenhart Games make?

### Reading for detail

**3** Read the article again. Which eight lessons does Vincenti say exporters have to learn?

### Listening for detail

**4**  2:50 Listen to an interview with James Sullivan, a sales manager with Nehling and Hynes, an American credit agency, and answer the questions.

- 1 Which two kinds of service do credit agencies provide?
- 2 How large is Nehling and Hynes' database, and why is this important?
- 3 How are credit ratings useful?
- 4 What proportion of European and US firms purchase credit insurance?
- 5 Which advantage does credit insurance give Daryl Vincenti in Saudi Arabia?
- 6 On average, how much does international credit insurance cost?

### Reading for detail

**5** Read this extract from a guide to methods of payment in international trade. Put the methods in order from the safest (1) to the riskiest (4) from the exporter's point of view.

- |   |
|---|
| <input type="checkbox"/> <b>Open account</b><br>Goods are shipped directly to the buyer, with a request for payment.  |
| <input type="checkbox"/> <b>Advance payment</b><br>Payment is expected by the exporter, in full, before goods are shipped.  |
| <input type="checkbox"/> <b>Bills for collection</b><br>A bill of exchange is sent from the exporter's bank to the buyer's bank. When the buyer agrees to pay on a certain date, they sign the draft. The documents and goods are released to the buyer against this acceptance.                              |
| <input type="checkbox"/> <b>Letters of credit (L/Cs), also known as documentary credits (DCs)</b><br>Documentary credit is a bank-to-bank commitment of payment: the buyer's bank guarantees that payment will be made when the shipping documents are found to be in compliance with terms set by the buyer. |

### Discussion

**6** As the exporter, decide what methods of payment in Exercise 5 you would require from these customers.

- 1 The buyer is a well-known company in a large country in western Europe. This is a first order but you hope the buyer will become a regular customer.
- 2 The buyer is in a country where currency exchange is controlled by the government. Requests for foreign currency payments must be justified by supporting documents.
- 3 The buyer is a new customer in a country with a fragile economy and a poor credit rating.
- 4 The buyer is a large North American company with a reputation for slow payment.
- 5 The buyer is one of your suppliers in a neighbouring country.
- 6 The buyer represents a small company in a developing country and is a personal friend.

**7** You and a friend design and sell your own line of T-shirts at rock concerts. You have been very successful in your own country, and now several contacts in other countries have expressed interest in your product. What problems do you anticipate if you start to export, and what solutions can you suggest?

## Glossary PAGE 157

chase  
creditworthiness  
level playing field  
take on board  
think outside the box  
without a trace  
wizard