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**RISK ANALYSIS OF PAYMENT AND DELIVERY
TERMS IN EXPORT DEVELOPMENT: A FIELD STUDY
ON AEGEAN EXPORTER COMPANIES**

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ÖZET

Yüksek Lisans Tezi İhracatın Geliştirilmesinde Ödeme ve Teslim Şekillerinde Risk Analizi; Ege Bölgesindeki İhracatçı Firmalar Üzerinde Bir Alan Çalışması

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Son yıllarda uluslararası ticaretin hacmi, bir çok tehdit ve fırsatı da yaratan ticaretin küreselleşmesi ve serbestleşmesinin etkisiyle muazzam bir şekilde artmıştır. Bu küresel değişim içerisinde ülkeler için uzun vadeli sürdürülebilir kalkınmayı sağlamak, firmalar için ise belirsizlik ortamında rekabet edebilmek için ihracatın yarattığı dinamik ve statik faydalar vazgeçilmez unsurlar olmuştur. Hali hazırda ihracat yapan veya global pazarlara girmek isteyen firmalar, uluslararası pazarlardan kaynaklanan bu tehdit ve fırsatlar nedeniyle dinamik stratejiler ve aksiyon planları yürürlüğe koymak zorunluluğu içine girmişlerdir. Bu aksiyon planları uluslararası pazarlardan kaynaklanan fırsatların maksimum derecede kullanılması, risklerin minimizasyonu, ortadan kaldırılması ve fırsata dönüştürülmesi bakış açısına sahip olmalıdır. Bu çalışmanın ana amacı uluslararası pazarlardan kaynaklanan risklerin çoğunluğunu oluşturan ve ihracatçılar tarafından yönetilebilme şansı olan Ticari Risklerin (Ödeme ve Teslim Şekilleri Riskleri) analiz edilmesidir. Saha çalışması bölümünde ise Ege Bölgesindeki faal ihracatçı firmaların uluslararası pazarlarda karşılaşılan riskleri nasıl algıladıkları ve bu risklerden hangi yöntemlerle korunmaya çalıştıkları araştırılmıştır.

Anahtar Kelimeler; ekonomik kalkınma, ihracatın geliştirilmesi, ihracat risk yönetimi, risk yönetimi, ödeme şekilleri, teslim şekilleri, ticari riskler,

ABSTRACT

Master Thesis

Risk Analysis of Payment and Delivery Terms in Export Development: A Field Study on Aegean Exporter Companies

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In recent years, the volume of international trade has increased enormously due to the effects of globalization and liberalization of trade which created both opportunities and threats. In this globally changing world, export's static and dynamic benefits are vital for governments to reach long term sustainable economic growth and for firms to compete in this uncertain global environment. Therefore, the firms which desire to compete in the global market are obliged to implement dynamic strategies and action plans. Their action plan must include thorough analyses of the market dynamics to eliminate or minimize the risks while maximizing the opportunities. The main objective of this study is to analyze the Trade Risk (Delivery and Payment Risk) which are mostly encountered and more controllable by exporters in international markets. The field study will analyze Aegean Exporter Companies' perceived risk from international market and its prevention methods.

Keywords; economic growth, export development, export risk management, risk management, delivery terms, payment terms, trade risk.

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ABBREVIATIONS

CAD	: Cash Against Documents
CAG	: Cash Against Goods
D.C.	: Documentary Credit
D/A	: Documentary Against Acceptance
D/C	: Documentary Collection
D/P	: Documents Against Payment
EIU	: The Economist Intelligence Unit
FDI	: Foreign Direct Investment
GDP	: Gross Domestic Product
HDI	: Human Development Index
ICC	: International Chamber of Commerce
L/C	: Letter of Credit
LDC	: Low Developed Countries
PPP	: Purchasing Power Parity
UCP	: Uniform Customs and Practices for Documentary Credit
UNDP	: United Nation Development Programme

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INTRODUCTION

In recent years, the volume of international trade has increased enormously due to the effects of globalization and liberalization of trade which created opportunities and threats; increasing in revenues, widening of markets and choices of consumers, price benefits and rising quality due to the competition, lifting of quotas, free zones, establishment of standards and institutions, regulations and deregulations, liberalization of financial flows, changing banking system, increasing Foreign Direct Investments etc. such as opportunities, international competition, domestic competition, rising standards, Trade Blocks, interdependence of economies, instability in economies, Tariffs and Non-Tariff Barriers etc. such as threats.

Such changes also cause uncertainty for the firms and thus, the firms making or intending to make business globally are obliged to implement dynamic strategies and action plans due to this volatile environment.

The economists are mainly studying on the source of economic growth that will enable them to determine the route and reach to Economic Development which is a major responsibility of all governments.

Many practices show that during the contend of economic growth less developed and developing countries even if import-substitutions and enlargement in domestic market supply may create economic growth in short term, in the long term it is not possible to expect the sustainable economic growth without using export's static and dynamic benefits. Furthermore, the globalization's high level of international economic and monetary interaction is causing unreachable any economic growth policies without contribution of foreign trade.

When crossing to international market of domestic firms and widening and strengthen of competitive power of exporting companies is very important for microeconomic perspective such as reaching economies of scale, increasing profits

and international competitiveness, from macroeconomic perspectives obtaining long term sustainable economic growth is also very important for governments.

When governments are encouraging the firms to cross to international market or strengthen competitive power in the international market, decision making process must be clearly understand. When decision-makers deciding to go or not to export, they evaluate the opportunities (benefits) and threats (risk) comes from exporting. The decision maker's perception on "more likely to perceive as threat" or "more likely to perceive as opportunity" is very important to decide to go global market or not. If the decision maker's perception level is threats side more than opportunities, the company will delay the decision or avoid to exporting.

If the companies clearly understand the threats and opportunities in global market and know how the threats (risk) can be eliminated or minimized and how the risk can be turned to opportunities, they will more likely to be pursued export opportunities.

International market presents additional risk for companies because of crossing the borders, different monetary and fiscal policies, different foreign exchanges and different cultures. In this study, the perceived risk from international market are grouped to 4 main categories as; country risk, financial risk, managerial risk and trade risk.

The main objective of this study is to analyze the Trade Risk (Delivery & Payment and Documentation Risk) which are mostly faced and more controllable risk by exporter comes from international market.

This study consists of 5 Chapter and aimed to analyze the Trade Risk (Delivery & Payment and Documentation Risk) which are mostly faced and more controllable risk by exporter comes from international market. In Chapter 1, the factors and interrelationships of economic growth, economic development and foreign trade will be introduced. In Chapter 2, decision making process of

internationalization and importance of risk perception in this decision making process and risk management process and perceived risk from international market will be examined. Chapter 3 will present detailed risk analysis of delivery and payment terms.

In Chapter 4, the field studies' results on Aegean Exporter Companies' perceived risk from international market and prevention methods will be presented.

**RISK ANALYSIS OF PAYMENT AND DELIVERY TERMS IN EXPORT
DEVELOPMENT:
A FIELD STUDY ON AEGEAN EXPORTER COMPANIES**

**CHAPTER 1
ECONOMIC GROWTH, FOREIGN TRADE AND EXPORT
DEVELOPMENT**

The countries, excluding North America, West Europe, Japan and Oceania, are mainly described as underdeveloped countries. When international trade is vital for poverty reduction in all developing countries, the links between trade expansion and poverty reduction are neither simple nor automatic. International trade can play a powerful role reduction in reducing poverty in the least developed countries as well as in other developing countries. But the national and international policies which can facilitate this must be rooted in a development-driven approach to trade rather than a trade-driven approach to development (Unctad, 2004: 97). When the basic indicator of underdevelopment seems to be relatively lowest level per capita income, actually development is a process of including many social, cultural and historical dimensions which are also included in this comparison (Seyidođlu, 1999:597).

A study in The Least Developed Countries Report 2004 by UNCTAD analyzes the population, GDP and Per Capita GDP of country groups for the period of 1990-2002. During this period developed countries increased share from %77.3 to %77.7 and underdeveloped countries decreased from %22.7 to %22.4. When developed countries had increased per capita income by %19.1, underdeveloped countries had increased %8.4 (Unctad, 2004: 347). During this period, the globalization concept is presented by developed countries with the aim of to enable the underdeveloped countries to increase their share in world production and to increase the per capita income. But in contrary when underdeveloped countries were dreaming economic development and social equality, contrary the developed countries increased their wealth and prosperity.

Investigation of sources of long-run economic growth and development has always been an interesting topic for economists. After all, the observed pattern in economic growth across countries and time begs the question why some countries prospered and others did not. The answers of this question are not easy and have many complex approaches. From above mentioned analysis, when most of the countries have almost same GDP ratio allocation, at least underdeveloped countries could not get same per capita income increases because of having high increasing ratio of population than developed countries. Also another dimension and complex approach is to reflect the economic growth to societies' daily life by increasing economic development.

In this first chapter, firstly economic growth and development, later the factors of economic growth will be analyzed. Then the relationship between growth and foreign trade will be underlined.

1.1 DESCRIPTION AND FACTORS OF ECONOMIC GROWTH & DEVELOPMENT

1.1.1 Description of Economic Growth

Economic growth implies increases in per-capita real Gross Domestic Product (GDP), namely widening of the production scale in a country as a whole, or more efficient use of its economic resources to produce goods and services. Since the scale of production or productivity can only be increased in the long run, secular economic growth is considered a long run phenomenon (Kibritçioğlu and Diboğlu, 2001: 1). The stimulating factors of the economic growth are mostly determined by the supply side according to macroeconomic perspective. In another way, the factors that cause “The Production Possibilities Curve” to shift to right side constitutes of subject of growth theory (Kibritçioğlu, 1998: 1).

1.1.2 Factors of Economic Growth

While the economic activities are an important part of life of human since existence of human on earth, it has been studied as a science for 250 years. The economists are mainly studying on the source of economic growth that will enable them to determine the route and reach to Economic Development which is a major responsibility of all governments.

When economic growth is described as expansion of production factors or Very Effective and efficient usage of these factors through technology, there are many factors that will enable to obtain long term and sustainable economic growth. There are many factors that have one-way relation or interaction with economic growth.

The source/factor of growth approach is based on the impact of the rate of growth of capital. When the main source of growth is determined with capital investment, increasing in GDP can not be described only with capital investment. The other factors such as labor (increasing at qualitative and quantitative) and technology are another important factors of growth (Hatipoğlu, 2001: 117).

When at the beginning, capital, labor and government policies are accepted main factors of economic growth, today economic growth is described with a many features have many dimensions of economic, social and political variables. Increasing number of the dimensions and variables are caused improving and widening of description of growth which includes today also economic development, quality of life, education, health, human capital, institutional structure, religion which are briefly studied in the next sections.

The below given table indicates as a wholly possible interactions of factors that are found from many studies by many researchers and summarized by Kibritçioğlu and Diboğlu (Kibritçioğlu and Diboğlu, 2001: 8). After table the interactions of factors are classified according to the growth theories.

Table 1. Possible Interactions in The Economic Growth Process










	Capital and Labor	Technology	Demographic Factors	Geographical Factors and Climate	Cultural Factors	Institutional Factors and Democracy	Income Distribution	Government Policies	Macroeconomic Stability	Economic Growth
1. Capital and Labor	1									
2. Technology	2	11								
3. Demographic Factors	3	12	20							
4. Geographical Factors and Climate	4	13	21	28						
5. Cultural Factors	5	14	22	29	35					
6. Institutional Factors and Democracy	6	15	23	30	36	41				
7. Income Distribution	7	16	24	31	37	42	46			
8. Government Policies	8	17	25	32	38	43	47	50		
9. Macroeconomic Stability	9	18	26	33	39	44	48	51	53	
10. Economic Growth	10	19	27	34	40	45	49	52	54	55

Source: Kibritçioğlu, Diboğlu,2001:8

The first set of explanatory factors includes supply-side variables like domestic capital accumulation, increases in capital stock, foreign direct investment and immigration. The technology block includes learning-by doing, human capital formation, education, research, & development efforts and technological infrastructure in a country. Fertility rate, birth control, participation in the labor force and age distribution in the country comprise the demographic set of influences. The fourth group includes geography, climate and hence, the location and natural resources endowment of a country. Counting role of religion, ethics and language within the boundary of cultural factors which forms group five. Group six includes the level of or improvements to institutions, the legal

system, the financial system, democracy and political stability. Group Six also consists of existence, deeping and efficiency of markets and related legal regulations. Income distribution constitutes the seventh grou Monetary, fiscal, trade, exchange rate, education, technology, health, defense and other relevant policies of governments are one of the most important set of factors used by economists in explaining economic growth as mentioned at eighth grou Finally the degree of macroeconomic stability is included in our framework of growth as the ninth group.

For multilateral interactions:

- sign   represent casualty running from row to column
- sign   represent casualty running from column to row
- sign   represent two way casualty
- color   represent, solid and black arrow show stronger effects comparison to empty arrow
- sign  represent weak or negliable interactions.

Adam Smith's (1776) *An Inquiry into the Nature and Causes of the Wealth of Nations* may be seen as a suitable starting point for economic growth theories. His detailed considerations about growth and its sources present valuable insights in terms of numerous cells in Table1. The Keynesian approach to growth can be viewed as limited to government policies (cells 8 and 10). By the coming times researchers discovered new factors to economic growth that does not have a single dimension, but rather involves regular patterns of change in a number of economic, social, and political variables. The neoclassical theory on the other hand, focuses on capital and labor, demographic factors and technology (cells 1,3,19,10). Endogenous growth theories improve our understanding of growth through clarification of the linkages between technology, institutional factors and

government policies (cells 2,6,19,8,17,10). Institutional economists emphasize the role of institutions and democracy in the process of growth (cells 41,45). Lipset's (1959) approach where the causality is running from growth to democracy (cell 45). When almost all of these growth theories and related empirical studies, however, investigate one-way relations between selected factors and growth, recently, Helliwell (1992), Minier (1998), Hall and Jones (1999), Gallup et al. (1999) and Acemoglu et al. (2000) provide exceptions to the rule: these studies' model complicated interactions between various factors to improve our understanding of growth (Kibritçioğlu and Dibooğlu, 2001: 9-10).

The main factors below mentioned are briefly explained below section.

1.1.2.1 Capital and Labor (Human Capital)

The source of growth approach is based on the impact of the rate of growth of capital and labor inputs, each multiplied by their relative share in national income plus the rate of technical growth. When the main source of growth is determined as capital investment, an additional capital investment will increase the production and also GDP. This ratio is described as capital/return ratio. As a simple example, if the 100 TL investment, increase the GDP 33 TL, this means capital/return ratio is 1/3. From another perspective, if a government is planning to have 7% economic growth, 21% capital investment is needed. But the economic growth cannot be obtained only with capital investment. Also other factors such as labor, technology, natural resources must be added (Hatipoğlu, 2001: 137).

Human capital is a concept that is used to express abilities, capabilities, competencies, health, structure of social life and the education level that are owned by individuals or societies (Ağır and Kar, 2004:5). The expenses to increase the qualitative of human capital in the long term are accepted one of the important factor of economic growth and development. Romer, R. Lucas and other proponents of endogenous growth theory argued that, unlike physical

capital, human capital may be augmented by non-diminishing returns, which permits economic growth to continue indefinitely (Kibritçioğlu and Diboğlu, 2001:4). Dursun (1998) indicates in his study the results of many researches about relation between human capital and economic growth: in a country having more human capital than physical capital, negative affect of the war easily can be eliminated. Japan's and Germany's economic growth after the 2nd World War is a most fitting example of human capital's effect on growth. Romer (1990) Grossman and Helpman (1991) explored the human capital which will create progressive inventions as a main factor for technological development. Also Barro indicates in his study that the follower companies can grow more than the pioneering companies by benchmarking. These studies shows that if a country has more qualified human capital, other countries' invention can be easily copied, adopted and developed, then they can obtain more growth rate than pioneering countries (Dursun, 1998: 84-85).

Education and health expenses are main important tools that enable to increase human capital. Increasing School Life Expectancy effects the economic growth via increasing the human capital from three different ways. More educated manpower: will have more effects on creating and adapting new technologies, will increase capital accumulation, will lead to tendency of decreasing rate of birth and thus will increase families' investment to children (Dursun, 1998. 88).

Hanushek and Wosmann indicates in their study (The Role of Education Quality in Economic Growth) that Educational quality—measured by what people know—has powerful effects on individual earnings, on the distribution of income, and on economic growth. The educational quality in developing countries is much worse than educational quantity (school enrollment and attainment), a picture already quite bleak. Just providing more resources to schools is unlikely to be successful—improving the quality of education will take major changes in institutions. the available estimates of the impact of cognitive skills on outcomes suggest strong economic returns within developing countries. The substantial magnitude of the typical estimates indicates that educational quality concerns are

very real for developing countries and cannot be ignored. The answer to question “Where does the developing world stand today?”: Low quantity of schooling, Low quality of education. A development-Very Effective educational strategy should thus focus not only on sending more children to school, as the second Millennium Development Goal is often interpreted, but also on maintaining or enhancing the quality of schooling (Hanushek and Wosmann, 2007:1,2,13)

Schumpeterian indicates that his growth theory is distinguishing explicitly between physical and intellectual capital, and between saving, which makes physical capital grow, and innovation, which makes intellectual capital grow (Howitt, 2005: 3). Healthier workers are more productive for a variety of reasons – increased vigor, strength, attentiveness, stamina, creativity, and so forth. This means that when health improves the country can produce more output with any given combination of skills, physical capital and technological knowledge. One way to think about this effect is to treat health as another component of human capital, analogous to the skill component (Howitt, 2005: 14).

Schumpeterian indicates in his growth theory that increases in life expectancy have a direct effect on the steady-state average skill level of the population, by affecting the skill-adjusted death rate which constitutes the Very Effective depreciation rate of aggregate skills, and hence affecting the steady-state level of skills per Very Effective worker. (Howitt, 2005: 17) Also Schumpeterian indicates that learning capacity, coping and creativity of a person will have a direct impact efficient usage of sources and increase of GDP (Howitt, 2005:20).

1.1.2.2 Technology, Innovation and Knowledge

While over the ten years the dominant view has been that growth is driven by accumulation of capital which was the view of classical economists, including Karl Marx, post-Keynesian growth theorists such as Sir Roy Harrod or Nicholas Kaldor and all neoclassical theorists including Robert Solow and Kenneth Arrow, it was the great achievement of Joseph Schumpeter to break one-sided view and

bring to the economists' attention a totally different argument about what drives growth, focusing on qualitative rather than quantitative change (Fagerberg, 2001:20).

According to Schumpeter (1934), the main important factor in growth of capitalist system is entrepreneurs' role and application of technical improvements to production process by entrepreneurs, or with his short term "innovation". He mentions that there are five types of innovations (DTM, 2004: 2);

- 1) Supplying a new good, a new style or quality
- 2) Applications the new techniques to production
- 3) Discovering and creating new markets
- 4) Discovering new raw materials or semi-raw materials
- 5) Reorganization of industry

Schumpeter (1934) mentions that, decreasing rate of return because of capitalist system's growth can be turned to upward by innovations which are created by above mentioned process. As long as the creative intellectual human labor is capable of introducing new productive knowledge, the growth will be assured and sustained (DTM, 2004: 2).

Knowledge was defined as a product of human mind, the intellectual labor of homo sapiens. Technology is determined as productive knowledge and technological change is determined as increase in productive knowledge. The initial inputs of production are the natural endowments and the labor of man while the latter consists of both mental and manual components. In all societies, all the inputs and outputs of production are, in principle, of the same origin: labor and (transformed / rearranged) natural endowments. The only difference is that men have now access to a tremendous amount of means of production (transformed natural endowments) embodying accumulated productive knowledge to assist the labor of man in production. In other words, there is more productive knowledge, more means of production and more products to consume, but no less or more

natural endowments. They neither increase nor decrease in quantity but only change shape by human labor. Judging from this angle, there is no distinction in substance between the means of production (capital goods) and consumer goods: both are transformed natural products embodying productive knowledge (Gürak, 2000:23).

If developing countries can direct and educate their young and dynamic population, they will be able to reach the developed countries which have old and static population. Especially after 70's because of new economy's structure, technological development and human capital have a dominant effect that other physical capital and manpower. A study in Brazil indicates that the sources of economic growth are 19% physical capital, 17% labor, human capital 24% and technological innovations 40% (Tuna and Yumuşak, 2003: 4).

Drucker (1981:20) draws the conclusion that: "The next Economics may again have a Theory of Value. It may proclaim that productivity -that is, knowledge applied to resources through human work- is the source of all economic value" And he expects the next economics to "be dynamic and assume risk, uncertainty and change in technology, economic conditions and markets. The existing level of productive knowledge and, more significantly, the creative minded knowledgeable labor force distinctly arise as the most valuable assets of firms as well as of nations, as technological changes appear to be the true long run determinants of the increase of wealth of nations" (Gürak, 2000:3).

Romer (1990), Grossman and Helpman (1991) researched the technological development in developed countries. And they found that in developed countries, technological development is based on finding new products and increasing quality or productivity of current products. In these countries, stable growth is obtained by technological development. Also capital's decreasing rate of return is not valid for technological development and infinitive of new ideas and products.

Corrado, Hulten, and Sichel draws in their study that the rapid expansion and application of technological knowledge in its many forms (research and development, capital-embodied technical change, human competency, and the associated firm-specific co-investments) is a key feature of recent U.S. economic growth. Our results also suggest that the inclusion of intangibles both as an input and as an output can have a large impact on our understanding of economic growth. The intangibles (“knowledge capital” or “the knowledge economy,” it is equally inappropriate to ignore the association between innovation, human capital, and knowledge acquisition, on the one hand, and investments in intangibles, IT capital, labor quality change, and multifactor productivity), and more generally, knowledge capital should be such an important driver of modern economic growth is hardly surprising, given the evidence from every day life and the results of basic intertemporal economic theory (Carol Corrado, Charles Hulten, and Daniel Sichel, 2006: 32).

Cardoso and Soukiazis conclude in their study that the remarkably higher Irish growth rates in the 1990s are sourced to greater productivity growth resulting from higher investment in human capital and technology (Cardoso and Soukiazis, 2008: 157).

1.1.2.3 Foreign Direct Investment and Growth

Foreign Direct Investment has been one of the core features of globalization and the world economy over the past two decades. It has grown at an unexpected pace for more than a decade, with only a slight interruption during the recession of the early 1990’s. More firms in more industries from more countries are expanding abroad through direct investment than ever before, and virtually all economies now compete to attract multinational enterprises. Most developing countries were starting to look to foreign direct investment as a source of capital. Foreign Direct Investment was mentioned only as a source of capital. But today FDI is not only determined as a source of capital. Transfer of technology and managerial knowledge is the main difference when compared with other financial investments. When the main factors of economic growth are

technology, capital, learning by doing increasing organizational competencies, FDI is mentioned as an important source of these factors. FDI has an indirect effect on economic growth besides these direct effects as; increase employment, efficient allocation of resources, increase comparative advantage of host country (Candemir and Tanyeri, 2006: 55).

During developing countries contend with underdevelopment, when they are efforting to expand gross domestic product, they will face the shortage of capital and technology. Walz explored in his study that the impact of foreign direct investment based on private production knowledge as a specific asset in a dynamic general equilibrium model with endogenous technological change. FDI enables the less advanced economy to learn from the production activities of MNCs in that country (Walz,1997:13). Also FDI can contribute to the economic growth of Low Developed Countries via human resource development, managerial skills, consumption pattern, appropriateness of the technology and distribution of power and wealth (Şen, 1998:7).

Mengistu and Adams indicate FDI's effects on economic growth in their study which empirically examines this issue for a cross section of 88 developing countries. The inflow of foreign direct investment (FDI) around the world has increased dramatically in the past two decades. In the developing world, FDI has become the most stable and largest component of capital flows. As a result, FDI has become an important alternative in the development finance process. There are many reasons why FDI should promote economic performance, including: the injection of capital: transfer of production technology: employment creation: improved managerial and marketing competence: and enhanced competitiveness of domestic firms (Mengistu and Adams, 2007: 223).

1.1.2.4 Institutional Factors and Growth

Although, expansion in production factors and technological improvement are considered as main factors of economic growth, institutional

factors have also significant effects on economic development in the long term. Karakayalı and Yanıkkaya indicate in their study that the democratic indicators has a strong effect to explanation of growth in developing countries, Very Effective law system and management mechanism have a strong effect to explanation of growth in developed countries (Karakayalı and Yanıkkaya, 2004:1).

There are many difficulties at description and measuring of institutional background and their affects to economic growth. The studies about institutional background and economic growth can be separated to three groups. In the first group studies found that there is a positive correlation had been found between economic growth and superiority of law, private property rights, Very Effectiveness of public management, level of unlawful actions. In the second group studies found that there is a positive correlation had been found between economic growth and political rights, civilian liberty and many different democratic indicators. In the third group studies found that there is a positive correlation had been found between economic growth and providing macroeconomic stability, auditing the markets, providing social security guarantee, level of Very Effectiveness when solving political and social problems (Karakayalı and Yanıkkaya, 2004:3).

The another study by Eichengreen and Iversen (1999) aimed to analyze the institutional determinants of economic performance, taking European labor-market institutions, indicates that European economic growth after 2nd World War based on Fordist technologies, a setting to which the continent's institutions of solidaric wage bargaining were ideally suited. Fordist mass production inevitably gave way to diversified quality production which relied more on highly skilled workers and less on brute-force inputs of capital and labor. Writers are mainly attracting the attention of importance of institutions and need for institutional adaptation to market enable to encourage the economic growth. They assume that growth will rely even more in the future than in the past on rapidly changing, science based, skilled-based intensive technologies, countries with centralized

labor-market institutions will have to move still further in the direction of decentralization (Eichengreen and Iversen, 1999:121).

Helliwell (1992) detects a positive effect of growth on democracy and reports a negative but insignificant reverse effect. In addition to this reciprocal effect with in cell 45 in Table.1, he also considers a positive indirect effect of democracy on growth, flowing through effects of democracy on education and investment (cell 6) which compensates for the weak negative direct effect of democracy on economic growth. Minier (1998) focuses on both direct effects of democracy on growth and indirect influences of democracy on growth through education and the rule of law. According to Minier, democratizing countries grow faster than a priori similar countries, while others that become less democratic grow slower than comparable ones (Kibritçioğlu and Diboğlu, 2001:10).

Hall and Jones (1999) argue that international differences in levels of output-per-worker are determined by differences in human and physical capital accumulation and productivity but this is not the whole story. Productivity is highly correlated with human capital accumulation and moderately correlated with the capital-output ratio. Capital and factor productivity are determined primarily by social infrastructure defined by Hall and Jones as a combination of institutions and government policies that form the economic environment within which individuals accumulate skills, and firms accumulate capital and produce output. Social infrastructure is in turn endogenized by assuming that institutions and government policies are a function of geographical and linguistic characteristics of a country (Barro and McCleary, 2003: 3).

1.1.2.5 Natural Resources

In many studies, natural resources' supply is accepted as constant. But filling of lake and sea, taming of marshes, widespreading of watering, discovering new mines will positively affect expansion of production factors (Seyidoğlu, 1999: 98).

1.1.2.6 Other Factors of Growth

Some researchers, such as Huntington (1996), Landes (1999), and Inglehart and Baker (2000), argue that explanations for economic growth should go further to include a nation's culture. Culture is usually thought to influence economic outcomes by affecting personal traits such as honesty, thrift, willingness to work hard, and openness to strangers. Religion is one important dimension of culture. Thus, Weber (1930) argued that religious practices and beliefs had important consequences for economic development. Nevertheless, economists and other researchers have paid little attention to religion and other measures of culture as determinants of economic growth (Barro and McCleary, 2003: 1).

In Barro and McCleary's study (2003), how religiosity affects aggregate economic performance, the analysis of the determinants of religiosity allows them to construct a set of instrumental variables to use to estimate the effects of religion on economic growth. This study consists of 59 sample countries that are primarily Christian. The predominantly Muslim countries are Bangladesh, Malaysia, Pakistan, and Turkey. Countries that have predominantly eastern religions (including Buddhist), among persons expressing some religious adherence, are China, Hong Kong, Japan, South Korea, Singapore, Taiwan, and Thailand. Malaysia also has substantial representation in these religions.

The results show that, higher religious beliefs (monthly church attendance, belief in hell, and belief in heaven) stimulate growth because they help to sustain aspects of individual behavior that enhance productivity. Also higher church attendance depresses growth because it signifies a larger use of resources by the religion sector, and the main output of this sector (the religious beliefs) has already been held constant. Also, there is some indication that the stick represented by the fear of hell is more potent for growth than the carrot from the prospect of heaven (Barro and McCleary, 2003: 37).

A study by Yilmazer and Güloğlu (2003) measured the effects of macroeconomic indicators to economic growth. They used Increase in Per Capita GDP as dependent variable and Investment Ratio, Inflation Ratio, Value Loosing Ratio of Capital, Open Market Ratio of Economy as independent variables for regression analysis. After analyzing the regression results they found four results: The first result is: At the beginning the lower income countries will be able to reach to high income countries by the clause conditional convergence. The second result is: there is a direct positive relationship between investment and development. The third result is: there is a negative relationship between inflation and development. The fourth result is: There is a negative and meaningful relation between value losing ratio of capital and growth. The fifth result is: there is a positive and meaningful relation between open market ratio of economy and growth (Yilmazer and Güloğlu, 2003: 7).

A study about “Volatility and Investment” uncovers statistically significant negative correlation between private investment and many set of variables which consists of volatilities in Government consumption as a share of GDP, Nominal Money Growth and Real Exchange Rate in a set of forty developing countries. The second result is, in contrast there is a significant positive correlation between public investments and these volatilities (Marion and Aizenman, 1999: 159).

1.1.3 Economic Growth & Economic Development

When economic growth implies increases in per-capita real Gross Domestic Product (GDP), economic development per se encompasses a wide range of phenomena ranging from indicators of “quality of life” to “human development,” the increase in per-capita GDP is a major component of economic and social development. Since the scale of production or productivity can only be increased in the long run, secular economic growth and development are considered a long run phenomenon. (Kibritçioğlu and Diboğlu, 2001: 1).

When, for a long time, GDP per capita and GDP-related indicators has been most widely used statistic for measuring a nation's economic growth in a particular national development in general, and for international comparisons, aspects of development, later awareness has grown about limitations of welfare or national progress. Then HDI (Human Development Index) had been created as a clear statement to measure the link between economic growth and human progress after the several types of criticism had grown to GDP which will not be able to measure and compare complex qualitative and descriptive social, political and other aspect of development such as, to be imperfect indicator of country's wealth and physical comfort, omitting many important non-market economic activities, price differences in countries will not allow the compare the welfare of nations (Tilak,1992:31-33)

- The human development index (HDI) which is constructed from indicators that are available globally using a methodology that is simple and transparent. UNDP had described HDI in Human Development Report 2007/2008 as a composite index that measures the average achievements in a country in three basic dimensions of human development (UNDP, 2007: 225);

- A long and healthy life,
- Access to knowledge
- A decent standard of living

These basic dimensions are measured by (UNDP, 2007: 225);

- Life expectancy at birth,
- Adult literacy and combined gross enrolment in primary, secondary and tertiary level education,
- Gross domestic product (GDP) per capita in Purchasing Power Parity US dollars (PPP US\$), respectively

Table 2. Human Development Index

HDI RANK	Country	Human Development Index (HDI) Value 2005	Life Expectancy at Birth (Years) 2005	Adult Literacy Rate (%Aged 15 and above) 1995-2005	Combined gross enrolment ratio for primary, secondary and tertiary education (%) 2005	GDP per Capita (PPPUS\$) 2005	Life Expectancy Index	Education Index	GDP Index	GDP per capita (PPP US\$) rank minus HDI Rank
1	Iceland	0.968	81.5	d	95.4	36.510	0.941	0.978	0.985	4
2	Norway	0.968	79.8	d	99.2	41.420	0.913	0.991	1.000	1
6	Sweden	0.956	80.5	d	95.3	32.525	0.925	0.978	0.965	7
12	USA	0.951	77.9	d	93.3	41.890	0.881	0.971	1.000	-10
39	UAE	0.868	78.3	88.7	59.9	25.514	0.889	0.791	0.925	-12
70	Brazil	0.800	71.7	88.6	87.5	8.402	0.779	0.883	0.740	-3
73	Kazakhstan	0.794	65.9	99.5	93.8	7.857	0.682	0.973	0.728	1
81	China	0.777	72.5	90.9	69.1	6.757	0.792	0.837	0.703	5
84	Turkey	0.775	71.4	87.4	68.7	8.407	0.773	0.812	0.740	-18
91	Tunisia	0.766	73.5	74.3	76.3	8.371	0.808	0.750	0.739	-23
108	Syrian	0.724	73.6	80.8	64.8	3.808	0.811	0.755	0.607	7
136	Pakistan	0.551	64.6	49.9	40.0	2.370	0.659	0.466	0.528	-8
151	Zimbabwe	0.513	40.9	89.4	52.4	2.038	0.265	0.770	0.503	-9
158	Nigeria	0.470	46.5	69.1	56.2	1.128	0.359	0.648	0.404	4
169	Ethiopia	0.406	51.8	35.9	42.1	1.055	0.446	0.380	0.393	-5
177	Sierra Leone	0.336	41.8	34.8	44.6	806	0.280	0.381	0.348	-5

(Source: UNDP, 2007: 229-232)

Below given table, The Human Development Index Table, provide a global assessment of country achievements. The table includes data for 175 UN member states. 17 countries had been selected to analyse the relationship between HDI Index Rank and GDP Per Capita Income (PPP). There is a high correlation between HDI Index Rank and GDP Per Capita Inca (PPP). GDP Per Capita main important indicator for HDI calculations.

The rightest column “GDP per capita (PPP US\$) rank minus HDI Rank” indicates reflectaion of HDP Percapita Income (PPP) to HDI Rank:

- (+) Plus values refer: there is a more reflection of GDP Par Capita to HDI in this country,
- (-) Minus values refer: there is a more reflection of GDP Par Capita to HDI in this country

From definitions, can be defined that when economic growth is affecting economic development, cultural and social developments which are compulsory conditions of economic development in the long term for obtaining sustainable economic growth. In the long term, social and cultural development will be the role of function as a progressive engine for economic growth.

Additional to this Human Development Index, in many studies some indicators have been used such as energy consumption per capita, death rate, electricity consumption per capita, fax machine-computer-tv-car per capita, daily newspaper circulation per capital (Seyidoğlu, 2002: 597).

Yilmazer and Güloğlu determine the mutual interaction between economic growth and development in their study. When high level of development by endogenous factors increase investments’ productivity, from other side, high level of income received by economic growth will bring to change level of development. This study covered 76 companies, and data are collected from the period of 1970-1995. The results show that there is two different country groups: first one includes 58 countries and the second one includes 18 countries.

The first group is under the critical point, the second group over the critical point. The effects of human development to economic growth are different in both groups. When the progress in human development increases the economic growth at same ratio in first group, in second group this effect 11 times more than human development increases (Yilmazer and Güloğlu, 2003:1-10).

When underdeveloped countries were dreaming economic development: social equality, increased their wealth and prosperity, the national economic development program must clearly indicate improvement in development criterias. The National Strategy for Growth and Reduction of Poverty (NSGRP) of Tanzania which is declerated by Tanzanian Government in 2005 is focused on poverty reduction high on the country's development agenda. The NSGRP is informed by the aspirations of Tanzania's Development Vision (Vision 2025) for high and shared growth, high quality livelihood, peace, stability and unity, good governance, high quality education and international competitiveness. It is commit ted to the Millennium Development Goals (MDGs), as internationally agreed targets for reducing poverty, hunger, diseases, illiteracy, environmental degradation and discrimination against women by 2015. It strives to widen the space for country ownership and Very Effective participation of civil society, private sector development and fruitful local and external partnerships in development and commitment to regional and other international initiatives for social and economic development (The United Republic of Tanzania, 2005: 1).

1.2 FOREIGN TRADE, EXPORT DEVELOPMENT AND ECONOMIC GROWTH & DEVELOPMENT

Import-substitution, export and enlargement domestic supply are the main stimulator sources of economic growth. When import-substituted economies are mainly constructed on production for domestic market, highly intensive protection of all industries by custom borders, having high intervention such as determining exchange rate, interest rates, contrary Export-Oriented Industrialization refers integration and adaptation to international market. Many

practices show that during the contend of economic growth less developed and developing countries even if import-substitutions and enlargement in domestic market supply may create economic growth in short term, in the long term it is not possible to expect the sustainable economic growth without using export's static and dynamic benefits. Furthermore, the globalization's high level of international economic and monetary interaction is causing unreachable any economic growth policies without contribution of foreign trade. (Seyidoğlu, 1999: 598-602).

Ghirmay, Grabowski and Sharma (2001) examined in their study the relationship between export and growth for 19 less developed countries. They argued that export growth could cause economic growth via two pathways: through increasing investments (capital accumulation) and/or enhancing efficiency. To empirically test the above arguments the relationships between exports, investment, and GDP growth in 19 LDC's have been investigated. The results of the causality analyses indicate that exports cause GDP in 12 countries. Further, export expansion is found to cause investment in 12 countries. Overall, it is found that in 15 out of the 19 countries there is evidence that export expansion may lead to economic growth by either increasing the volume of investment or by improving efficiency or both. The effect of exports on economic performance seems to occur most often via both the efficiency and accumulation effects. Out of the 15 countries where export expansion is found to affect economic growth, for 9 of them the effect is through both channels, in 3 countries it is through improving allocative efficiency, and in 3 countries it is through increasing the volume of investment. In addition, it was hypothesized that developments in the domestic economy, i.e., growth in GDP and investments, may lead to the expansion of the export sector. This was also found to be true in 10 countries. Furthermore, it was found that in 14 countries growth in GDP causes growth in investments and in 10 countries growth in investments cause growth in GD Finally, the growth processes in East and Southeast Asia would appear to be quite different. South Korea's economic performance seems to be closely linked to export growth. Alternatively, in Southeast Asia internal development drives exports with exports themselves

having relatively small effect on GDP (Ghirmay, Grabowski and Sharma, 2001:695).

The studies that indicate the contribution of export to economic growth are: Fosu (1990a) indicates in his study in 1990 that export growth may lead to an increase in the scope for economies of scale due to an enlargement of the market size, and encourage the allocative efficiency and competitiveness of exporting firms. Increased exports may also affect aggregate output by relaxing the foreign exchange constraint. By helping to increase the imports of intermediate inputs, export expansion relaxes a crucial bottleneck and facilitates the export of inputs embodying recent techniques. Kruger indicates in his studies in 1994 that according to endogenous growth theory, exports may increase long-run growth by allowing the economy to specialize in those sectors with scale economies that arise from research and development, human capital accumulation, or learning by-doing. The non-export sector could also benefit from positive externalities such as improved management styles and more efficient production technologies generated by the export sector through increased trade (Abdulai and Jaquet, 2002:2) and the exporter company also will develop the domestic market demand by new or improved products experienced from global markets (Seyidoğlu, 1999:114).

The study by Kwan, Cotsomitis and Kwok (1999) tested the invariance assumption of the export growth variables in a commonly used output regression model for three newly industrialized economics, namely Hong Kong, Singapore and South Korea. Firstly they established Output Growth equation by many variables for each country. The results in Korea (1953-92) indicate that export effects positively after 1963. Also they found that both investment and labor force do not seem to have good explanatory effect in the output growth equation. The results in Hong-Kong (1969-1992) indicate that real export growth has a positive effect on output growth, although its effect diminishes after 1976. Note also that the labor force variable is statistically insignificant while investment-GDP ratio appears to have positive and significant impact on output growth. The results in

Singapore (1965-91) indicate that the coefficient of real export growth is not structurally invariant (Kwan, Cotsomitis and Kwok, 1999:495-498).

The another study from Federi and Marconi examined the hypothesis of export-led growth for Italy by using four macroeconomic variables: an index of the GDP of the rest of the world: the Italian real exchange rate: Italian real exports: and the Italian real GDP. They used Kaldorian approach for short and long run analysis. The study provides clear empirical support for the export-led growth hypothesis for Italy. The impulse-response analysis shows the positive cumulative effects of export growth on GDP growth for Italy. They found that world demand (through exports), in general, largely contributes to the economic growth of the country (Federi and Marconi, 2002: 336).

While the studies until 1980 were determining the high correlation between growth in export and growth in GDP, after mid 1980's studies were focused on determining casualty and the direction of the relationships (Gübe, 1997: 23). The recent study by Jung and Marshall in 1985 argued that growth mechanism are "internally generated" better explain the growth of exports. Also Bragwati in 1988, Grossman and Helpman in 1991 suggested that there is a reciprocal relationship between these two variables (Abdulai and Jaquet, 2002:2). Darrat's study in 1987 to find out correlation of export growth-GDP relationship growth by casualty test suggests that: there is a positive correlation between export and GDP growth in South Korea, Singapore, Hong Kong and Taiwan. But in casualty test, exempt Korea, the export-led growth thesis is rejected. The assumption from this study is economic growth is obtained by the highly contribution of technological improvement and increasing productivity of labor. This economic growth can not be explained by only export's contribution (Gübe, 1997: 19-20).

Ahmad indicates in his study that at its most obvious level, growing exports raise the level of GDP, since they are part of it. In addition, in economies where growth depends on imported capital goods and other essential inputs not

produced domestically, export are necessary “price” for initiating and sustaining economic growth. He also indicates that the variety of interrelationships between export and growth is in two-way feedback (Ahmad, 2001:147-148).

Çetintaş and Barışık analyses the relationships between export, import and economic growth for the 13 transition economies. They found existence of a relationship in the long run between export, import and economic growth. While there is a casualty from growth to export and their findings are not supporting reverse casualty. Unidirectional causality from economic growth to export suggests that growth-led export hypothesis is applicable in those countries. In other words, the increased productivity in production brings about a rise in competitive powers of those countries in terms of price and quality and as a result, it leads to a boom in export in the long term. There is a bidirectional causality relationship between import and growth, which in return shows that import and economic growth interact with each other. This finding can be construed as: the import of inputs and technologies required for a faster growth of the countries recently entered into market economy plays an important role in economic growth. It is a most commonly accepted opinion in the literature that unavailability and absence of the import inputs required for industrialization of such countries produces negative effects on economic growth. When the production increases, the incomes of such countries also increase, and this increase observed in production and income causes more import compared to industrialized countries. Another finding of this study is the relationship between export and import. There is a feedback relationship between export and import. The relationship between import and export, and findings about the relationship between import and growth in these countries demonstrate that export has been affecting economic growth considerably through import (Çetintaş and Barışık, 2009: 647).

Çetintaş and Barışık also indicates in their study that however, as import-based growth will lead to rapid increases in good and service demands, this may result in gradual deterioration in the foreign positions of these countries. Thus, in

order to avoid serious financing problems and to maintain sustainable growth, it is important that import demands in those countries be covered with adequate export revenues (Çetintaş and Barışık, 2009: 648).

CHAPTER 2

TRANSITION FROM NATIONAL MARKETS TO INTERNATIONAL MARKETS AND RISK MANAGEMENT

As mentioned at prior section that for a longterm sustainable growth will not be able to obtained without using export's static and dynamic benefits. Furthermore, the globalization's high level of international economic and monetary interaction is causing unreachable any economic growth policies without contribution of foreign trade.

From microeconomic perspective, both domestic and international companies, from macroeconomic perspective, governments and whole economies will need export's static and dynamic benefits. Economic Development and Growth which are a major responsibility of all governments, governments must encourage the companies to cross to international market.

The encouragement process must include understanding process of internatilization, crossing to international market and decision making process of crossing to international market. When a company perceives the risk of exporting more than benefits will decide not to cross international market. The perceived risk from international market and minimization method of this risk are very important topics in order to encourage the domestic company to international market.

In this section decision making process to cross the international market, the risk which comes from international market will be analyzed. After risk management process and export risk management process will be underlined.

2.1 TRANSITION TO INTERNATIONAL MARKET AND EXPORT DECISION MAKING PROCESS

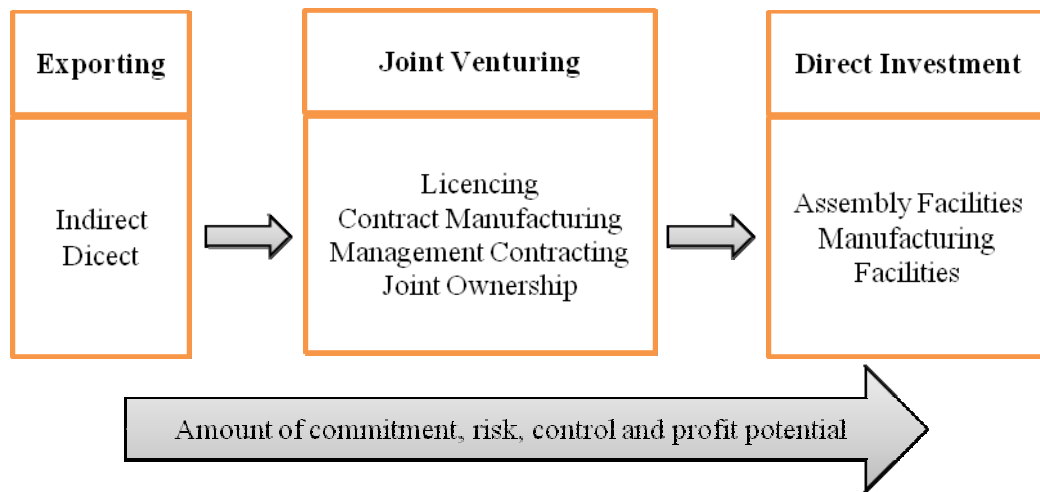
As mentioned prior sections that in the long term it is not possible to expect the sustainable economic growth without involving in global market. Also on the level of the firm, international markets offer many opportunities. Once a company has decided to sell in a foreign country, it must determine the best mode of entry. In below section the mode of entry to international market and export decision making process will be described.

2.1.1 Transition from National Market to International Market

When a company evaluating to operate in international market, firstly it must it must determine the best mode of entry. Its choices are exporting, joint venturing and direct investment. Below table shows three market entry strategies, along with the options each one offers. As the figure shows, each succeeding strategy involves more commitment and risk, but also more control and potential profits.

Exporting is the simplest way to enter foreign market. The company may passively export its surpluses from time to time or it may make an active commitment to expand exports to a particular market. In either case, the company produces all its goods in its home country. It may or may not modify them for the export market. Exporting involves the least change in the company's product lines, organizations, investments or missions (Kotler and Armstrong, 2002: 726-727).

Figure 1. Market Entry Strategies



(Source: Kotler and Armstrong, 2002: 727)

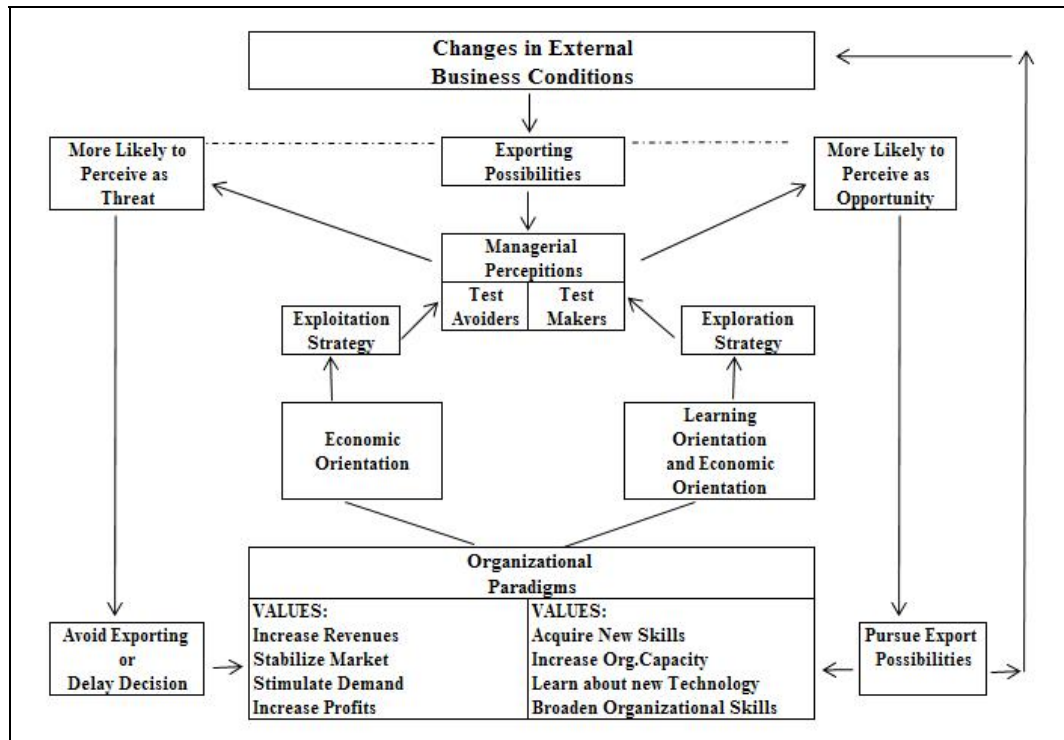
Many governments are promoting exports in order to strengthen the nation's trade balance and increase its world market share in critical industries. When large sized companies can be able to analysis international market opportunities and Risk, medium and small sized companies which earn only a small percentage of their revenues from international sales, are not aware of this opportunities and risk.

2.1.2 Export Decision Making Process

Burpitt and Rondinelli indicates the results in their study, "Export Decision-Making in Small Firms: The Role of Organizational Learning", during the decision making process, economic uncertainties, risk and the opportunities that come from exporting are very important critical points when medium and small sized firms are evaluating to enter international market. For a long term sustainable export development the government programs seeking to promote exports by small firms must provide assistance that helps them reduce economic uncertainties and Risk perceived from international market. Also Assistance programs must help small firms to overcome obstacles to foreign market entry and

recognize the opportunities that can come from exporting (Burpitt and Rondinelli, 1998: 64).

Figure 2. Conceptual Model of Exporting Decision Making Process



(Source: Burpitt and Rondinelli, 1998: 66).

When decision-makers deciding to go or not to export, they evaluate the opportunities (benefits) and threats (Risk) comes form exporting. The decision maker’s perception on “MORE LIKELY TO PERCEIVE AS THREAT” or “MORE LIKELY TO PERCEIVE AS OPPORTUNITY” is very important to decide to go global market or not. (Burpitt and Rondinelli, 1998: 63).

The benefits of exporting are mainly determined as: increasing revenues, to stabilize market fluctuations, new demand for products, increase profits, acquire new skills, increase organizational capabilities, learn new technologies, chance to broaden organizational skills (Burpitt and Rondinelli, 1998: 60).

All these advantages (benefits) do not remove the existing obstacles to international market prosperity. Smaller firms in particular tend to encounter five types of export-related problem areas (Czinkota, 1996: 2);

One of these concerns **logistics**: arranging transportation, determining transport rates, handling documentation, obtaining financial information, coordinating distribution, packaging and obtaining insurance.

Another one consists of **legal procedures** and typically covers government red tape, product liability, licensing and customs/duty issues.

The servicing of exports is a third area, where the firm needs to provide parts availability, repair service and technical advice.

Sales promotion is a fourth area: firms need to cope with advertising, sales effort and the obtaining of marketing information.

The fifth problem area concerns **foreign market intelligence**, which covers information on the location of markets, trade restrictions and competition overseas.

Also financial problems which can be described as payment Risk, foreign exchange rate.

These obstacles, both real and perceived, often prevent firms from exporting. Many managers often see only the risk involved in exporting rather than the opportunities that the international market can present.

During the decision making process the decision maker's perception for to decide exporting is very critical. When the decision makers are aware of benefits of exporting and know how to minimize or eliminate the Risk comes

from international market, will be able to easily decide to cross to international market.

2.2 RISK

It is a matter of definition that the running of any organization is primarily concerned with the achievement of objectives. The organization exists for a purpose. In the private sector, the primary purpose of an organization will generally be concerned with the enhancement of shareholder value: in the central government sector the purpose is generally concerned with the delivery of service or with the delivery of a beneficial outcome in the public interest. In a daily business life all managers face on a position of to decide a decision from different alternatives in order to reach organizational objectives. Managers have to use some instruments and decision making process to select appropriate alternative in order to achieve organizational objectives (HM Treasury, January 2001: 2).

Decision makers face to three situation during decision making process: Certainty, Risk and Uncertainty. When the decision makers use some variables for decision making process if all the variables definitely are known called as certainty. Although some of variables definitely aren't known but the variables value can be predicted in a definable interval and the probabilities can be measured, called as risk. At least some variables definitely aren't known and also the variables value can not be predicted called as uncertainty (Tevfik, 1997: 3).

In a certainty situation, decision makers will easily to decide because of definitely know variables. In a uncertainty situation, managers will not easily to decide because of definitely unknown variables. Otherwise on uncertainty situation taking a decision will bring maximum level of risk.

In a risk situation, decision makers, after analysis of risk through using risk analysis process, will be able to decide a decision according to their risk taking desire. During this process decision makers will be able analyze that which

risky variable can be transferred or eliminated, which risky variable's risk level can be minimized and at least which level of risk will be accepted and taken. Managers/Decision makers therefore need to be equipped with skills and tools which allow them to have a reasonable assurance of achieving their objectives with reasonable value for money. Then this process will give many Very Effective instruments on decision making process.

2.2.1 Description of Risk

When the term risk has a variety of meanings in business and everyday life, at its most general level, risk is used to describe any situation where there is uncertainty about what outcome will occur (Harrington & Niehaus,2003:1), the main difference between the risk and uncertainty is finding out probability distribution of outcome (Tevfik, 1997:3).

According to Hofstede when the risk is defined as probability ratio of outcome, uncertainty is defined as expectation of outcome not depending on a probability and create anxiety. When the decision makers can define the uncertainty with a probability the anxiety will not occur. Risk is a external variable which can be measurable and controllable through spending a insurance cost. But uncertainty is a external variable, because of lack of data, can not be categorized, can not be structured, (Erdem, 2001:44) can not be measured, when defined as lack of information can not be filled with any information (Alada,2001: 21). When the two dimension of uncertainty is defined as ignorance and surprise, the two dimension of risk is defined as danger and probability (Yalçinkaya & Özsoy).

Another approach according to Fıkrkoca, as a complex concept, risk can be expressed as simple definition: potential problem, danger or loss which must be controlled by risk management process that will enable managers to define, to manage/control and minimize the negative effect and turn it to positive effects (Fıkrkoca, 2003:23).

The main features of risk are:

- Generally fully and clearly unknown or projected
- Can change by time
- Can be manageable concept
- Has a negative effect on outcomes (Fıkrkoca, 2003:25)

Risk refers to the uncertainty that surrounds future events and outcomes. It is the expression of the likelihood and impact of an event with the potential to influence the achievement of an organization's objectives. (Treasury Board of Canada, 2001:4)

The essence of the risk is the uncertainty of outcome (whether positive and negative). The term exposure refers to the combination of the probability of these potential events and the magnitude of their impact.

- **Probability:** The evaluated probability of a particular outcome actually happening (including a consideration of the frequency with which the outcome may raise).

- **Impact:** The evaluated effect or result of a particular outcome actually happening (Treasury Board of Canada, 2001:6)

2.2.2 Classification of Risk

As a whole managerial perspective for organizational objective, there are many types of classification Risk. HM Treasury classifies the risk as follows:

Table 3. HM Treasury Risk Classification

External	
1. Infrastructure	Transport system for staff and delivery of goods, power supply system, dependency for internet and e-mail, suppliers, business relations with partners,
2. Economic	Interest rates, inflation, exchange rate, taxes,
3. Legal and Regulatory	Relating to the laws and regulations which if complied with should reduce hazards (Eg- Health and Safety at Work act)
4. Environmental	Relating to the issues such as fuel consumption and pollution
5. Political	Relating to possible political constraints such as change of government
6. Market	Relating to issues such as competition and supply of goods
7. "Act of God"	Relating to issues such as fire, flood, earthquake
Financial	
8. Budgetary	Relating to availability of resources or allocation of resources
9. Fraud and Theft	Relating to the unproductive loss of resources
10. Insurable	Relating to potential areas of loss which can be insured against
11. Capital Investment	Relating to the making of appropriate investment decisions
12. Liability	Relating to the right to use or to be used in certain circumstance
Activity	
13. Policy	Relating to the appropriateness and quality of policy decisions
14. Operational	Relating to the procedures employed to achieve particular objectives
15. Information	Relating to the adequacy of information which is used for decision making
16. Reputational	Relating to the public reputations of the organization and consequent effects
17. Transferable	Relating to risks which may be transferred or to transfer of risks at inappropriate cost
18. Technological	Relating to the use of technology to achieve objectives
19. Project	Relating to project planning and management procedures
20. Innovation	Relating to the exploitation of opportunities to make gains
Human Resources	
21. Personnel	Relating to availability and retention of suitable staff
22. Health and Safety	Relating to the well-being of people

(HM Treasury, 2001: 5)

According to Fıkrkoca the risk can be classified as:

1. Relating to support/process
2. Relating to political
3. International Risk
4. National Risk
5. Relating to contracts
6. Relating to environment (Fıkrkoca, 2003:44)

According to Fıkrkoca the risk also can be classified as:

1. Strategic/market technology, stakeholders
2. Management/ organization, management system an philosophy, process, management information system, infrastructure
3. Business / Resources, customers, cost, table, quality, data, information (Fıkrkoca, 2003:44)

Also the risk can be classified according to ability to control of risk as: high (operational), moderate (reputation), low (natural disasters)

2.2.3 Sources of Risk

There are many type of classification of the sources of risk. According to Treasury Board of Canada Secretaries, source of risk is determined as:

1. External Sources: Political, economic, natural disasters,
2. Internal Sources: Reputation, security, knowledge management, information of decision making. Treasury Board of Canada Secretaries,2001: 8)

2.3 RISK MANAGEMENT IN BUSINESS MANAGEMENT

In today's world, change and uncertainty are constants. In recent years, the volume of international trade has increased enormously due to the effects of globalization and liberalization of trade. However, political and economic changes, changes in consumer demand, market structures, product and market life cycles, domestic and foreign competition and the degree of effects caused by these changes became more and more significant. Such changes also cause uncertainty for the firms and thus, the firms making or intending to make business globally are obliged to implement dynamic strategies and action plans due to this volatile environment.

The structure of the society in the evolution was called several terms. It was called “traditional society” and then “industrial society”. And this structure was transformed into “information society” that is in focus about computer and communication technologies. In information society, technological improvements that arise from scientific improvements and influence all the fields of society, are more quick and more entirely than industrial society. In information society, appearance of continuous innovations, new technologies, new goods and new paradigms provides creating the confident life. On the other hand, this takes place risk and uncertainty. So, information society is in an evolution process, and structure of risk society arises (Yalçınkaya and Özsoy, 1).

2.3.1 Description and Objectives of Risk Management

Risk management is a discipline which is a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, acting on and communicating risk issues (Treasury Board of Canada, 2001: 5) Integrated risk management is a continuous, proactive and systematic process to understand, manage and communicate risk from an organization-wide perspective.

The main objective of risk management is to down the Risk, uncertainties and theirs negative effects to acceptable level Risk management is about making strategic decisions that contribute to the achievement of an organization’s overall corporate objectives by applying it both at the individual activity level and in functional areas (Treasury Board of Canada, 2001: 6)

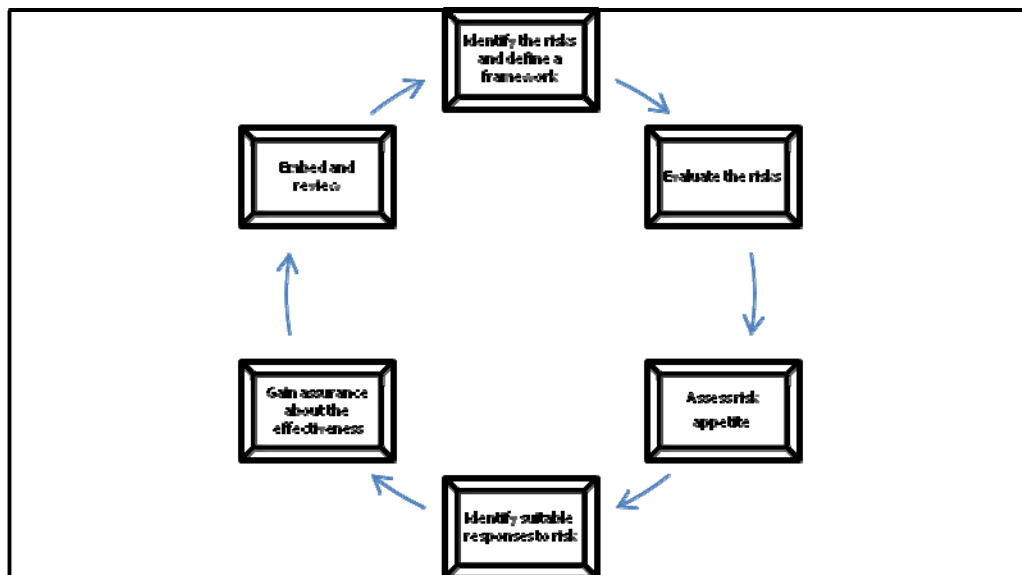
2.3.2 Processes of Risk Management

As mentioned prior sections that risk management is discipline which is a systematic approach and must have been structured. In spite of there are many different type Risk Management process depending on the sector structure such

as risk analysis in medical sector, governmental service, space technology, risk analysis in project management or risk analysis in production process.

HM Treasury advises the risk management process to smaller governmental bodies as: Identify the risk and define framework, evaluate the risk, assess risk appetite, identify suitable responses to risk, gain assurance about the very effectiveness, embed and review which is illustrated below. (HM Treasury, 2001: 3)

Figure 3. The Strategic Risk Management Cycle : Continuous “Cycle” to the Risk Management Process:



Source: HM Treasury, 2001: 3

Treasury Board of Canada indicates The Government’s Approach to Risk Management as six step: risk identification, risk minimization, containment of a peril (once it occurs in order to reduce its impact) an compensation or restoration and recovery (after an incident has occurred) (Treasury Board of Canada, 2001: 2).

Altuğ indicates risk management process in her study “Risk Management and Post Project Evaluation Processes for Research and Development Projects” as: Risk Assessment (identification and analysis), Risk Response Development, Risk Monitoring and Control (Altuğ, 2002: 8-20).

Harrington and Niehaus indicates risk management process in their book “ Risk Management and Insurance” for financial sector as: Identify all significant Risk, Evaluate the potential frequency and severity of losses, Develop and select methods for managing risk, implement the risk management methods chosen, Monitor the performance and suitability of the risk management methods and strategies on an ongoing basis (Harrington and Niehaus, 2003: 8).

COSO, from enterprise perspective, indicates risk management process as: Internal Environment, Objective Setting, Event Identification, Risk Assessment, Risk Response, Control Activities, Information and Communication, Monitoring (COSO, 2004: 3-4).

WA Sports Federation indicates risk management process for Sport and recreation organisations as: Establish the context, Identify Risk, Analyse Risk, Evaluate Risk, Treat Risk, Monitor and Review (WA Sports Federation, 2009: 2)

The basic methodology for NASA’s risk management strategy includes processes to identify, analyze, plan, track, control, communicate and document risk (Perera and Holsomback, 2004: 1).

Risk Management Standard AS/NZS 4360:2004 indicates Risk management process for chemical sector as: Establish the Context (28.8.2006), Identify Risk (28.8.2006), Analyse Risk, Evaluate Risk, Treat Risk (Allen, 2008:1)

Hong Kong Productivity Council indicates risk management process for New Product Development as: Identifying Project Risk, Analyzing Risk,

Prioritizing and Mapping Risk, Planning resolution of targeted Risk, Monitoring Project Risk, Risk Management toolkit, Risk Management approaches and strategies, implementing Project risk management (Hong Kong Productivity Council, 2008: 3)

2.3.3 Benefits of Risk Management

There are lots of benefits a firm can obtain from a Very Effective risk management system such as: better control of uncertainty, clarification of the project objectives, proactive action plans against Risk, Very Effective mitigation by the prioritization of Risk, decrease in the costs that are caused by Risk (Altuğ, 2002, 30), better control of costing system, Very Effective usage of sources, more qualified and experienced organization, empowered and systematic thinking of decision making mechanism, quick response to technological changes, Very Effective strategic planning (Treasury Board of Canada, 2001: 7)

2.3.4 Drawbacks of Risk Management

The benefits of risk management do not remove the drawback of risk management such as: Time consuming, costly and using resources, identification of problems, difficulties in estimations of probabilities and impacts, mitigation strategies introducing Risk of their own, limitations of probability theory, difficulty in understanding the techniques (Altuğ, 2002: 31)

2.3.5 Risk Response Strategies

After risk management process, the decision makers face four different decision alternatives;

Avoidance: Eliminating the risk or condition, or to protect the project objectives from its impact.

Transference: Transferring the responsibility to a third party

Minimization: Reducing the probability and/or consequences of an adverse risk to an acceptable threshold

Acceptance: Doing nothing as a response (Altuğ, 2002: 16)

Management will have to choose one of these strategies according to organizational objectives.

2.4 RISK MANAGEMENT IN INTERNATIONAL MARKET

International market presents additional risk for companies because of crossing the borders, different monetary and fiscal policies, different foreign exchanges and different cultures. In this study, the risk are grouped to 4 main categories as; country risk, financial risk, managerial risk and trade risk.

This study's main objective is to analyse the trade risk (delivery and payment terms risk) which will be analyzed in Chapter 4.

2.4.1 Country Risk

Country Risk are the risk that economic, social, political conditions (Comptroller of the Currency Administrator of National Banks,2008:1) and other external conditions such as natural disaster, social or political unrest of the countries in a foreign country will affect an institution (Bank of Thailand, 2008: 2).. A.M. Best defines the details of these Risk as economic risk (Macroeconomy, Prospects, International Transactions, Government Finance), political risk (Economic Policy, Business Environment, Government Stability, Social Stability, International Diplomacy, Legal System), and financial system risk. (Banking System, Vulnerability, Reporting Standards & Regulations, Sovereign Debt, Government & Legislation, Supervisory authority) (A.M. Best, 2009: 1).

EIU indicates that Country Risk and Forecasts provides all the information you need to assess the current and future opportunities and Risk of operating in overseas markets. Each country risk report includes: Analysis of local financial markets, Credit risk ratings reflecting trade, policy and political threats, Economic growth and financial indicators, International financial flows, Pointers for lenders and investors, Two-year projection of external finances, Each country forecast report provides outlooks for the following: Environmental issues, Exchange controls, External debt, Foreign investment, Foreign trade and payments, GDP growth and its components, Industrial policy, Infrastructure, Interest and exchange rates, Political Scene, Tax regimes, Ten-year growth Picture, Wage and price inflation (EIU, 2006: 2).

2.4.2 Financial Risk

Financial Risk in international market is mainly determined as financial fluctuations cause from international market. More generally, in order to deal with variations in fundamental financial and economic factors, a large variety of financial instruments has been created. Simple derivative contracts (futures, options, swaps, etc.) or more exotic financial products (credit derivatives, catastrophe bonds, exotic options, etc.) are offered to private and institutional investors to transfer their financial Risk to specialized financial institutions in exchange of a suitable compensation (Barrieu and El Karoui, 2005: 1).

Foreign Exchange rate fluctuations became a major source of risk for international firms since the Bretton Woods Agreement collapsed in 1973. Consequently, these internationally operating firms have been using various hedging strategies to cope with the adverse effects of Exchange rate risk on their profits. The firm is export flexible in allocating its output to either the domestic market or a foreign market after observing the exchange risk. On the one hand, international firms can adopt a real hedge by following a flexible sales or input/output policy which allows them to alter their operations according to

realized Exchange rates. Foreign exchange risk is a fluctuations of national currency on through positive and negative way because of the some factors such as political events, economic factors, balance of payments. Foreign exchange risk management and its interaction with real operations play a significant role for an international firm's success. (Adam and Wong, 2002: 2-19). Yıldırım indicates in his study the main factors that effect foreign exchange fluctuations as: political events (%15,9), Central Bank's decisions (%12,1), Fluctuated Rate of Exchange System (%10,6), Export Trend (%10,2), Interest Rates (%7,6), Inflation (%3,4) (Yıldırım, 2003: 121)

Table 4. Foreign Exchange Fluctuations' Effect on Foreign Trade Companies

	Importer Firm	Exporter Firm	Importer and Exporter Firm
Foreign Exchange Rate Increases	Negative	Positive	If import > export, negative
			If import < export, positive
Foreign Exchange Rate Decreases	Positive	Negative	If import < export, negative
			If import > export, positive

(Source: Tanyeri and Yıldırım, 2006: 76)

Hedging is a long term transactions that are applied to eliminate exchange risk of firms. There are lots of different tools and methods to hedge foreign exchange risk. Yıldırım indicates in his study tools and methods at below given table. Foreign Exchange hedging can be classified to main four groups: Forwards, Futures, Options, Swaps.

Table 5. Foreign Exchange Risk Management Tools and Methods

FINANCIAL METHODS	
Internal Methods	Accelerate and delay
	Clearance
	Harmonization
	Foreign Exchange Baskets
	Selecting of Foreign Exchange in Invoicing
Derivative Products	Foreign Exchange Options
	Foreign Exchange Swaps
	Long Term Foreign Exchange Agreements
	Forward Agreements
	Upper/Lower Limit Agreements
New Financial Methods	Leasing
	Factoring
	Forfaiting
	Property Based Securities
STRATEGIC METHODS	
Marketing Methods	Exchanging Market
	Entrance or not entrance to market
	Pricing methods
Production Methods	Changing purchasing methods
	Outsourcing of production
	Cost management
Integrated Methods	Joint venture and alliances
	Crossing investment to stable markets

(Source: Tanyeri and Yıldıran, 2006: 100)

The derivative products and new financial methods are external tools mainly focused on to transfer foreign exchange fluctuations' risk to financial institutions. The Most used derivative products are: forward, futures, swaps and options briefly explained below: (Onursal, 2003: 1-15) For example forward is a selling/buying agreement between firm and financial institutions for a determined amount of foreign exchange at specified time at determined exchange rate. In

forward, exporter will be sure the foreign exchange rate before sales contract is being performed and will fix the future exchange rate.

Futures is a selling/buying agreement of a determined amount of foreign exchange at specified period of time at determined exchange rate. The main difference between futures and forward is the process is guaranteed by clearing house.

Swap is a changing the fixed period of time with another fixed period of time of a foreign exchange. When forward and options are performed by seller and buyer, in swap has triple relationship through an intermediate bank.

Option is a selling/buying agreement which gives transaction right and option between firm and financial institutions for a determined amount of foreign exchange before specified time at determined exchange rate. In this transaction seller has an option to sell foreign exchange through a specified options premium. In this position seller will be able to eliminate the currency risk. But buyer will take all currency risk through payment of a premium.

2.4.3 Managerial (Human Oriented) Risk

In summary, our study indicates that agency-based considerations of managers' personal risk profiles change the dynamics among organizational decline, innovation, and firm outcome.

Latham and Braun suggest that the decision to make additional innovation investments as a response to performance deterioration needs to be considered from the perspectives of what is good for management and what is good for the firm. That is, managers, boards, and institutional investors need to weigh a multitude of factors when choosing innovation as a strategic response to organizational decline (Latham and Braun, 2009: 260).

Managerial Risk Behavior has been identified as an important determinant of organizational Very Effectiveness (Peters and Waterman,1982), A notable exception is MacCrimmon and Wehrung's (1986) study in which risk-related characteristics were analyzed among 509 high-level executives from the United States and Canada. They found that older managers were more averse to risk, managers with higher levels of education were greater risk takers. Managers at the highest levels tended to take more Risk, managers with greater authority exhibited higher levels of risk behavior, managers with greater seniority tended to be more risk averse, managers in smaller firms were more likely to take Risk, and managers in some industries were more risk averse (Williams and Narendran, 1997: 102).

The another important factor that effects the managers decision making process are culture, individual willingness. In some cultures managers tend take more risk than others. Cummings, Harnett and Stevens found that executives from Central Europe, Scandinavia and Greece are more risk averse and possess different charecteristics than managers from Spain who are more risk averse than managers from the United States. The manager's perceptions for risk, responses to risk are crucial important factor to decide to enter global market or not. Also this perception shapes the success in global market (Williams and Narendran, 1997: 103).

The factors that result the firms to face organizational failue: lack of or over personnel, the quality/experience of personnel, lack of clarification of responsibilities and duties, lack of cost decreasing management, not clearly defined organizational/departmental objectives (Demir, 1997: 4).

2.4.4 Buyer/Seller Trade Risk (Delivery & Payment Risk)

The trade Risk are caused from seller and buyer and mainly related to trade operations. Such as presented documents, payment conditions of seller, quality problems of goods, Risk caused during transportation (Yıldiran, 2003:19).

This Risk which is the main topics of this study will be analyzed in two sections; Delivery Terms and Payment Terms.

In an international trade, seller and buyer have different responsibilities and duties. The seller's main responsibility is to prepare the goods and deliver the goods according to the contract signed by both side. The buyer's main responsibility is to pay the value of the goods according to the contract signed by both side.

Delivery Terms define who pays which costs, who is responsible for forwarder&carrier selection, who prepare which documents, when and where the Risk transfer from seller to buyer.

Payment Terms define when, where and how the buyer will pay the value of the goods and which kind of risk seller and buyer face.

The next section will detailly describe all delivery terms and payment terms according to exporter perspective.

CHAPTER 3
BUYER-SELLER ORIGINATED TRADE RISK: RISK ON
DELIVERY AND PAYMENT TERMS AND WAYS OF PROTECTION

3.1 DELIVERY TERMS AND RISK MANAGEMENT, ICC AND INCOTERMS 2000

The global economy has given businesses broader access than ever before to markets all over the world. Goods are sold in more countries, in larger quantities and greater variety. But as the volume and complexity of international sales increase, so do possibilities for misunderstanding and costly dispute when sales contracts are not adequately defined.

Incoterms, the official rules for the interpretation of the trade terms, facilitate the conduct of international trade. Reference to Incoterms 2000 in a sales contract defines clearly the parties' respective obligations and reduces the risk of legal complications.

INCOTERMS 2000 clearly defines for the seller and the buyer (Petersen, 2004:1);

- When **RISK** Transfers?
- Who Pays which **COSTS**?
- Who is **RESPONSIBLE** for forwarder & carrier selection?
- Who Prepares **DOCUMENTS**?

3.1.1 ICC, Revisions and Incoterms 2000

The International Chamber of Commerce (ICC), the World Business Organization based in Paris, France, is a global leader in the development of standards, rules and reference guides for international trade.

Since the creation of Incoterms by ICC in 1936, this undisputed worldwide contractual standard has been regularly updated to keep pace with the development of international trade. Incoterms 2000 take account of the recent spread of customs-free zones, the increased use of electronic communications in the business transactions, and changes in transport practices. Incoterms 2000 offer a simpler and cleaner presentation of the 13 definitions all of which have been revised.

The main reason for successive revisions of Incoterms has been the need to adapt them to contemporary commercial practice. Thus, in the 1980 revision the term Free Carrier (now FCA) was introduced in order to deal with the frequent case where the reception point in maritime trade was no longer the traditional FOB-point (passing of the ship's rail) but rather a point on land, prior to loading on board a vessel, where the goods were stowed into a container for subsequent transport by sea or by different means of transport in combination (so-called combined or multimodal transport). Further, in the 1990 revision of Incoterms, the clauses dealing with the seller's obligation to provide proof of delivery permitted a replacement of paper documentation by EDI-messages provided the parties had agreed to communicate electronically. Needless to say, efforts are constantly made to improve upon the drafting and presentation of Incoterms in order to facilitate their practical implementation. (ICC, 1999: 6)

3.1.2 Purpose and Scope of Incoterms

The purpose of Incoterms is to provide a set of international rules for the interpretation of the most commonly used trade terms in foreign trade. (ICC, 1999: 5)

The terms regulate in particular:

- **Delivering and taking of goods:** where and how the seller must make the goods available to the buyer and how the buyer must take delivery of the goods.

- **The division of costs:** how the normal costs relating to the export and import of goods should be divided between the seller and the buyer.
- **The transfer of Risk:** when the seller has the right to claim for the contract price even if the goods are lost, damaged or short-delivered.
- Proof of delivery, transport documents or equivalent electronic message (Zurich Global Corporate, 2005: 2).

The terms do not regulate in particular;

- Transfer of ownership
- The payment process
- Applicable law
- The jurisdiction (Zurich Global Corporate, 2005: 2)

3.1.3 Incorporation of Incoterms into the Contract of Sale

In view of the changes made to Incoterms from time to time, it is important to ensure that where the parties intend to incorporate Incoterms into their contract of sale, an express reference is always made to the current version of Incoterms. This may easily be overlooked when, for example, a reference has been made to an earlier version in standard contract forms or in order forms used by merchants. A failure to refer to the current version may then result in disputes as to whether the parties intended to incorporate that version or an earlier version as a part of their contract. Merchants wishing to use Incoterms 2000 should therefore clearly specify that their contract is governed by “Incoterms 2000”. (ICC, 1999: 7)

3.1.4 Structure of Incoterms

INCOTERMS are informally separated into four different groups (E, F, C and D), which increasingly shift the level of responsibility for transportation

from the buyer to the seller. Table 7 sets out classification of delivery terms according to Exporter's delivery obligation;

Table 6. Classification of Delivery Terms According to Exporter's Delivery Obligation

INCOTERMS	DELIVERY
Group E (Ex Works)	Departure
Group F (FCA, FAS, FOB)	Main Carriage Unpaid
Group C (CPT, CIP, CFR, CIF)	Main Carriage Paid
Group D (DAF, DES, DEQ, DDU, DDP)	Arrival

(ICC, 1999: 7)

Under Group E, the seller is required to make the goods available at its own facilities to the buyer. Once the seller has done this, the buyer is then responsible for the shipment.

The Group F terms require the seller to deliver the merchandise to the next carrier at the named facility, airport or port, where the buyer assumes responsibility for "main" or transnational carriage.

Group C places the responsibility for main carriage on the seller, while under Group D the seller is responsible for transporting the goods to the country of importation and incurring risk to destination.

These relative responsibilities divide the costs of arranging transportation, and in some cases insurance between the parties. It also divides the risk of loss between them. INCOTERMS are not shipping terms, instead they are part of the sales contract and help the seller and buyer define the roles and the costs that each will have in the transaction.

Group E, F and C refers delivering at shipment at the place of loading country. The Risk caused from transportation period on the behalf of buyer.

Group D refers delivering at unloading at the destination. The Risk caused from transportation period on the behalf of seller.

3.1.5 How an Incoterms must be selected?

There are a number of issues you should consider when choosing an Incoterms. These include:

- **The Regulations of the Country of the Buyer:** Certain countries have regulations regarding which terms must be used when goods are brought into the country. The main reason for this is the desire for local shipping and insurance markets to benefit from the importing industry rather than those of the exporting country:

- **Standard Practices:** Some countries and areas of the world may not have regulations regarding which terms must be used, however, commercially there may be a normal practice. If less favourable terms are offered (for example FOB rather than DDP) you could lose out on the business. For example within the EU it is standard practice for goods to be sold on a "delivered" basis:

- **The Method of Transport Used:** There are certain Incoterms which are only suitable for traditional sea and inland waterway carriage - see the advice under Transport Issues. There are 5 types of mode of transportation. Exporter and importers must select appropriate incoterms according to mode of transportation. Table 8 clarifies in which transport mode which Incoterms must be selected.

Table 7. Classification of INCOTERMS 2000 by Mode of Transport

TRADE TERM	Sea	Road	Rail	Air	Container	Combined Transport
EXW	+	+	+	+	+	+
FCA	+	+	+	+	+	+
FAS	+	-	-	-	-	-
FOB	+	-	-	-	-	-
CFR	+	-	-	-	-	-
CIF	+	-	-	-	-	-
CPT	+	+	+	+	+	+
CIP	+	+	+	+	+	+
DAF	-	-	-	-	-	-
DES	+	-	-	-	-	-
DEQ	+	-	-	-	-	-
DDU	+	+	+	+	+	+
DDP	+	+	+	+	+	+

(Source: P&C, 2001: 3)

The use of trade terms in connection with different modes of transport in the export and import of goods is described below.

+ = recommended

- = not recommended

- **Availability of Information:** It is essential that you and your customer are able to meet your obligations under the chosen Incoterms. For example there may be occasions when you are unable to obtain an import licence or clear the goods for import - on these occasions the term DDP cannot be used. Additionally, it is important that you are able to obtain a good service and reasonable quotes for the service you will provide your customer. There may be times, for example when exporting to some of the remote regions of Russia,

where it is not possible to obtain a quote to your customer's premises or even to ensure that the service provided is reliable and that the goods have arrived. In these instances a more appropriate Incoterms should be used where you take on less responsibility:

- **Customer Service:** Although it is essential for you to meet your obligations under the chosen Incoterms, it is equally important for you to offer competitive terms. It is unwise for you to offer what may be the easiest terms for you, if these are not suitable for your customer (SITPRO, 2007: 2).

- **Cost of Transportaion:** The cost of transportation is also important criteria for selection of delivery terms. When a buyer has a opportunity to carry the cheapest than seller, Buyer will prefer to arrange transportation then will prefer Group E and Group F instead of Group C and Group D.

3.1.6 Terminology and Summarized Concepts

At the booklet of INCOTERMS 2000, buyer's and seller's Obligations are separated to 10 articles which are briefly indicated below table.

Table 8. Buyer’s and Seller’s Obligations Table (Summarized)

A THE SELLER'S OBLIGATIONS	B THE BUYER'S OBLIGATIONS
A1 Provision of goods in conformity with the contract	B1 Payment of the price
A2 Licences, authorizations and formalities	B2 Licences, authorizations and formalities
A3 Contracts of carriage and insurance	B3 Contracts of carriage and insurance
A4 Delivery	B4 Taking delivery
A5 Transfer of Risk	B5 Transfer of Risk
A6 Division of costs	B6 Division of costs
A7 Notice to the buyer	B7 Notice to the buyer
A8 Proof of delivery, transport document or equivalent electronic message	B8 Proof of delivery, transport document or equivalent electronic message
A9 Checking—packaging—marking	B9 Inspection of goods
A10 Other obligations	B10 Other obligations

(ICC, 1999: 28-29-30)

In this study, not included buyer’s and seller’s obligations for all 13 terms. As a sample I will give only for FOB which is one of the most used terms in international trade.

3.1.7 Incoterms Obligation Table for FOB

Incoterms 2000 Booklet define the responsibilities of buyer and seller for delivery of goods under sales contract in a two sided table under 10 articles. In this booklet left side (A) defines seller’s obligation and right side (B) defines buyer obligations. As a sample the Table 9 indicates Seller’s and Buyer’s obligations as listed in Booklet. All 13 Delivery Terms’ table included in this booklet.

Table 9. Incoterms Obligation Table for FOB

A - THE SELLER'S OBLIGATIONS	B - THE BUYER'S OBLIGATIONS
<p>A1 Provision of goods in conformity with the contract The seller must provide the goods and the commercial invoice, or its equivalent electronic message, in conformity with the contract of sale and any other evidence of conformity which may be required by the contract.</p>	<p>B1 Payment of the price The buyer must pay the price as provided in the contract of sale.</p>
<p>A2 Licences, authorizations and formalities The seller must obtain at his own risk and expense any export licence or other official authorization and carry out, where applicable, 25 all customs formalities necessary for the export of the goods.</p>	<p>B2 Licences, authorizations and formalities The buyer must obtain at his own risk and expense any import licence or other official authorization and carry out, where applicable, 26 all customs formalities for the import of the goods and, where necessary, for their transit through any country.</p>
<p>A3 Contracts of carriage and insurance (a) Contract of carriage No obligation.27 (b) Contract of insurance No obligation.28</p>	<p>B3 Contracts of carriage and insurance (a) Contract of carriage: The buyer must contract at his own expense for the carriage of the goods from the named port of shipment. (b) Contract of insurance No obligation.29</p>
<p>A4 Delivery The seller must deliver the goods on the date or within the agreed period at the named port of shipment and in the manner customary at the port on board the vessel nominated by the buyer.</p>	<p>B4 Taking delivery The buyer must take delivery of the goods when they have been delivered in accordance with A4.</p>
<p>A5 Transfer of Risk The seller must, subject to the provisions of B5, bear all Risk of loss of or damage to the goods until such time as they have passed the ship's rail at the named port of shipment.</p>	<p>B5 Transfer of Risk The buyer must bear all Risk of loss of or damage to the goods from the time they have passed the ship's rail at the named port of shipment: and from the agreed date or the expiry date of the agreed period for delivery which arise because he fails to give notice in accordance with B7, or because the vessel nominated by him fails to arrive on time, or is unable to take the goods, or closes for cargo earlier than the time notified in accordance with B7, provided, however, that the goods have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods.</p>
<p>A6 Division of costs</p>	<p>B6 Division of costs</p>

<p>The seller must, subject to the provisions of B6, pay all costs relating to the goods until such time as they have passed the ship's rail at the named port of shipment: and - where applicable,³⁰ the costs of customs formalities necessary for export as well as all duties, taxes and other charges payable upon export.</p>	<p>The buyer must pay all costs relating to the goods from the time they have passed the ship's rail at the named port of shipment: and - any additional costs incurred, either because the vessel nominated by him fails to arrive on time, or is unable to take the goods, or closes for cargo earlier than the time notified in accordance with B7, or because the buyer has failed to give appropriate notice in accordance with B7, provided, however, that the goods have been duly appropriated to the contract, that is to say, clearly set aside or otherwise identified as the contract goods: and - where applicable,³¹ all duties, taxes and other charges as well as the costs of carrying out customs formalities payable upon import of the goods and for their transit through any country.</p>
<p>A7 Notice to the buyer The seller must give the buyer sufficient notice that the goods have been delivered in accordance with A4.</p>	<p>B7 Notice to the seller The buyer must give the seller sufficient notice of the vessel name, loading point and required delivery time.</p>
<p>A8 Proof of delivery, transport document or equivalent electronic message The seller must provide the buyer at the seller's expense with the usual proof of delivery in accordance with A4. Unless the document referred to in the preceding paragraph is the transport document, the seller must render the buyer, at the latter's request, risk and expense, every assistance in obtaining a transport document for the contract of carriage (for example, a negotiable bill of lading, a non-negotiable sea waybill, an inland waterway document, or a multimodal transport document). Where the seller and the buyer have agreed to communicate electronically, the document referred to in the preceding paragraph may be replaced by an equivalent electronic data interchange (EDI) message.</p>	<p>B8 Proof of delivery, transport document or equivalent electronic message The buyer must accept the proof of delivery in accordance with A8.</p>
<p>A9 Checking—packaging—marking The seller must pay the costs of those checking operations (such as checking quality, measuring, weighing, counting) which are necessary for the purpose of delivering the goods in accordance with A4. The seller must provide at his own expense packaging (unless it is usual for the particular trade to ship the goods of the contract description unpacked) which is required for the transport of the goods, to the extent that the circumstances relating to the transport (for example modalities, destination) are made known to the seller before the contract of sale is concluded. Packaging is to be marked appropriately.</p>	<p>B9 Inspection of goods The buyer must pay the costs of any pre-shipment inspection except when such inspection is mandated by the authorities of the country of export.</p>
<p>A10 Other obligations</p>	<p>B10 Other obligations</p>

<p>The seller must render the buyer at the latter's request, risk and expense, every assistance in obtaining any documents or equivalent electronic messages (other than those mentioned in A8) issued or transmitted in the country of shipment and/or of origin which the buyer may require for the import of the goods and, where necessary, for their transit through any country. The seller must provide the buyer, upon request, with the necessary information for procuring insurance.</p>	<p>The buyer must pay all costs and charges incurred in obtaining the documents or equivalent electronic messages mentioned in A10 and reimburse those incurred by the seller in rendering his assistance in accordance therewith</p>
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(Source: ICC, 1999: 49-54)

3.1.8 Analysis of Transportation Insurance

Transport insurance is the main risk minimization tool in foreign trade. To produce and deliver the goods may not be enough for seller to complete the responsibilities according to contract conditions. Buyer may require to deliver the goods to a specific place. Until this specific place which is determined in Incoterms, the seller may carry all risk. The seller must insure the goods after production and packaging complete, until delivering. Insurance is a very important risk minimization tool covering all unexpected external Risk (such as theft, accident, natural disasters, civil commotions esc..) during waiting to deliver, loading, transportation and unloading.

When there 13 different incoterms, only in CIP and CIF terms the insurance is mentioned. Under these terms the seller is obliged to procure insurance for the benefit of the buyer. (ICC, 1999: 17) In remain 11 incoterms “no obligation” is mentioned. “No obligation” means the side has no responsibility to insure the goods. In these 11 cases it is for the parties themselves to decide whether and to what extent they want to cover themselves by insurance. (ICC, 1999: 19). This clause does not eliminate the Risk during the transportation.

Risk allocation of Incoterms are given below according to classified 4 groups as summarized and later detailed;

Table 10. Transportation Risk Allocation by Incoterms Groups (Summarized)

INCOTERMS	RISK TAKER
Group E (Ex works)	Buyer
Group F (FCA, FAS, FOB)	Buyer
Group C (CPT, CIP, CFR, CIF)	Buyer
Group D (DAF, DES, DEQ, DDU, DDP)	Seller

Table 11. Risk Classification of INCOTERMS 2000 by Mode of Transportation (Detailed)

GROUP	TERM	RISK	CODE	MODE OF TRANSPORT
<u>GROUP E</u> Main Carriage: “Freight Collect”	Ex Works	Risk Transfers when shipper makes goods available to buyer at seller's facility.	EXW	Any mode: Air, Ocean, Surface such as Rail or Motor Carrier
<u>GROUP F</u> Main Carriage: “Freight Collect”	Free Alongside Ship	Risk Transfers to Buyer upon Delivery Alongside Vessel.	FAS	Vessel: Ocean port to port
	Free On Board	Risk Transfers to Buyer upon Crossing Ship’s Rail.	FOB	Vessel: Ocean port to port
	Free Carrier At	Risk Transfers to Buyer upon Delivery as agreed by seller & buyer.	FCA	Any mode: Air, Ocean, Surface
<u>GROUP C</u> Main Carriage: “Freight Prepaid” or “Freight Paid”	Cost & Freight	Risk Transfers to Buyer upon Crossing Ship’s Rail.	CFR	Vessel: Ocean port to port
	Cost, Insurance & Freight	Risk Transfers to Buyer upon Crossing Ship’s Rail.	CIF	Vessel: Ocean port to port
	Carriage Paid To	Risk Transfers to Buyer upon Delivery to the first carrier.	CPT	Any mode: Air, Ocean, Surface
	Carriage & Insurance Paid To	Risk Transfers to Buyer upon Delivery to the first carrier.	CIP	Any mode: Air, Ocean, Surface
<u>GROUP D</u> Main Carriage: “Freight	Delivered at Frontier	Risk transfers on arrival at the named place at the frontier on the date or in the timeframe	DAF	Any mode: As long as delivery will be made at a land port, mainly

Prepaid” or “Freight Paid” & Exporter Promises a Delivery date.		agreed, consistent with delivering carrier practice & buyer/seller agreement.		truck or rail.
	Delivered Ex Ship	Risk transfers at named destination onboard vessel.	DES	Vessel: Ocean port to port
	Delivered Ex Quay	Risk transfers at named destination on the pier.	DEQ	Vessel: Ocean port to port
	Delivered Duty Unpaid	Risk transfers at named destination consistent with delivering carrier practices & buyer/seller agreement.	DDU	Any mode: Air, Ocean, Surface
	Delivered Duty Paid	Risk transfers at named destination consistent with delivering carrier practices & buyer/seller agreement	DDP	Any mode: Air, Ocean, Surface

(Petersen, 2004: 4-5):

Transportation risk expresses the main carriage risk. Pre-Carriage Risk are excluded in this concept.

Under the Institute Cargo Clauses drafted by the Institute of London Underwriters, insurance is available in “minimum cover” under Clause C, “medium cover” under Clause B and “most extended cover” under Clause A. (ICC, 1999: 17)

a) **Minimum Cover** : This insurance named Institute Cargo Clauses (FPA) on Institute Cargo Clauses (C) for sea transport, Truck Clauses for road transport, Railway Clauses for railway transport. This clause cover risk of loss of or damages to goods: **physical occurrences** such as hitting, bumping, burning, to be capsized, to go off the road, and **natural disaster** such as earthquake, torrent and **maritime average**, damages sustained by a ship or its cargo and unloading from ship.

b) **Maximum Cover**: This insurance named as Institute Cargo Clauses (All Risk) on Institute Cargo Clauses (A). This clause cover risk of loss of or damages to goods during carriage, loading and unloading excluding any defect comes from goods nature, main cause of being lateness. Other uncovered Risk are mentioned below.

c) **War, riots, civil commotion, strikes and other labor disturbances:** Below mentioned A and C clauses does not cover these risk. The side who is responsible to arrange the insurance, if wishes to cover these risk, additionally must inform the insurance company to cover these Risk.

When Institute Cargo Clauses (All Risk) mentioned as maximum coverage the 9 Risk are excluded from this clause. These risk are:

- 1- Any loss of or damages to goods comes from insured side's deliberated activities
- 2- Any loss of or damages to goods comes from goods nature, Corrosion, to get worn-out, Normal flow, weight and volume loss
- 3- Any loss of or damages to goods comes from being lateness
- 4- Inappropriate and Lack of packaging
- 5- Financial problems comes from carrier
- 6- Carriage vehicles' inappropriate to carry the goods
- 7- Atom and Nuclear pollution
- 8- War
- 9- Riots, Civil commotions, strikes and other labor disturbances

Since in the sale of commodities under the CIF term the buyer may wish to sell the goods in transit to a subsequent buyer who in turn may wish to resell the goods again, it is impossible to know the insurance cover suitable to such subsequent buyers and, therefore, the minimum cover under CIF has traditionally been chosen with the possibility for the buyer to require the seller to take out additional insurance. Minimum cover is however unsuitable for sale of manufactured goods where the risk of theft, pilferage or improper handling or custody of the goods would require more than the cover available under Clause C. Since CIP, as distinguished from CIF, would normally not be used for the sale of commodities, it would have been feasible to adopt the most extended cover under CIP rather than the minimum cover under CIF. But to vary the seller's insurance obligation under CIF and CIP would lead to confusion and both terms therefore limit the seller's insurance obligation to the minimum cover. It is particularly

important for the CIP-buyer to observe this: should additional cover be required, he should agree with the seller that the latter could take out additional insurance or, alternatively, arrange for extended insurance cover himself. There are also particular instances where the buyer may wish to obtain even more protection than is available under Institute Clause A, for example insurance against war, riots, civil commotion, strikes or other labour disturbances. If he wishes the seller to arrange such insurance he must instruct him accordingly in which case the seller would have to provide such insurance if procurable. (ICC, 1999: 18)

The amount of insurance policy must be %10 more than declared amount of goods in invoice (IGEME, 2008:14).

In transportation insurance, risk are classified to three groups:

3.2 RISK ANALYSIS OF DELIVERY TERMS

In this section all 13 Delivery Terms will be detaily analized according to risk management process. Process of risk analysis of delivery terms consist of 8 step; descption of delivery term, responsibilities of seller in thin delivery term, additional remarks, description of risk, effect of risk to exporter, risk minimization method, cost of minimization method, efficiency of risk minimization process.

3.2.1 Delivery Terms: Ex-Works

3.2.1.1 Description of Delivery Term

“Ex Works (... named port of shipment)” means that the seller delivers when he places the goods at the disposal of the buyer at the seller’s premises or another named place (i.e. works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle. This term thus represents the minimum obligation for the seller, and the buyer has to bear all costs and Risk involved in taking the goods from the seller’s premises (ICC, 1999: 28).

However, if the parties wish the seller to be responsible for the loading of the goods on departure and to bear the Risk and all the costs of such loading, this should be made clear by adding explicit wording to this effect in the contract of sale . This term should not be used when the buyer cannot carry out the export formalities directly or indirectly. (ICC, 1999:28)

3.2.1.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come form delivery terms are given process:

- Export Pack

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice

Exporter is not responsible to prepare other documents. Importer is responsible to prepare and present other all documents for export custom clearance.

3.2.1.3 Additional Remarks

As mentioned above that Importer is responsible to prepare and present other all documents for export custom clearance.

In Turkish Export Legislation in order to be an exporter company and apply all custom clearance procedure there two main clause:

- Every one who is real or juristic person which are founded in Turkey

- Membership to Export Union of product/product group

The main misunderstanding in this delivery term: understanding of importer will arrange all export custom clearance on behalf of himself. It is understood from the above Turkish Export Legislation, importer can not be able to arrange all export custom clearance on behalf of himself because of not been founded in Turkey according to Turkish Legislations.

Importer will construct a special contract with custom advisor in Turkey to arrange all export custom clearance on behalf of seller. The Custom Advisor Company arrange all export custom clearance on behalf of seller through a proxy given by seller.

From this point of view it is clearly understood that when seller “delivers when he places the goods at the disposal of the buyer at the seller’s premises or another named place (i.e. works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle. This term thus represents the minimum obligation for the seller, and the buyer has to bear all costs and Risk involved in taking the goods from the seller’s premises”, all risk during the export custom clearance procedures on the account of seller.

In practically the seller may think that he sells as same clauses with domestic sales and think that he is not an exporter and not responsible for export custom clearance, but in legally seller is also exporter and responsible for custom clearance procedures.

3.2.1.4 Description of Risk

This term thus represents the minimum obligation for the seller, and the buyer has to bear all costs and Risk involved in taking the goods from the seller’s premises.

But as mentioned above “legally and against to government, seller is exporter and responsible for custom clearance procedures”. And seller is responsible all inconvenient application in custom clearance process because of presenting a proxy to custom advisor who is charged with a duty of export custom clearance.

The seller must bear all Risk of loss of or damage to the goods until such time as they have been delivered in accordance with A4.

3.2.1.5 Effects of Risk for Exporter

At any mistake in custom clearance procedures, seller will be responsible and will face many legislative punishments. The punishments may be monetary level or may be prison sentence and prohibition of export and trade activities.

The other Risk on goods are any loss of or damage to the goods until such time as they have been delivered.

3.2.1.6 Minimization Methods

The seller may require an additional clause to contract that “the custom advisor will be assigned by seller”. By means of this additional clause, the seller assigns a known and trustworthy custom clearance advisor.

The goods must be insured when staying for delivering in seller’s premises

3.2.1.7 Minimization Cost

There is not any cost to seller to assign the custom advisor.

Insurance cost depends on staying duration and product type until delivering in seller's premises.

3.2.1.8 Efficiency of Risk Minimization Process

The Risk are eliminated and controlled through assigning a custom advisor and insuring the goods.

3.2.2 Delivery Terms: FCA

3.2.2.1 Description of Delivery Term

“Free Carrier (... named port of shipment)” means that the seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place. It should be noted that the chosen place of delivery has an impact on the obligations of loading and unloading the goods at that place. If delivery occurs at the seller's premises, the seller is responsible for loading. If delivery occurs at any other place, the seller is not responsible for unloading. This term may be used irrespective of the mode of transport, including multimodel transport. (ICC, 1999:33)

“Carrier ” means any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport by rail, road, air, sea, inland waterway or by a combination of such modes. If the buyer nominates a person other than a carrier to receive the goods, the seller is deemed to have fulfilled his obligation to deliver the goods when they are delivered to that person. (ICC, 1999:33)

3.2.2.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come form delivery terms are given process:

- Export Pack
 - Mark and Label
 - Export Clearance (License, Duties)
 - Arrange Pre-Carriage (If essential)
 - Load Pre-Carrier
 - Arrange and pay Insurance of Loading Main Carriage and Pre-Carriage (If essential)
-
- Load Main Carrier

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice
- Packing List
- Export Declaration
- Certificate of Origin
- Precarriage Bill of Lading
- Export License
- Other Governmental Documents
- Main Carriage Bill of Lading

Other documents informed by buyer

3.2.2.3 Additional Remarks

The passing point of risk and cost is the same place as: delivering the goods to truck.

The seller must give the buyer sufficient notice before the shipment enabling the buyer insure the goods. If the seller does not inform the shipment details to buyer and the buyer can not arrange the insurance, any loses and damage risk on goods will be on the account of seller.

3.2.2.4 Description of Risk

Exporter is responsible all Risk until delivering the goods to truck including loading expenses and Risk.

If the exporter has to carry until main carriage: Any damage or losses during pre-carriage loading and pre-carriage. Unloading costs and Risk to main carriage are on the account of buyer.

3.2.2.5 Effects of Risk for Exporter

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered to truck and all goods are under the risk.

3.2.2.6 Minimization Methods

The elimination method is arranging insurance including delivery to truck.

If pre-carriage to main carrier is essential, insurance must include pre-carriage.

Insurance cost depends on staying duration and product type until delivering in seller's premises.

3.2.2.7 Minimization Cost

When the minimization cost depends on the type and package of the goods, total value of the goods, transit time and distance, approximately, %0,1-%0,2 of total value of the goods can be considered.

3.2.2.8 Efficiency of Risk Minimization Process

The risk are minimized through insuring the goods.

3.2.3 Delivery Terms: FAS

3.2.3.1 Description of Delivery Term

“Free Alongside Ship (... named port of shipment)” means that the seller delivers when the goods are placed alongside the vessel at the named port of shipment. This means that the buyer has to bear all costs and Risk of loss of or damage to the goods from that moment. The FAS term requires the seller to clear the goods for export. (ICC, 1999:41)

3.2.3.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come form delivery terms are given process:

- Export Pack
- Mark and Label
- Export Clearance (License, Duties)
- Arrange Pre-Carriage

- Load Pre-Carrier
- Unload Pre-Carrier
- Arrange Insurance until unloading at named port

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice
- Packing List
- Export Declaration
- Certificate of Origin
- Pre-Carriage Bill of Lading
- Export License
- Other Governmental Documents
- Dock Receipt for Shipment
- Main Carriage Bill of Lading

Other documents informed by buyer

3.2.3.3 Additional Remarks

The seller must give the buyer sufficient notice before the shipment enabling the buyer insure the goods. If the seller does not inform the shipment details to buyer and the buyer can not arrange the insurance, any loses and damage risk on goods will be on the account of seller.

3.2.3.4 Description of Risk

Exporter carries all risk until delivering the goods alongside the ship nominated by buyer at the loading place named by the buyer at the named port of shipment on the date or within the agreed period and in the manner customary at the port risk crossing point.

The risk starts at sellers' factory/warehouses and ends until delivering at port at the alongside the ship.

The main risk are:

- Any damage or losses during pre-carriage loading, pre-carriage and pre-carriage unloading

3.2.3.5 Effects of Risk for Exporter

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered at port alongside the shi The total value of the goods are under the risk.

3.2.3.6 Minimization Methods

The elimination method is arranging transport insurance including loading at factory and unloading at port.

3.2.3.7 Minimization Cost

When the minimization cost depends on the type and package of the goods, total value of the goods, transit time and distance, approximately, %0,1-%0,2 of total value of the goods can be considered.

3.2.3.8 Efficiency of Risk Minimization Process

The Risk are minimized through insuring the goods.

3.2.4 Delivery Terms: FOB

3.2.4.1 Description of Delivery Term

Free on board (... named port of shipment) “Free on Board” means that the seller delivers when the goods pass the ship’s rail at the named port of shipment. This means that the buyer has to bear all costs and Risk of loss of or damage to the goods from that point. The FOB term requires the seller to clear the goods for export. This term can be used only for sea or inland waterway transport. If the parties do not intend to deliver the goods across the ship’s rail, the FCA term should be used.

The seller delivers when the goods pass the ship’s rail at the named port of shipment as cleared for export.

This means that the buyer has to bear all costs and Risk of loss or damage to the goods from that point. The FOB term requires the seller to clear the goods for export. This term can be used only for sea or inland waterway transport. If the parties do not intend to deliver the goods across the ship’s rail, the FCA term should be used.

The seller must obtain at his own risk and expense any export licence or other official authorization and carry out, where applicable all customs formalities necessary for the export of the goods.

3.2.4.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come from delivery terms are given process:

- Export Pack

- Mark and Label
- Export Clearance (License, Duties)
- Arrange Pre-Carriage
- Load Pre-Carrier
- Unload Pre-Carrier
- Arrange Pre-Carriage Insurance including loading and unloading
- Load Main Carrier
- Arrange Insurance for loading to Main Carrier

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice
- Packing List
- Export Declaration
- Certificate of Origin
- Precarriage Bill of Lading
- Export License
- Other Governmental Documents
- Dock Receipt for Shipment
- Main Carriage Bill of Lading
- Other documents informed by buyer

3.2.4.3 Additional Remarks

The passing point of risk and cost is not the same:

- When the goods pass the ship rail, the risk pass to buyer
- When the goods placed/shipped on board, the cost pass to buyer

The seller must give the buyer sufficient notice before the shipment enabling the buyer insure the goods. If the seller does not inform the shipment details to buyer and the buyer can not arrange the insurance, any loses and damage risk on goods will be on the account of seller.

3.2.4.4 Description of Risk

Exporter carries all risk until the goods pass the ship's rail at the named port of shipment. Risk Crossing Point is determined as the ship's rail. The risk pass to buyer when the seller delivers goods after passing the ship's rail at the named port of shipment as cleared for export.

The risk starts at sellers' factory/warehouses and ends after passing the ship's rail at the named port of shipment.

The main risk are:

- Any damage or losses during pre-carriage loading and pre-carriage unloading
- Any damage or losses during pre-carriage and loading to main carrier such as: accident, theft, natural disasters (earthquake, torrent etc.), breaking etc..

3.2.4.5 Effects of Risk for Exporter

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered as passing ship's rail at at the named port of shipment. The total value of the goods are under the risk.

3.2.4.6 Minimization Methods

All risk perceived by seller during pre-carriage and loading to main carrier can not be eliminated.

The elimination method is arranging transport insurance. For elimination seller can select one of the insurance clause (Institute Cargo Clause C or Institute

Cargo Clause A. Additionally seller may add strike, lockout, war clauses and civil commotions.

As mentioned at the beginning of the chapter that the 7 clauses can not be insured under any circumstance.

3.2.4.7 Minimization Cost

When the minimization cost depends on the type and package of the goods, total value of the goods, transit time and distance, approximately, %0,1-%0,2 of total value of the goods can be considered.

3.2.4.8 Efficiency of Risk Minimization Process

If the seller insure the goods with wide range of clause (Institute Cargo Clause A) and add other addable clause (strike, lockout, war and civil commotions clauses), all minimization instruments would be used in this shipment term.

It will be usefull to remind that using below mentioned clauses will not eliminate all risk during the pre-carriage transportation. The 7 Clauses mentioned above will not be able to covered by any insurance policy.

3.2.5 Delivery Terms: CFR

3.2.5.1 Description of Delivery Term

Cost and freight (... named port of destination) “Cost and Freight” means that the seller delivers when the goods pass the ship’s rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination, but the risk of loss of or damage to the goods, as well

as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer. The CFR term requires the seller to clear the goods for export.

This term can be used only for sea and inland waterway transport. If the parties do not intend to deliver the goods across the ship's rail, the CPT term should be used (ICC, 1999:57).

3.2.5.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come from delivery terms are given process:

- Export Pack
- Mark and Label
- Export Clearance (License, Duties)
- Arrange Pre-Carriage
- Load Pre-Carrier
- Unload Pre-Carrier
- Arrange Pre-Carriage Insurance
- Load Main Carrier
- Nominate Main Carrier
- Nominate Export Forwarder
- Ocean Freight Fees
- Forwarder Fees

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice
- Packing List
- Export Declaration

- Certificate of Origin
- Precarriage Bill of Lading
- Export License
- Other Governmental Documents
- Dock Receipt for Shipment
- Main Carriage Bill of Lading
- Other documents informed by buyer

3.2.5.3 Additional Remarks

The passing point of risk and cost are not the same:

- When the goods pass the ship rail, the risk pass to buyer
- The seller must pay costs and freight to bring the goods to the named port of destination

The seller must give the buyer sufficient notice before the shipment enabling the buyer insure the goods. If the seller does not inform the shipment details to buyer and the buyer can not arrange the insurance, any loses and damage risk on goods will be on the account of seller.

3.2.5.4 Description of Risk

Exporter carries all risk until risk when the goods pass the ship's rail in the port of shipment. Risk Crossing Point is determined as the ship's rail. The risk pass to buyer when the seller delivers goods after passing the ship's rail at the named port of shipment as cleared for export.

The risk starts at sellers' factory/warehouses and ends after passing the ship's rail at the named port of shipment.

The main risk are:

- Any damage or losses during pre-carriage loading and pre-carriage unloading
- And damage or losses during pre-carriage and loading to main carrier such as: accident, theft, natural disasters (earthquake, torrent etc.), breaking etc..

3.2.5.5 Effects of Risk for Exporter

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered as passing ship's rail at at the named port of shipment. The total value of the goods are under the risk.

3.2.5.6 Minimization Methods

All risk perceived by seller during pre-carriage and loading to main carrier can not be eliminated.

The elimination method is arranging transport insurance. For elimination seller can select one of the insurance clause (Institute Cargo Clause C or Institute Cargo Clause A. Additionally seller may add strike, lockout, war clauses and civil commotions.

As mentioned at the beginning of the chapter that the 7 clauses can not be insured under any circumstance.

3.2.5.7 Minimization Cost

When the minimization cost depends on the type and package of the goods, total value of the goods, transit time and distance, approximately, %0,1-%0,2 of total value of the goods can be considered.

3.2.5.8 Efficiency of Risk Minimization Process

If the seller insure the goods with wide range of clause (Institute Cargo Clause A) and add other addable clause (strike, lockout, war and civil commotions clauses), all minimization instruments would be used in this shipment term.

It will be usefull to remind that using below mentioned clauses will not eliminate all risk during the pre-carriage transportation. The 7 Clauses mentioned above will not be able to covered by any insurance policy.

3.2.6 Delivery Terms: CIF

3.2.6.1 Description of Delivery Term

Cost, insurance and freight (... named port of destination) “Cost, Insurance and Freight” means that the seller delivers when the goods pass the ship’s rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination BUT the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer. However, in CIF the seller also has to procure marine insurance against the buyer’s risk of loss of or damage to the goods during the carriage. Consequently, the seller contracts for insurance and pays the insurance premium. The buyer should note that under the CIF term the seller is required to obtain insurance only on minimum cover.

Should the buyer wish to have the protection of greater cover, he would either need to agree as much expressly with the seller or to make his own extra insurance arrangements.

The CIF term requires the seller to clear the goods for export. This term can be used only for sea and inland waterway transport. If the parties do not

intend to deliver the goods across the ship's rail, the CIP term should be used. (ICC, 1999: 65)

3.2.6.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come from delivery terms are given process:

- Export Pack
- Mark and Label
- Export Clearance (License, Duties)
- Arrange Pre-Carriage
- Load Pre-Carrier
- Unload Pre-Carrier
- Arrange Pre-Carriage Insurance
- Load Main Carrier
- Nominate Main Carrier
- Nominate Export Forwarder
- Ocean Freight Fees
- Forwarder Fees
- Arrange Main Carriage Insurance

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice
- Packing List
- Export Declaration
- Certificate of Origin
- Precarriage Bill of Lading
- Export License
- Other Governmental Documents
- Dock Receipt for Shipment

- Main Carriage Bill of Lading
- Main Carriage Insurance Policy
- Other documents informed by buyer

3.2.6.3 Additional Remarks

The passing point of risk and cost are not the same:

- When the goods pass the ship rail, the risk pass to buyer
- The seller must pay all costs including main carriage insurance and freight to bring the goods to the named port of destination

3.2.6.4 Description of Risk

Exporter carries all risk until when the goods pass the ship's rail in the port of shipment. Risk Crossing Point is determined as the ship's rail. The risk pass to buyer when the seller delivers goods after passing the ship's rail at the named port of shipment as cleared for export.

The risk starts at sellers' factory/warehouses and ends after passing the ship's rail at the named port of shipment.

The main risk are:

- Any damage or losses during pre-carriage loading and pre-carriage unloading
- And damage or losses during pre-carriage and loading to main carrier such as: accident, theft, natural disasters (earthquake, torrent etc.), breaking etc..

3.2.6.5 Effects of Risk for Exporter

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered as passing ship's rail at at the named port of shipment. The total value of the goods are under the risk.

3.2.6.6 Minimization Methods

All risk perceived by seller during pre-carriage and loading to main carrier can not be eliminated.

The elimination method is arranging transport insurance. For elimination seller can select one of the insurance clause (Institute Cargo Clause C or Institute Cargo Clause A. Additionally seller may add strike, lockout, war clauses and civil commotions.

As mentioned at the beginning of the chapter that the 7 clauses can not be insured under any circumstance.

3.2.6.7 Minimization Cost

When the minimization cost depends on the type and package of the goods, total value of the goods, transit time and distance, approximately, %0,1-%0,2 of total value of the goods can be considered.

3.2.6.8 Efficiency of Risk Minimization Process

If the seller insure the goods with wide range of clause (Institute Cargo Clause A) and add other addable clause (strike, lockout, war and civil commotions clauses), all minimization instruments would be used in this shipment term.

It will be useful to remind that using below mentioned clauses will not eliminate all risk during the pre-carriage transportation. The 7 Clauses mentioned above will not be able to be covered by any insurance policy.

3.2.7 Delivery Terms: CPT

3.2.7.1 Description of Delivery Term

Carriage paid to (... named place of destination) “Carriage Paid to...” means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination.

This means that the buyer bears all Risk and any other costs occurring after the goods have been so delivered. “Carrier” means any person who, in a contract of carriage, undertakes to perform or to procure the performance of transport, by rail, road, air, sea, inland waterway or by a combination of such modes.

If subsequent carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier. The CPT term requires the seller to clear the goods for export. This term may be used irrespective of the mode of transport including multimodal transport (ICC, 1999: 73).

3.2.7.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come from delivery terms are given process:

- Export Pack
- Mark and Label
- Export Clearance (License, Duties)
- Load Main Carrier
- Nominate Main Carrier
- Freight Fees

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice
- Packing List
- Export Declaration
- Certificate of Origin
- Export License
- Other Governmental Documents
- Main Carriage CMR
- Other documents informed by buyer

3.2.7.3 Additional Remarks

The passing point of risk and cost is not the same:

- When the goods delivered to carrier, the Risk pass to buyer
- The seller must pay the cost of carriage to bring the goods to the named destination.

The seller must give the buyer sufficient notice before the shipment enabling the buyer insure the goods. If the seller does not inform the shipment details to buyer and the buyer can not arrange the insurance, any loses and damage risk on goods will be on the account of seller.

3.2.7.4 Description of Risk

Exporter carries all risk until risk crossing point. Risk Crossing Point is delivering the goods to carrier nominated by seller.

The risk starts at sellers' factory/warehouses and ends after delivering the goods to carrier nominated by seller.

The main Risk are: Any damage or losses until loading to main carrier such as: accident, theft, natural disasters (earthquake, torrent etc.), breaking etc.

3.2.7.5 Effects of Risk for Exporter

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered carrier nominated by seller. The total value of the goods are under the risk.

3.2.7.6 Minimization Methods

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered carrier nominated by seller. The seller must insure the goods during the waiting on warehouse and loading insurance.

3.2.7.7 Minimization Cost

When the minimization cost depends on the type and package of the goods, total value of the goods, approximately, 0,01-0,1 of total value of the goods can be considered.

3.2.7.8 Efficiency of Risk Minimization Process

If the seller insure the goods during loading to carrier all minimization instruments would be used in this shipment term.

3.2.8 Delivery Terms: CIP

3.2.8.1 Description of Delivery Term

Carriage and insurance paid to (... named place of destination) “Carriage and Insurance Paid to...” means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination. This means that the buyer bears all Risk and any additional costs occurring after the goods have been so delivered. However, in CIP the seller also has to procure insurance against the buyer’s risk of loss of or damage to the goods during the carriage.

Consequently, the seller contracts for insurance and pays the insurance premium. The buyer should note that under the CIP term the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have the protection of greater cover, he would either need to agree as much expressly with the seller or to make his own extra insurance arrangements.

If subsequent carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier. The CIP term requires the seller to clear the goods for export. This term may be used irrespective of the mode of transport including multimodal transport. (ICC, 1999:81)

3.2.8.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come from delivery terms are given process:

- Export Pack
- Mark and Label
- Export Clearance (License, Duties)
- Load Main Carrier
- Nominate Main Carrier
- Freight Fees
- Freight Insurance

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice
- Packing List
- Export Declaration
- Certificate of Origin
- Export License
- Other Governmental Documents
- Carriage CMR
- Carriage Insurance Policy
- Other documents informed by buyer

3.2.8.3 Additional Remarks

The passing point of risk and cost is not the same:

- When the goods delivered to carrier, the Risk pass to buyer
- The seller must pay the cost of insurance and carriage to bring the goods to the named destination. The insurance must be arranged on behalf of buyer

3.2.8.4 Description of Risk

Exporter carries all risk until risk crossing point. Risk Crossing Point is delivering the goods to carrier nominated by seller.

The risk starts at sellers' factory/warehouses and ends after delivering the goods to carrier nominated by seller.

The main Risk are: Any damage or losses until loading to main carrier such as: accident, theft, natural disasters (earthquake, torrent etc.), breaking etc..

3.2.8.5 Effects of Risk for Exporter

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered carrier nominated by seller. The total value of the goods are under the risk.

3.2.8.6 Minimization Methods

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered carrier nominated by seller. The seller must insure the goods during the waiting on warehouse and loading insurance.

3.2.8.7 Minimization Cost

When the minimization cost depends on the type and package of the goods, total value of the goods, transit time and distance, approximately, %0,01-%0,1 of total value of the goods can be considered.

3.2.8.8 Efficiency of Risk Minimization Process

If the seller insure the goods during loading to carrier all minimization instruments would be used in this shipment term.

3.2.9 Delivery Terms: DAF

3.2.9.1 Description of Delivery Term

Delivered at frontier (... named place) “Delivered at Frontier” means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport not unloaded, cleared for export, but not cleared for import at the named point and place at the frontier, but before the customs border of the adjoining country. The term “frontier” may be used for any frontier including that of the country of export. Therefore, it is of vital importance that the frontier in question be defined precisely by always naming the point and place in the term.

However, if the parties wish the seller to be responsible for the unloading of the goods from the arriving means of transport and to bear the Risk and costs of unloading, this should be made clear by adding explicit wording to this effect in the contract of sale. This term may be used irrespective of the mode of transport when goods are to be delivered at a land frontier (ICC, 1999:89).

3.2.9.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come from delivery terms are given process:

- Export Pack
- Mark and Label
- Export Clearance (License, Duties)
- Loading to Carrier
- Nominate Main Carrier
- Freight Fees until frontier
- Freight Insurance until frontier

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice
- Packing List
- Export Declaration
- Certificate of Origin
- Export License
- Other Governmental Documents
- Carriage CMR
- Carriage Insurance Policy
- Other documents informed by buyer

3.2.9.3 Additional Remarks

The passing point of risk and cost is the same: named point and place at the frontier, but before the customs border of the adjoining country.

The seller must give the buyer sufficient notice before the shipment enabling the buyer insure the goods after frontier. If the seller does not inform the shipment details to buyer and the buyer can not arrange the insurance, any loses and damage risk on goods will be on the account of seller.

3.2.9.4 Description of Risk

Exporter carries all risk until named point and place at the frontier.

The risk starts at sellers' factory/warehouses and ends at named point and place at the frontier.

The Risk are:

- Any damage or losses during loading to carrier
- Any damage or losses during carriage such as: accident, theft, natural disasters (earthquake, torrent etc.), breaking etc..

3.2.9.5 Effects of Risk for Exporter

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered at named point and place at the frontier. The total value of the goods are under the risk.

3.2.9.6 Minimization Methods

The elimination method is arranging transport insurance. For elimination seller can select one of the insurance clause (Institute Cargo Clause C or Institute Cargo Clause A). Additionally seller may add strike, lockout, war clauses and civil commotions.

As mentioned at the beginning of the chapter that the 7 clauses can not be insured under any circumstance.

3.2.9.7 Minimization Cost

When the minimization cost depends on the type and package of the goods, total value of the goods, transit time and distance, approximately, %0,1-%0,2 of total value of the goods can be considered.

3.2.9.8 Efficiency of Risk Minimization Process

If the seller insure the goods with wide range of clause (Institute Cargo Clause A) and add other addable clause (strike, lockout, war and civil commotions clauses), all minimization instruments would be used in this shipment term.

It will be useful to remind that using below mentioned clauses will not eliminate all risk during the pre-carriage transportation. The 7 Clauses mentioned above will not be able to covered by any insurance policy.

3.2.10 Delivery Terms: DES

3.2.10.1 Description of Delivery Term

Delivered ex ship (... named port of destination) “Delivered Ex Ship” means that the seller delivers when the goods are placed at the disposal of the buyer on board the ship not cleared for import at the named port of destination. The seller has to bear all the costs and Risk involved in bringing the goods to the the seller to bear the costs and Risk of discharging the goods, then the DEQ term should be used. This term can be used only when the goods are to be delivered by sea or inland waterway or multimodal transport on a vessel in the port of destination (ICC, 1999:97).

3.2.10.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come form delivery terms are given process:

- Export Pack
- Mark and Label
- Export Clearance (License, Duties)
- Arrange Pre-Carriage
- Load Pre-Carrier
- Unload Pre-Carrier
- Nominate Main Carrier
- Nominate Export Forwarder
- Arrange Insurance from seller premises to destination
- Load Main Carrier
- Ocean Freight Fees
- Forwarder Fees

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice
- Packing List
- Export Declaration
- Certificate of Origin
- Export License
- Other Governmental Documents
- Dock Receipt for Shipment
- Main Carriage Bill of Lading
- Other documents informed by buyer

3.2.10.3 Additional Remarks

The passing point of risk and cost are the same: on board the ship not cleared for import at the named port of destination. The seller must insure the goods on behalf of himself.

3.2.10.4 Description of Risk

Exporter carries all risk until on board the ship at the named port of destination.

The risk starts at sellers' factory/warehouses and ends at named port of destination.

The Risk are:

- Any damage or losses during loading to pre-carrier and main carrier,
- Any damage or losses during pre-carriage and carriage such as: accident, theft, natural disasters (earthquake, torrent etc.), breaking etc..

3.2.10.5 Effects of Risk for Exporter

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered at named point and place at the frontier. The total value of the goods are under the risk.

3.2.10.6 Minimization Methods

The elimination method is arranging transport insurance. For elimination seller can select one of the insurance clause (Institute Cargo Clause C or Institute Cargo Clause A). Additionally seller may add strike, lockout, war clauses and civil commotions.

As mentioned at the beginning of the chapter that the 7 clauses can not be insured under any circumstance.

3.2.10.7 Minimization Cost

When the minimization cost depends on the type and package of the goods, total value of the goods, transit time and distance, approximately, %0,1-%0,2 of total value of the goods can be considered.

3.2.10.8 Efficiency of Risk Minimization Process

If the seller insure the goods with wide range of clause (Institute Cargo Clause A) and add other addable clause (strike, lockout, war and civil commotions clauses), all minimization instruments would be used in this shipment term.

It will be usefull to remind that using below mentioned clauses will not eliminate all risk during the pre-carriage transportation. The 7 Clauses mentioned above will not be able to covered by any insurance policy.

3.2.11 Delivery Terms: DEQ

3.2.11.1 Description of Delivery Term

Delivered ex quay (... named port of destination) “Delivered Ex Quay” means that the seller delivers when the goods are placed at the disposal of the buyer not cleared for import on the quay (wharf) at the named port of destination. The seller has to bear costs and Risk involved in bringing the goods to the named port of destination and discharging the goods on the quay (wharf). The DEQ term requires the buyer to clear the goods for import and to pay for all formalities, duties, taxes and other charges upon import (Incoterms, 1999: 105).

3.2.11.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come from delivery terms are given process:

- Export Pack
- Mark and Label
- Export Clearance (License, Duties)
- Arrange Pre-Carriage
- Load Pre-Carrier
- Unload Pre-Carrier
- Nominate Main Carrier
- Nominate Export Forwarder
- Arrange Insurance from seller premises to destination including unloading to quay
- Load Main Carrier
- Ocean Freight Fees
- Forwarder Fees

- Cost of Unloading to quay (Liner-In) at destination port

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice
- Packing List
- Export Declaration
- Certificate of Origin
- Pre-carriage Bill of Lading
- Export License
- Other Governmental Documents
- Dock Receipt for Shipment
- Main Carriage Bill of Lading
- Other documents informed by buyer

3.2.11.3 Additional Remarks

The passing point of risk and cost are the same: on quay not cleared for import at the named port of destination. Until this point the seller must insure the goods on behalf of himself.

3.2.11.4 Description of Risk

Exporter carries all risk until risk crossing point. Risk Crossing Point is determined as at the quay at named destination port. The Risk pass to buyer when the seller delivers goods after unloading to quay at named port of destination as not cleared for import.

The risk starts at sellers' factory/warehouses and ends at the quay at named destination port. The main risk are:

- Any damage or losses during pre-carriage loading and pre-carriage unloading
- And damage or losses during pre-carriage, loading to main carrier and unloading to quay, such as: accident, theft, natural disasters (earthquake, torrent etc.), breaking etc.

3.2.11.5 Effects of Risk for Exporter

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered on quay at named port. The total value of the goods are under the risk.

3.2.11.6 Minimization Methods

The elimination method is arranging transport insurance. For elimination seller can select one of the insurance clause (Institute Cargo Clause C or Institute Cargo Clause A). Additionally seller may add strike, lockout, war clauses and civil commotions.

Insurance policy must be made door to port including all loading and unloading Risk.

As mentioned at the beginning of the chapter that the 7 clauses can not be insured under any circumstance.

3.2.11.7 Minimization Cost

When the minimization cost depends on the type and package of the goods, total value of the goods, transit time and distance, approximately, %0,1-%0,2 of total value of the goods can be considered.

3.2.11.8 Efficiency of Risk Minimization Process

If the seller insure the goods with wide range of clause (Institute Cargo Clause A) and add other addable clause (strike, lockout, war and civil commotions clauses), all minimization instruments would be used in this shipment term.

It will be useful to remind that using below mentioned clauses will not eliminate all risk during the pre-carriage transportation. The 7 Clauses mentioned above will not be able to covered by any insurance policy.

3.2.12 Delivery Terms: DDU

3.2.12.1 Description of Delivery Term

Delivered duty unpaid (... named place of destination) “Delivered Duty Unpaid” means that the seller delivers the goods to the buyer, not cleared for import, and not unloaded from any arriving means of transport at the named place of destination. The seller has to bear the costs and Risk involved in bringing the goods thereto, other than, where applicable, any “duty” (which term includes the responsibility for and the Risk of the carrying out of customs formalities, and the payment of formalities, customs duties, taxes and other charges) for import in the country of destination. Such “duty” has to be borne by the buyer as well as any costs and Risk caused by his failure to clear the goods for import in time (ICC,1999: 113).

3.2.12.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come form delivery terms are given process:

- Export Pack
- Mark and Label
- Export Clearance (License, Duties)
- Arrange Pre-Carriage
- Load Pre-Carrier
- Unload Pre-Carrier
- Nominate Main Carrier
- Nominate Export Forwarder
- Arrange Insurance from seller premises to destination not including unloading at destination
- Load Main Carrier
- Ocean Freight/Truck Freight Fees
- Forwarder Fees

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice
- Packing List
- Export Declaration
- Certificate of Origin
- Precarriage Bill of Lading
- Export License
- Other Governmental Documents
- Dock Receipt for Shipment
- Main Carriage Bill of Lading or CMR
- Other documents informed by buyer

3.2.12.3 Additional Remarks

The passing point of risk and cost are the same: as not unloaded from any arriving means of transport at the named place of destination. Until this point the seller must insure the goods on behalf of himself.

3.2.12.4 Description of Risk

Exporter carries all risk until risk crossing point. Risk Crossing Point is determined as not unloaded from any arriving means of transport at the named place of destination. The Risk pass to buyer when the seller delivers goods at the named place of destination.

The risk starts at sellers' factory/warehouses and ends at the named place of destination as not unloaded and not cleared for import.

The main Risk are:

- Any damage or losses during pre-carriage loading and pre-carriage unloading
- And damage or losses during pre-carriage and loading to main carrier such as: accident, theft, natural disasters (earthquake, torrent etc.), breaking etc..

3.2.12.5 Effects of Risk for Exporter

The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered at the named place of destination. The total value of the goods are under the risk.

3.2.12.6 Minimization Methods

The elimination method is arranging transport insurance. For elimination seller can select one of the insurance clause (Institute Cargo Clause C or Institute Cargo Clause A. Additionally seller may add strike, lockout, war clauses and civil commotions. The insurance must be made door to door including all loading and unloading risk exempt final unloading.

As mentioned at the beginning of chapter that the 7 clauses can not be insured under any circumstance.

3.2.12.7 Minimization Cost

When the minimization cost depends on the type and package of the goods, total value of the goods, transit time and distance, approximately, %0,1-%0,2 of total value of the goods can be considered.

3.2.12.8 Efficiency of Risk Minimization Process

If the seller insure the goods with wide range of clause (Institute Cargo Clause A) and add other addable clause (strike, lockout, war and civil commotions clauses), all minimization instruments would be used in this shipment term.

It will be useful to remind that using below mentioned clauses will not eliminate all risk during the pre-carriage transportation. The 7 Clauses mentioned above will not be able to covered by any insurance policy.

3.2.13 Delivery Terms: DDP

3.2.13.1 Description of Delivery Term

Delivered duty paid (... named place of destination) “Delivered Duty Paid” means that the seller delivers the goods to the buyer, cleared for import, and not unloaded from any arriving means of transport at the named place of destination. The seller has to bear all the costs and Risk involved in bringing the goods thereto including, where applicable, any “duty” (which term includes the responsibility for and the Risk of the carrying out of customs formalities and the

payment of formalities, customs duties, taxes and other charges) for import in the country of destination.

Whilst the Ex-Works term represents the minimum obligation for the seller, DDP represents the maximum obligation. This term should not be used if the seller is unable directly or indirectly to obtain the import licence. However, if the parties wish to exclude from the seller's obligations some of the costs payable upon import of the goods (such as value-added tax: VAT), this should be made clear by adding explicit wording to this effect in the contract of sale. If the parties wish the buyer to bear all Risk and costs of the import, the DDU term should be used. (ICC, 1999: 121)

3.2.13.2 Responsibilities of Seller

When an exporter mainly already responsible for preparation of goods according to contract terms, the additional responsibilities which come from delivery terms are given process:

- Export Pack
- Mark and Label
- Export Clearance (License, Duties)
- Arrange Pre-Carriage
- Load Pre-Carrier
- Unload Pre-Carrier
- Nominate Main Carrier
- Nominate Export Forwarder
- Arrange Insurance from seller premises to destination not including unloading at destination
- Load Main Carrier
- Ocean Freight/Truck Freight Fees
- Forwarder Fees
- Import Clearance (License, Duties and Taxes)

Exporter is responsible to prepare and present below given documents:

- Commercial Invoice
- Packing List
- Export Declaration
- Certificate of Origin
- Pre-Carriage Bill of Lading
- Export License
- Other Governmental Documents
- Dock Receipt for Shipment
- Main Carriage Bill of Lading
- Import Clearance Documents, Tax Payment Receipts
- Other documents informed by buyer

3.2.13.3 Additional Remarks

The passing point of Risk and costs are the same: as not unloaded from any arriving means of transport at the named place of destination. Until this point the seller must insure the goods on behalf of himself.

3.2.13.4 Description of Risk

Exporter carries all risk until risk crossing point. Risk Crossing Point is determined as the named place of destination. The risk pass to buyer when the seller delivers goods after at the named place of destination as cleared export and import.

The risk starts at sellers' factory/warehouses and ends at the named place of destination as not unloaded.

The main risk are:

- Any damage or losses during pre-carriage loading and pre-carriage unloading
- And damage or losses during pre-carriage and loading to main carrier such as: accident, theft, natural disasters (earthquake, torrent etc.), breaking etc..
- Duties and Taxes Risk: during the discussing and bargaining period, exporter calculates the cost according to current values. After signing of contract and before import custom clearance the taxes and duties ratio may turn against to seller (may increase)
- License and Permission: Import of good may be prohibited or the importing procedures may be get hard.

3.2.13.5 Effects of Risk for Exporter

Loss and Damage: The all Risk on goods are any loss of or damage to the goods until such time as they have been delivered at the named place of destination. The total value of the goods are under the risk.

Duties and Taxes Risk: If the taxes and duties' ratio increase, the level of increasing will be on the account of seller as a loss.

License and Permission: As a result of prohibition of import and cancellation of license/permission, the seller has to be get back the goods of to transfer to other buyer. During this process, all the expenses will be on the account of the seller as loss.

3.2.13.6 Minimization Methods

The elimination method is arranging transport insurance. For elimination seller can select one of the insurance clause (Institute Cargo Clause C or Institute Cargo Clause A). Additionally seller may add strike, lockout, war clauses and civil commotions. The insurance must be made door to door including all loading and unloading risk exempt final unloading.

As mentioned at the beginning of chapter that the 7 clauses can not be insured under any circumstance.

Duties and Taxes Risk: A special clause may be added to contract as “All changes on the ration taxes and duties as positive or negative way, will be reflected to buyer and seller”

License and Permission: A special clause may be added to contract as “ Any expenses as a result of cancelation of license and permission will be on the account of buyer”

3.2.13.7 Minimization Cost

When the minimization cost depends on the type and package of the goods, total value of the goods, transit time and distance, approximately, %0,1-%0,2 of total value of the goods can be considered.

3.2.13.8 Efficiency of Risk Minimization Process

If the seller insure the goods with wide range of clause (Institute Cargo Clause A) and add other addable clause (strike, lockout, war and civil commotions clauses), all minimization instruments would be used in this shipment term.

It will be useful to remind that using below mentioned clauses will not eliminate all risk during the pre-carriage transportation. The 7 Clauses mentioned above will not be able to be covered by any insurance policy.

3.3 PAYMENT TERMS AND RISK MANAGEMENT

The trade is a two sided transaction that might be performed by seller and buyer. The seller's obligation is to deliver the goods at given amount, at specified quality and in a informed period of time according to sales contract. The buyer's obligation is to pay value of the goods.

Delivery obligation's border is determined by Incoterms. Both sides, seller and buyer, clearly knows that who is responsible to prepare which documents, where the Risk pass to buyer, who pays which costs. Both sides clearly know who carries which risk.

As same as publishing of Incoterms by ICC, ICC also published payment terms clauses to arrange uniform clauses. There 5 main types of payment terms used in international trade; Cash Payment, Cash Against Goods, Cash Against Documents, Letter of Credit and Credit Acceptance Paymets.

Some factors that will effect to selection of payment terms may be listed as (Polat, 2008: 210);

- Trust level of business relation
- Types of product (such as being monopol seller)
- Bargaining power
- Country risk
- Cost of the payment terms

In this section all 5 Payment Terms will be detaily analized according to risk management process. Process of risk analysis of delivery terms consist of 8

step; description of delivery term, responsibilities of seller in thin delivery term, additional remarks, description of risk, effect of risk to exporter, risk minimization method, cost of minimization method, efficiency of risk minimization process.

3.3.1 Cash Payment

3.3.1.1 Description of Payment Term

With the cash-in-advance payment method, the exporter can avoid credit risk or the risk of nonpayment, since payment is received prior to the transfer of ownership of the goods. Wire transfers and credit cards are the most commonly used cash-in-advance options available to exporters. However, requiring payment in advance is the least attractive option for the buyer, as this method tends to create cash flow problems, and unless the seller sees no other option or the buyer has other vendors to choose from, it often is not a competitive option. In addition, foreign buyers are often concerned that the goods may not be sent if payment is made in advance. Exporters that insist on this method of payment as their sole method of doing business may find themselves losing out to competitors who may be willing to offer more attractive payment terms.

An international wire transfer is commonly used and has the advantage of being almost immediate. Exporters should provide clear routing instructions to the importer when using this method, including the name and address of the receiving bank, the bank's SWIFT, Telex, and ABA numbers, and the seller's name and address, bank account title, and account number. This option is more costly to the importer than other options of cash-in-advance method, as the fee for an international wire transfer is usually paid by the sender. (U.S.Department of Commerce, 2008: 5-6)

When to Use Cash-in-Advance Terms (U.S. Department of Commerce, 2008 : 5-6):

- The importer is a new customer and/or has a less-established operating history.
- The importer's creditworthiness is doubtful, unsatisfactory, or unverifiable.
- The political and commercial Risk of the importer's home country are very high.
- The exporter's product is unique, not available elsewhere, or in heavy demand.
- The exporter operates an Internet-based business where the use of convenient payment methods is a must to remain competitive

Recommended for use in high-risk trade relationships or export markets, and ideal for Internet-based businesses.

Exporter is exposed to virtually no risk as the burden of risk is placed nearly completely on the importer. Payment before shipment, Eliminates risk of non-payment. May lose customers to competitors over payment terms, No additional earnings through financing operations.

3.3.1.2 Responsibilities of Seller

After receiving the payment, If cash was paid in advance by buyer, seller must deliver the goods and will give buyer all the documents, courier them to the buyer or airmail them. Before delivery the seller has no obligations.

3.3.1.3 Additional Remarks

The time of the payment is important. Buyer might refuse or may cancel or may not be able to pay the value of the goods, then if the goods are branded or customized seller cannot sell to another buyer.

3.3.1.4 Description of Risk

Exporter is exposed to virtually no risk as the burden of risk is placed nearly completely on the importer (U.S.Department of Commerce, 2008: 5-6).

When cash payment was determined as minimum level of risk or no risk, the date of the payment may create risk.

The buyer has a power to cancel the contract until the date of payment. Until the date of payment, if the seller already ordered the raw materials and any other inputs for production or already started to produce the goods, all the spending until payment date the seller will face to lose the value of the goods until this time.

If the goods are private branded or customized for buyer and before payment If the seller had already finished or started to produce the goods, if the buyer refuse or may not be able to pay the value of the goods seller cannot sell to another buyer.

3.3.1.5 Effects of Risk for Exporter

If the goods are private branded or customized for buyer, the total value of the goods or completed part of goods until due date are under the risk.

If the goods are standart goods (not private branded or customized for buyer and can be sold to another buyers), the seller will have to transfer the goods to another buyers;

- Contacting, finding out new customers will take additional times and this will cause additional financial expenses.
- Process of contacting, finding out new customers will cause additional expenses.

- At the date of the shipment, the price of the goods may decreased in the market.
- New buyer may require extra discounts or payment period because of already produced goods.

3.3.1.6 Minimization Methods

Depending on a product's lead time and the investment required to produce goods for a specific buyer, Cash In Advance terms by "progress payments" can be an attractive payment method. For example, the terms could be 10% at start of production, 50% at midpoint, and the remainder due at shipment. (Jago, 2001:6)

Eximbank insurance is applicable. Before signing contract, a copy of contract is sent to Eximbank to give a comment to decide or not to decide to insure payment.

3.3.1.7 Minimization Cost

Progress payment will not cause any cost to seller.

The Eximbank insurance policy cost is about %0,5 value of the goods.

3.3.1.8 Efficiency of Risk Minimization Process

Eximbank guarantees the %90 of total value of the goods. The seller will carry the risk of %10 of the total value of the goods.

3.3.2 Cash Against Documents (CAD)

3.3.2.1 Description of Payment Term

Documentary collection (D/C) or other name cash against documents is a transaction whereby the exporter entrusts the collection of a payment to the remitting bank (exporter's bank), which sends documents to a collecting bank (importer's bank), along with instructions for payment. Funds are received from the importer and remitted to the exporter through the banks in exchange for those documents. D/Cs involve using a draft that requires the importer to pay the face amount either at sight (document against payment [D/P] or cash against documents) or on a specified date (document against acceptance [D/A] or cash against acceptance) (U.S. Department of Commerce, 2008: 9).

Acceptance payment's details will be separately analyzed next sections. In this section cash against documents at sight will be analyzed.

The main key points of CAD are (U.S. Department of Commerce, 2008: 10):

- D/Cs are less complicated and less expensive than LCs.
- Under a D/C transaction, the importer is not obligated to pay for goods before shipment.
 - The exporter retains the title to the goods until the importer either pays the face amount at sight or accepts the draft to incur a legal obligation to pay at a specified later date.
 - Although the title to the goods can be controlled under ocean shipments, it cannot be controlled under air and overland shipments, which allow the foreign buyer to receive the goods with or without payment.
 - The remitting bank (exporter's bank) and the collecting bank (importer's bank) play an essential role in D/Cs.

- Although the banks control the flow of documents, they neither verify the documents nor take any Risk. They can, however, influence the mutually satisfactory settlement of a D/C transaction.

3.3.2.2 Responsibilities of Seller

Exporters responsibilities and process of CAD is mentioned as follows (Vaknin, 2002: 19);

- Contract
- Carriage of goods to port of discharge
- Documents (commercial invoice, bill of lading, insurance policy, certificate of origin) transferred by to seller's bank for collection
- Seller's bank (usually through carrier) transfers documents to buyer's bank
- Buyer's bank (the consignee) invites buyer to receive endorsed (ownership transferred to buyer) documents
- Buyer deposits payment (or arranges credit line) for the goods in his bank
- Goods delivered to buyer (using the endorsed documents)
- Buyer's bank transfers the payment to seller's bank
- Seller's bank credits seller's account with the payment minus fees and charges and commissions

If bank endorses documents to buyer prior to receipt of payment – the bank assumes the buyer's obligation to pay.

CAD not to be used with branded or customized goods (buyer might refuse the goods and if they are branded or customized – they cannot be sold to another buyer).

3.3.2.3 Additional Remarks

The banks play a role of intermediaries. Any bank collecting and remitting bank, have no obligation or guarantee for payment.

Only collecting bank gives a guarantee for not delivering the documents prior to receipt of payment. If bank endorses documents to buyer prior to receipt of payment – the bank assumes the buyer's obligation to pay.

3.3.2.4 Description of Risk

The exporter retains the title to the goods until the importer either pays the face amount at sight. When the documents arrives the collecting bank, collecting bank (the consignee) invites buyer to receive endorsed (ownership transferred to buyer) documents. The buyer has to pay total value of the goods before receiving the documents. If the buyer does not want to pay the value of the goods or don't have a good financial position to pay the value of the goods, there is not any authority to pressure or to put under obligation to pay the value of the goods.

Recommended for use in established trade relationships and in stable export markets. This payment is riskier for the exporter, though D/C terms are more convenient and cheaper than an LC to the importer. Bank assistance in obtaining payment. The process is simple, fast, and less costly than LCs. Banks' role is limited and they do not guarantee payment Banks do not verify the accuracy of the documents. Although the banks control the flow of documents, they neither verify the documents nor take any Risk. They can, however, influence the mutually satisfactory settlement of a D/C transaction. Although the title to the goods can be controlled under ocean shipments, it cannot be controlled under air and overland shipments, which allow the foreign buyer to receive the goods with or without payment. (Vaknin, 2002: 19)

3.3.2.5 Effects of Risk for Exporter

CAD not to be used with branded or customized goods (buyer might refuse the goods and if they are branded or customized – they cannot be sold to another buyer). If the goods are branded or customized all face value of the goods are under the risk.

If the product is standart the amount of the risk is decreasing. These Risk are classified as:

- **Price Discount** : Transferring the goods to other buyer will essential to make price discount according to market price.
- **Quality Loss**: If the product is not durable, during the transferring from first buyer to next buyer, the goods may loss the quality
- **Financial Loss** : The receipt of payments will take additional times from the next buyer. This time distance will require additional financial loss for seller
- **Additional Expenses** : To transfer of the goods to next buyer will require extra expenses such as: preparation of new documents, additional transport.

3.3.2.6 Minimization Methods

CAD not to be used with branded or customized goods (buyer might refuse the goods and if they are branded or customized – they cannot be sold to another buyer).

If the product is standart, the expected/projected Risk at the above section mentioned might be collected through in cash or Bank Guarantee Letter. Forexample the total projected risk/loss is about %10 of the total value of the

goods, Exporter may require %10 percent down payment and remain %90 is Cash Against Documents payments.

Also for customized or branded and standart goods Eximbank insurance is an important toll for risk minimization. Eximbank insurance gives the guarantee of the %90 of the total value.

3.3.2.7 Minimization Cost

Eximbank payment insurance policy cost is about %0,5 of the total value of the goods.

3.3.2.8 Efficiency of Risk Minimization

If the product is standart, all Risk are minimized by collecting down payment.

Eximbank insurance gives the guarantee of the %90 of the total value.

3.3.3 Cash Against Goods (CAG)

Cash Against Goods also named as open account transaction is a payment terms accepted as most risky payment term for exporter. When this payment refers minimum risk for importer, refers maximum Risk for exporter. There are lots of reasons being preferred of this payment by exporter. These reasons and risk management of Cash Against Goods detailed below sections.

3.3.3.1 Description of Payment Term

Cash Against Goods also named as open account transaction is a sale where the goods are shipped and delivered before payment is due, which is usually in 30 to 90 days. Obviously, this option is the most advantageous to the importer in terms of cash flow and cost, but it is consequently the highest-risk option for an exporter. Because of intense competition in export markets, foreign buyers often press exporters for open account terms. In addition, the extension of credit by the seller to the buyer is more common abroad. Therefore, exporters who are reluctant to extend credit may lose a sale to their competitors. However, though open account terms will definitely enhance export competitiveness, exporters should thoroughly examine the political, economic, and commercial Risk as well as cultural influences to ensure that payment will be received in full and on time. Exporters may also seek export working capital financing to ensure that they have access to financing for production and for credit while waiting for payment. The key points of Cash Against Goods are:

- The goods, along with all the necessary documents, are shipped directly to the importer who has agreed to pay the exporter's invoice at a specified date, which is usually in 30 to 90 days.
- The exporter should be absolutely confident that the importer will accept shipment and pay at the agreed time and that the importing country is commercially and politically secure.
- Open account terms may help win customers in competitive markets and may be used with one or more of the appropriate trade finance techniques that mitigate the risk of non-payment. (U.S. Department of Commerce, 2008: 11).

Cash Against Goods / Open Account is recommended for use in low-risk trading relationships or markets and in competitive markets to win customers with

the use of one or more appropriate trade finance techniques. Helps establish and maintain a successful trade relationship. Also this payment requires significant exposure to the risk of non-payment and additional costs associated with risk mitigation measures. (U.S. Department of Commerce, 2008: 12).

3.3.3.2 Responsibilities of Seller

Exporter's responsibilities and process of CAG is mentioned as follows:

- Contract
- Exporter prepares, packages and delivers the goods according to contract
- Documents (commercial invoice, bill of lading, insurance policy, certificate of origin) transferred directly to buyer enabling to clear the goods at destination.

3.3.3.3 Additional Remarks

There is no additional remarks.

3.3.3.4 Description of Risk

Cash Against Goods presents significant risk to exporter because the buyer could default on payment obligation after shipment of the goods. Total value of the goods is under the risk. Additional finance techniques and tools can be applied for risk minimization.

3.3.3.5 Effects of Risk for Exporter

Cash Against Goods includes maximum risk when compared with other payment terms. The exporter must consider this risk level before accepting this payment term. Total value of the goods is under the risk. Additional finance techniques and tools can be applied for risk minimization.

3.3.3.6 Minimization Methods

It is possible to substantially mitigate the risk of non-payment associated with open account trade by using such trade finance techniques as export credit insurance and factoring.

Open account terms may be offered in competitive markets with the use of one or more of the following risk minimization techniques:

- Eximbank export credit insurance,
- Export factoring.

3.3.3.7 Minimization Cost

Eximbank export credit insurance will cost about %0,5 depending on buyer's country risk, buyer's risk, types of product and buyers payment date

Factoring Companies will charge the cost of the process according to payment date of buyer, buyer's country risk, buyer's risk, types of product and additional cost of procedures. Also the current interest rates for loan through financial institutions are main determinants of main cost of factoring.

3.3.3.8 Efficiency of Risk Minimization

If Eximbank confirms to insure the payment of goods, %90 of total value of the goods will be guaranteed by Eximbank. Factoring companies pay the rest of the value of the goods after deducting all cost of the factoring process.

3.3.4 Letter of Credit (L/C)

Letter of credits are important payment terms used in international trade transactions. The uniform Customs and Practices For Documentary Credits, 2007 Revision, ICC Publication No.600 are rules that apply to any documentary credit (including to the extent to which they may be applicable, any stand by letter of credit) when the text of credit expressly indicates that it is subjected to these rules. They are binding on all parties thereto unless modified or excluded by the credit (ICC, 2007: 26). Comparing with other payment terms letter of credit transactions prerequisite a specialization. Without handling properly with a special care, letter of credits will not furnish any payment guarantee to the exporter neither do furnish any guarantee to the importer regarding the quality and supply of the goods they requested. (Polat, 2008: 209)

3.3.4.1 Description of Payment Term

Letters of credit (LCs) are one of the most secure instruments available to international traders. An LC is a commitment by a bank on behalf of the buyer that payment will be made to the beneficiary (exporter) provided that the terms and conditions stated in the LC have been met, consisting of the presentation of specified documents. The buyer pays his bank to render this service. An LC is useful when reliable credit information about a foreign buyer is difficult to obtain, but the exporter is satisfied with the creditworthiness of the buyer's foreign bank. This method also protects the buyer since the documents required to trigger payment provide evidence that the goods have been shipped or

delivered as promised. However, because LCs have many opportunities for discrepancies, documents should be prepared by well-trained professionals or outsourced. Discrepant documents, literally not having an “i dotted and t crossed,” can negate the bank’s payment obligation. (U.S.Department of Commerce,2008: 7). If the exporter fulfils all the conditions of the L/C - the bank will pay, regardless of the situation of the buyer. If the seller did not comply with the conditions in the L/C, the bank will pay only if buyer expressly agrees to it. (Vaknin, 2002: 20)

The main Key Points for LC are (U.S.Department of Commerce, 2008: 9);

- An LC, also referred to as a documentary credit, is a contractual agreement whereby the issuing bank (importer’s bank), acting on behalf of its customer (the buyer or importer), authorizes the nominated bank (exporter’s bank), to make payment to the beneficiary or exporter against the receipt of stipulated documents.

- The LC is a separate contract from the sales contract on which it is based: therefore, the bank is not concerned whether each party fulfills the terms of the sales contract.

- The bank’s obligation to pay is solely conditioned upon the seller’s compliance with the terms and conditions of the LC. In LC transactions, banks deal in documents only, not goods.

- LCs can be arranged easily for one-time deals.

- Unless the conditions of the LC state otherwise, it is always irrevocable, which means the document may not be changed or cancelled unless the seller agrees.

When there are lots of forms of LC, for risk analysis Confirmed and Unconfirmed Letter of Credit will be analyzed. **Confirmed Letter of Credit** is a greater degree of protection is afforded to the exporter when an LC issued by a foreign bank (the importer’s issuing bank) is confirmed by a applicant bank and

the exporter asks its customer to have the issuing bank authorize a bank in the exporter's country to confirm (the advising bank, which then becomes the confirming bank). This confirmation means that the exporter's bank adds its engagement to pay the exporter to that of the foreign bank. If an LC is not confirmed, the exporter is subject to the payment risk of the foreign bank and the political risk of the importing country. Exporters should consider getting confirmed LCs if they are concerned about the credit standing of the foreign bank or when they are operating in a high-risk market, where political upheaval, economic collapse, devaluation or exchange controls could put the payment at risk (U.S. Department of Commerce, 2008: 8).

3.3.4.2 Responsibilities of Seller

These are the uniform rules process of LC international payments determined by the ICC in Paris, France (Vaknin, 2002: 21-22);

1. Importer signs sales contract which includes prices, schedules of delivery and payment, types of packing, modes of carriage, volume, documents to be exchanged and more. Importer gets pro-forma invoice from exporter
2. Based on the pro-forma invoice, Importer asks his bank to open letter of credit in favor of Exporter. Importer instructs the opening bank which details to add to the L/C which are not included in the Sales Contract or in the pro-forma invoice. Such details may include: permission or prohibition of transit, transshipment, division of the L/C, part shipment, the number of copies of the documents, certificates of origin, the coverage amount of the insurance policy, should the policy be endorsed and so on.
3. The bank uses its letter of credit form and incorporate all the terms and conditions of the sales contract in the letter of credit
4. The Importer's bank send the details of the L/C to the Exporter's bank (the Correspondent Bank)
5. The Correspondent Bank informs the Exporter that an L/C was opened in the Exporter's favor and conveys to the Exporter the details of the L/C

6. Exporter compares the conditions of the L/C to the conditions of the sales contract and especially whether the Importer's Bank has irrevocably agreed to accept the Correspondent Bank's signature regarding the receipt of the documents

7. Exporter consults his bank and others whether the Importer's bank is a prime, world bank of good standing

8. Exporter makes sure the L/C is valid and corresponds to the timetables agreed with the Importer regarding both the delivery of the goods and payments. Another question: can the documents be negotiated or transferred within the term of the L/C? Can the Exporter accept all the restrictions and limitations of the L/C? Are there any impossible conditions (for instance, in contravention of the foreign exchange regime) or wrong details (name of a port which does not exist, etc.)

9. If the L/C is accepted by the Exporter, he starts production and manufacturing operations. When the goods are ready, Exporter contacts a carrier. After the goods are loaded, Exporter gets a bill of lading, a certificate of origin EUR1 or FORM A signed by the Customs, an export list and other documents,

10. Exporter presents documents to his bank which checks whether all required documents have been presented and whether they comply with the conditions of the L/C. The correspondent bank then issues an ACCEPTANCE. The L/C then becomes a bank guarantee,

11. If the correspondent bank is also the confirming bank, it also pays the Exporter,

12. The correspondent bank transfers the documents and the acceptance to the opening bank,

13. The opening bank checks the documents. But if the correspondent bank is also the confirming bank – even if the documents are wrong or faulty – the opening bank must pay,

14. The opening bank transfers the payment to the correspondent and confirming bank,

15. The opening bank informs the Importer that the documents arrived. Importer deposits payment with the opening bank (or opens a credit line with it)

16. Importer gets from the opening bank the documents endorsed,
17. Importer clears the goods and takes delivery of them through the carrier (he gets a delivery order from the carrier, having settled all outstanding accounts with carrier),

3.3.4.3 Additional Remarks

Tips for Exporters are:

- Consult with your bank before the importer applies for an LC.
- Consider whether a confirmed LC is needed.
- Negotiate with the importer and agree on detailed terms to be incorporated into the LC.
- Determine if all LC terms can be met within the prescribed time limits.
- Ensure that all the documents are consistent with the terms and conditions of the LC.
- Beware of many discrepancy opportunities that may cause non-payment or delayed payment.

3.3.4.4 Description of Risk

Recommended for use in new or less-established trade relationships when the exporter is satisfied with the creditworthiness of the buyer's bank.

Letter of Credit is a complex and labor-intensive process when compared to other payment terms. And needs additional care and experienced professionals. Relatively expensive method in term of transaction costs compared to other payment terms.

If the LC is opened confirmed and irrevocable, including minimum risk level compared to other payment terms. In this clause, the seller has maximum

level of conformity to letter of credit conditions. If the production of goods, preparation of documents and shipment instructions are fitting LC requirements, the seller will receive the payment according to LC conditions depending on being at sight or deferred. All L/Cs, unless specified, are considered irrevocable – meaning the buyer/seller cannot back out of the deal after the L/C has been opened and accepted.

The main Risk which strongly must be considered after opening of LC are classified as follows:

Features of goods: The goods must be produced, labeled and packaged according to LC conditions. The amount of the goods also must conform the LC conditions.

Documentation: The Commercial Invoice and shipping documents must match precisely as stipulated in the L/C. If the Commercial Invoice describes the products differently, even if spellings are different from the L/C, then the bank will charge added fees for handling/amending the documents due to the discrepancies, unless the buyer accepts the discrepancies. The documents prepared by seller conform to LC Documents Required field.

Shipment Instructions: Types of transportation, latest date of shipment and latest date of presentation of documents to bank are important shipment instructions must be considered by exporter.

A “confirmed” L/C ensures the exporter will be paid by his or her own bank, even if the importer’s bank fails to pay, provided all of the L/C instructions and document requirements are followed. Although additional fees apply, exporters should request importers to open a confirmed, irrevocable and non-transferable commercial L/C. The importer’s bank must have a corresponding relationship with a U.S. bank or be creditworthy since the exporter’s bank will not confirm the L/C of an unknown bank. Note that in some countries, a confirmed L/C is not always available due to risk factors.

Force Majeure Risk: UCP 600 indicates in Article 36 : A bank assumes no liability or responsibility for the consequences arising out of the interruption of its business by Acts of God, riots, civil commotions, insurrections, wars, acts of terrorism, or by any strikes or lockouts or any other causes beyond its control.

Exporter will face force majeure risk if don't require additional conditions to eliminate this risk.

If LC is not confirmed, additionally the seller will face any risk comes from applicant bank and importer country. In unconfirmed LC, beneficiary's bank (exporter bank) will not have any obligation of payment. Only act as a intermediary to take the documents and sent them to applicant bank.

3.3.4.5 Effects of Risk for Exporter

Any mistake informed prior section at documentations will cause reserve. Reserve means cancelation of letter of credit if buyer does not accept the failures according to LC.

Multiple or itemized discrepancies can significantly add to the cost and stress of a sale. To avoid problems, exporters need to have constant communication with buyers, and may want to consider sending an outline to the buyer with the criteria the L/C should address. Usually the exporter sends a Proforma Invoice to be used by the buyer/importer at their bank when opening the L/C.

3.3.4.6 Minimization Methods

Letter of Credit is a complex and labor-intensive process when compared to other payment terms needs to be managed by experienced professionals.

The seller must carefully check the conditions of LC to contract which is signed by both sights. And the seller must check and be sure that all mentioned requirements in LC (quantity & quality of products, packaging, latest date of shipment, latest date of presentation of documents, documents required, additional conditions, etc..) will be performed.

Force Majeure risk may be eliminated by adding extra clause to Additional Conditions “Notwithstanding article 36 of UCP 600” If on the last banking day for presentation or demand the place for presentation or demand stated in that credit is for any reason closed and presentation or demand is not timely made because of the closure, then the last day for presentation or demand is automatically extended to the day occurring thirty calendar days after the place for presentation or demand re-opens for business” (Ozalp, 2007: 488).

If the LC is unconfirmed, to eliminate the country risk, Eximbank payment insurance can be used

3.3.4.7 Minimization Cost

For unconfirmed LC, Eximbank payment insurance’s cost take about %0,5 of total value of the risk.

3.3.4.8 Efficiency of Risk Minimization

For unconfirmed LC Eximbank Payment Insurance guarantees %90 of total value against country and applicant bank risk.

3.3.5 Credit Acceptance Payment

Credit Acceptance Payment is not a new payment term. This payment is produced from Documentary Collection (Letter of Credit) and Cash Against Documents which involve draft for long term payment.

Documentary Collections by acceptance may be used when: the exporter has little recourse against the importer in case of non-payment. Thus, D/Cs should be used only under the following conditions: The exporter and importer have a well-established relationship. The exporter is confident that the importing country is politically and economically stable. An open account sale is considered too risky, and an LC is unacceptable to the importer. Recommended for use in established trade relationships and in stable export markets.

Acceptance Payment is riskier for the exporter, though this terms are more convenient and cheaper than an LC to the importer. Bank assistance in obtaining payment. The process is simple, fast, and less costly than LCs. Banks' role is limited and they do not guarantee payment. Banks do not verify the accuracy of the documents.

3.3.5.1 Description of Payment Term

Documentary collection (D/C) or other name cash against documents is a transaction whereby the exporter entrusts the collection of a payment to the remitting bank (exporter's bank), which sends documents to a collecting bank (importer's bank), along with instructions for payment. Funds are received from the importer and remitted to the exporter through the banks in exchange for those documents. D/Cs involve using a draft that requires the importer to pay the face amount either at sight (document against payment [D/P] or cash against documents) or on a specified date (document against acceptance [D/A] or cash against acceptance). (Acceptance payment's details will be separately analyzed next sections) The draft gives instructions that specify the documents required for

the transfer of title to the goods. Although banks do act as facilitators for their clients under collections, D/Cs offer no verification process and limited recourse in the event of non-payment. Drafts are generally less expensive than letters of credit (LCs). (U.S.Department of Commerce, 2008: 9).

For risk analysis avalise is key determinant for payment obligation. There is two types of avalised. If only the buyer signs the draft named as buyer avalised credit acceptance. And only buyer is under obligation of payment at due date. Exporter has no control of goods and may not get paid at due date.

If the buyer and collecting bank (importer's bank) sign the draft named as buyer and collecting bank avalised credit acceptance. Additionally collecting bank is under obligation to pay at due date.

The Key Points for Acceptance Credit are as follws:

- D/Cs are less complicated and less expensive than LCs.
- Under a D/C transaction, the importer is not obligated to pay for goods before shipment.
- The exporter retains the title to the goods until the importer either pays the face amount at sight or accepts the draft to incur a legal obligation to pay at a specified later date.
- Although the title to the goods can be controlled under ocean shipments, it cannot be controlled under air and overland shipments, which allow the foreign buyer to receive the goods with or without payment.
- The remitting bank (exporter's bank) and the collecting bank (importer's bank) play an essential role in D/Cs.
- Although the banks control the flow of documents, they neither verify the documents nor take any Risk. They can, however, influence the mutually satisfactory settlement of a D/C transaction. (U.S.Department of Commerce, 2008: 9).

3.3.5.2 Responsibilities of Seller

Typical Simplified Documentary Acceptance (D/A) Transaction Flow
(U.S.Department of Commerce, 2008: 11):

1. The exporter ships the goods to the importer and receives the documents in exchange.
2. The exporter presents the documents with instructions for obtaining payment to his bank.
3. The exporter's remitting bank sends the documents to the importer's collecting bank.
4. The collecting bank releases the documents to the importer on acceptance of the draft.
5. The importer uses the documents to obtain the goods and to clear them at customs.
6. Once the collecting bank receives payment, it forwards the proceeds to the remitting bank.
7. The remitting bank then credits the exporter's account

3.3.5.3 Additional Remarks

The banks play a role of intermediaries. Any bank collecting and remitting bank, have no obligation or guarantee for payment until signing of draft. Only if the draft is signed by collecting bank, collecting bank will under obligation to pay.

Only collecting bank gives a guarantee for not delivering the documents prior to receipt of draft. If bank endorses documents to buyer prior to receipt of draft – the bank assumes the buyer's obligation to pay.

3.3.5.4 Description of Risk

The exporter retains the title to the goods until the importer signs the draft. When the documents arrive the collecting bank, the collecting bank (the consignee) invites the buyer to sign the draft to receive endorsed (ownership transferred to buyer) documents. The buyer has to sign the draft before receiving the documents. If the buyer does not want to sign the draft, the collecting bank does not have any authority to pressure the buyer to sign the draft or to put the buyer under obligation to pay the value of the goods. The seller is fully under the risk at this position. The exporter has the same risk position mentioned in Cash Against Documents described in the prior section until signing the draft.

The signing of a draft does not eliminate the risk of non-payment. Types of signing minimize the risk of non-payment. The risks after the signing of a draft are described as follows:

If a draft is buyer-avalised, only the buyer is under obligation of payment at due date. The exporter has no control of the goods and may not get paid at due date. The seller will apply to a law court for payment. This takes a lot of time and costs for the process. And then there is no guarantee for receiving the payment.

If the draft is signed by the buyer and the collecting bank (importer's bank) which is named as buyer and collecting bank-avalised credit acceptance, additionally the collecting bank is under obligation to pay at due date. At the date of payment if the buyer does not pay the full value of the goods, the collecting bank will pay the value of the goods to the seller. The seller is under a guarantee of payment by the buyer's bank.

Documentary Acceptance is not to be used with branded or customized goods (the buyer might refuse the goods and if they are branded or customized – they cannot be sold to another buyer). If the goods are branded or customized, all the face value of the goods are under the risk.

3.3.5.5 Effects of Risk for Exporter

Until signing of the draft, the risk is the same with CAD mentioned prior section. Documentary Acceptance is not advised to be used with branded or customized goods (buyer might refuse the goods and if they are branded or customized – they cannot be sold to another buyer). If the goods are branded or customized all face value of the goods are under the risk.

If the product is standart the amount of the risk is decreasing. These risk are classified as:

- **Price Discount:** Transferring the goods to other buyer will essential to make price discount according to market price.
- **Quality Loss:** If the product is not durable, during the transferring from first buyer to next buyer, the goods may loss the quality
- **Financial Loss:** The receipt of payments will take additional times from the next buyer. This time distance will require additional financial loss for seller,
- **Additional Expenses:** The transfer of the goods to next buyer will require extra expenses such as: preparation of new documents, additional transport.

After the signing of the draft, the risk are classified depending on the type of avallize.

Buyer Avalised Documentary Acceptance: If the buyer does not pay the value of the good at due date, seller has maximum risk of unpayment. Seller only can apply to legal authorities by signed draft.

Buyer and Collecting Bank (Buyer Bank)Avalised Documentary Acceptance: If the buyer does not pay the value of the good at due date, because of being under obligation, the collecting bank will pay the total value of the goods at the due date.

3.3.5.6 Minimization Methods

Documentary Acceptance may be offered in competitive markets with the use of one or more of the following risk minimization techniques:

- Eximbank export credit insurance,
- Export factoring.

Eximbank export credit insurance will cost about %0,5 depending on buyer's country risk, buyer's risk, types of product and buyers payment date

Factoring Companies will charge the cost of the process according to payment date of buyer, buyer's country risk, buyer's risk, types of product and additional cost of procedures. Also the current interest rates for loan through financial institutions are main determinants of main cost of factoring.

3.3.5.7 Minimization Cost

Eximbank export credit insurance will cost about %0,5 depending on buyer's country risk, buyer's risk, types of product and buyers payment date

Factoring Companies will charge the cost of the process according to payment date of buyer, buyer's country risk, buyer's risk, types of product and additional cost of procedures. Also the current interest rates for loan through financial institutions are main determinants of main cost of factoring.

3.3.5.8 Efficiency of Risk Minimization

If Eximbank confirms to insure the payment of goods, %90 of total value of the goods will be guaranteed by Eximbank.

Factoring companies pay the rest of the value of the goods after deducting all cost of the factoring process.

3.4 COMBINED RISK ANALYSIS OF DELIVERY&PAYMENT TERMS

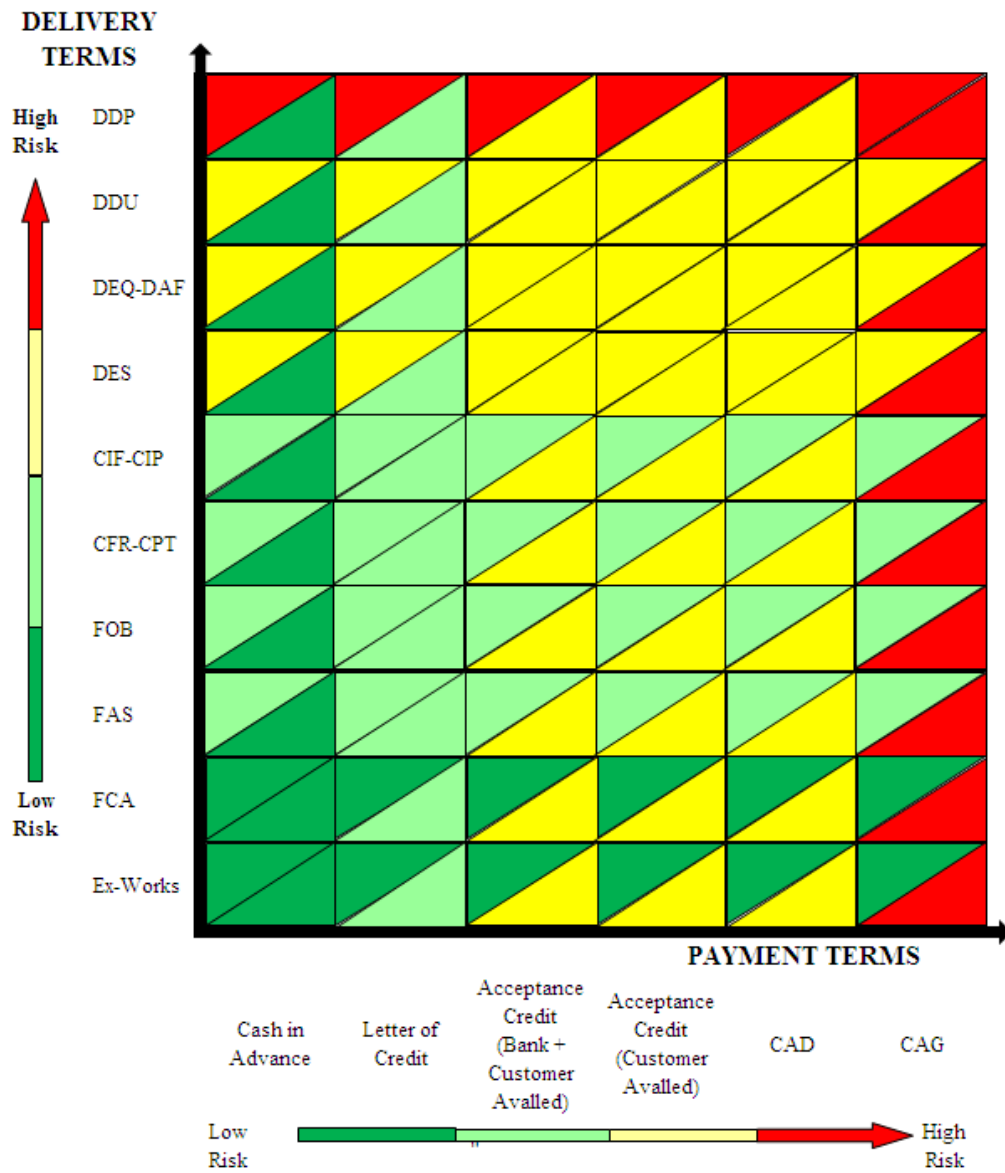
In above sections, risk analysis of delivery and payment terms are separately analyzed. For a better analysis, for international trade combined risk analysis is unavoidable. During the analysis of risk, the importer and exporter will analyze the risk of each article mentioned in the contract. These articles are;

- Country risk
- Buyer risk
- Financial risk
- Delivery & Payment Terms Risk
- Quantity, Quality and Delivery Date Risk

These articles must be separately then combinely analysed; which article's risk can be eliminated or minimized and which risk can be taken.

In this section combined risk of delivery terms and shipment terms are briefly analyzed. Figure 4. indicates risk matrix of delivery terms and shipment risk.

Figure 4. Delivery & Payment Terms Risk Matrix



3.4.1 Situation 1

Delivery Terms; EXW, FCA, FAS, FOB, CPT, CFR
 Payment Terms; CAD, CAG and Credit Acceptance

3.4.1.1 Situation Analysis

As mentioned in delivery terms section, Exporter will complete delivery obligation and risk pass to buyer;

- For Ex-Works; when the goods placed at the disposal of the buyer at the seller's premises or another named place as not loaded on any collecting vehicle in shipment country. There is no obligation of contract of insurance.
- For FAS, FOB, CFR; when the goods pass the ship's rail in the port of shipment. There is no obligation of contract of insurance.
- For FCA, CPT; when the goods loaded to carrier at the named place. There is no obligation of contract of insurance.

As mentioned in payment terms section, importer will pay the value of the goods or will be obligated for payment when the goods arrive to destination.

3.4.1.2 Risk Analysis

In these transactions, the buyer may refuse to take up the goods, or reject the goods. In refusal and rejection reasons, the buyer may be rightful as;

- Because of inappropriateness of quality, quantity and other conditions mentioned in sales contract.

The buyer may not be rightful for rejection or refusal of goods;

- When the market price has fallen drastically on arrival of the goods.
- The buyer may not be able to pay value of the goods because of financial problems.
- After the shipment, the buyer may bankrupt.

If the buyer is rightfull or not, does not matter, when the buyer rejected to take up the goods, the seller has to take back the goods or may send to another buyer. During the export transportation if lose or damage already happen, seller will not be able cover these risk.

3.4.1.3 Risk Minimization Method

This is a risk that the seller has to take. In these payment and delivery term combination seller must be aware of this risk. There isn't any instrument or way to minimize or eliminate this risk by seller.

3.4.2 Situation 2

Delivery Terms; CIP, CIF

Payment Terms; CAD, CAG and Credit Acceptance

3.4.2.1 Situation Analysis

As mentioned in delivery terms section, Exporter will complete delivery obligation and risk pass to buyer;

- For CIF; when the goods pass the ship's rail in the port of shipment. The seller is obligated contract of insurance on the name of buyer

- For CIP; when the goods loaded to carrier at the named place. The seller is obligated contract of insurance on the name of buyer

As mentioned in payment terms section, importer will pay the value of the goods or will be obligated for payment when the goods arrive to destination.

3.4.2.2 Risk Analysis

In these transactions, the buyer may refuse to take up the goods, or reject the goods. In refusal and rejection reasons, the buyer may be rightful as;

- Because of inappropriateness of quality, quantity and other conditions mentioned in sales contract.

The buyer may not be rightfull for rejection or refusal of goods;

- When the market price has fallen drastically on arrival of the goods.
- The buyer may not be able to pay value of the goods because of financial problems.
- After the shipment, the buyer may bankrupt.

If the buyer is rightfull or not, does not matter, when the buyer rejected to take up the goods, the seller has to take back the goods or may send to another buyer. During the export transportation if lose or damage already happen, seller will not be able cover these risk.

3.4.2.3 Risk Minimization Method

This is a risk that the seller has to take. Seller may add an additional condition to contract that; insurance policy will be arranged on the name of seller and buyer at the same time. When loss and any damage occur during transportation, the insurance company will pay value of damage or loss to the side who present the full original insurance policy. This method will eliminate the risk of loss and any damage.

CHAPTER 4: A STUDY A FIELD STUDY ON AEGEAN EXPORTER COMPANIES; PERCEIVED RISK FROM INTERNATIONAL MARKET AND PREVENTATION METHODS

4.1 METHODOLOGY

4.1.1 The Purpose of the Study

The main objective of this area study is to analyze the risk perception of Aegean Exporter Companies when operating in international market. Thereby, below mentioned questions are tried to be answered;

- Perception level of risk which can be categorized as Country Risk, Financial Risk, Trade Risk and Managerial Risk by Aegean Exporter Companies?
- Aegean Exporters' risk perception on Trade Risk (Delivery & Payment Risk)
- Which kind of methods are used to minimize and eliminate perceived risk from Delivery Terms and Payment Terms and what are the usage density level of these methods?
- Which articles are crucial and considered as vital for decision making process when exporters receive product demand order?

Also in this study, the factors such as sector, size, foundation year, export experience etc. are analyzed to see whether there is any effect on risk perception or not.

4.1.2 Sampling and Data Collection

In this study, only Aegean exporters are analyzed. The list of exporters is obtained from the Aegean Union of Exporters. The total number of exporters is

3775. But only 2889 firms registered their e-mail addresses as contact information. The questionnaire is prepared in Google's document site. An explanatory e-mail, via web connection bridge, was sent to 2889 firms enabling them to answer the questions. At the end of four weeks, after 2 remainder mail, 203 responses were received. Two of the firms had been eliminated from the analysis because of the lack of information on missing questions. Finally 201 responses have been used for this statistical analysis. For reliability analysis and pretest, questionnaire was sent to 24 firms. According to responses from firms, the questionnaire reformed. In reliability test Cronbach's Alpha values are found for question 15 (0,800), Question 24 (0,800). These results indicates the reliability of scales.

SPPS 15.0 is used for the statistical analysis. Descriptive Frequency, Descriptive Crosstable, ANOVA and Independent Sample T-Test are applied in order to reach the objective of the area studies. 72 hypotheses are constructed to analyze whether factor/independent variables have any effect on perception of risk.

4.2 ANALYSIS AND FINDINGS

4.2.1 Descriptive-Frequency Statistics of Study

The descriptive frequency statistics of firms which answered the questionnaire are given below.

Sectoral Distribution

	Frequency	Valid Percent
Others	60	29,9
Minerals	27	13,4
Ferrous and Non-Ferrous Metals	19	9,5
Dried Fruits	16	8
Apparel	13	6,5
Textiles and Raw Materials	12	6

Olives and Olive Oils	12	6
Fresh Fruits, vegetables and products	9	4,5
Forestry and Wooden Products	8	4
Aquoa and Animal Products	8	4
Leather and Leather Products	7	3,5
Tobacco	6	3
Cereals Legumes oil Seeds	4	2
Total	201	100

For satisfactory Analysis, the sectors are grouped to 4 parts which have similar production process, managerial perception and product group.

SectorGroup

	Frequency	Valid Percent
Food Group	63	31,3
Others	60	29,9
Iron and Mine Group	46	22,9
Leather, Textile and Clothing Group	32	15,9
Total	201	100,0

The Sector “Others” contains the products which are not covered by Aegean Union of Exporter. The firms which export these kinds of product such as Automotive, Hazelnut, will have to be member of related Union in other region. Such as for Automotive firms have to be member of Bursa Automotive Exporter Union, for Hazelnut firms have to be member of Blacksea or Istanbul Hazelnut Union of Exporter.

Distribution of responses for each Sector Group will give reliable results for analysis.

Distribution of City

	Frequency	Valid Percent
İzmir	147	73,1
Denizli	15	7,5
Manisa	15	7,5
Aydın	10	5,0
Afyon	6	3,0
Uşak	5	2,5
Muğla	2	1,0
Kütahya	1	,5
Total	201	100,0

For city based analysis cities are grouped to 2 parts; first one is Izmir, the second one is Other Cities.

	Frequency	Valid Percent
Izmir	147	73,1
Other Cities	54	26,9
Total	201	100,0

Size of Firms

	Frequency	Valid Percent
Small Sized Firms	72	35,8
Medium Sized Firms	79	39,3
Large Sized Firms	50	24,9
Total	201	100,0

The firms which answered the questionnaire are classified according to KOSGEB's (Center of Development of Small and Medium Sized Industry) definition as;

Number of Employee	Classification
1-49	Small Sized Firms
50-199	Medium Sized Firms
200 and more	Large Sized Firms

Occupation

	Frequency	Valid Percent
President of Executive Body	21	10,4
Member of Executive Body	15	7,5
General Manager	22	10,9
Export Manager	42	20,9
Asst.Export Manager	5	2,5
Export Specialist	36	17,9
Others	60	29,9
Total	201	100,0

Economic Activity

	Frequency	Valid Percent
Manufacturer and Exporter	162	80,6
Only Exporter (No Manufacturing)	32	15,9
Sectoral Foreign Trade Companies	6	3,0
Foreign Trade Capital Companies	1	,5
Total	201	100,0

Year of Foundation

The year of the foundation of firms which answered the questionnaire are classified according to 2 different part according to foundation before 1980 and foundation at 1980 and after.

	Frequency	Valid Percent
Founded before 1980	46	22,9
Founded in 1980 and after	155	77,1
Total	201	100,0

Export Experience

Export experience of firms which answered the questionnaire are classified according to 4 groups as follows;

Export Experience Year	Group Name
Between 1-9 years	1st Group
Between 10-19 years	2nd Group
Between 20-29 years	3rd Group
30 Years and more	4th Group

		Frequency	Valid Percent
	Export Experience Between 1-9 Years	97	48,5
	Export Experience Between 10-19 Years	55	27,5
	Export Experience Between 20-29 Years	29	14,5
	Export Experience 30 Years and More	19	9,5
	Total	200	100,0

Present of Export Department

Present of Export Department

		Frequency	Valid Percent
	Export department is present	159	79,1
	Export department is not present	42	20,9
	Total	201	100,0

Number of People Employed for Export Activities

		Frequency	Valid Percent
	1-4 People	142	77,2
	5-8 People	29	15,8
	9 and more People	13	7,1
	Total	184	100,0

Structure of Capital Ownership

		Frequency	Valid Percent
	100% Turkish	171	85,1
	Percentage of Foreign Capital (1-50%)	7	3,5
	Percentage of Foreign Capital (51- 99%)	12	6,0
	Foreign Owned (%100)	11	5,5
	Total	201	100,0

Marketing Orientation (Foundation of the Firm)

		Frequency	Valid Percent
	Founded primarily for domestic market	87	43,3
	Founded primarily for export market	62	30,8
	Founded both for domestic and foreign market	52	25,9
	Total	201	100,0

Export Volume/Total Sales Ratio

		Frequency	Percent	Valid Percent	Cumulative Percent
	0-25%	55	27,4	27,4	27,4
	26-50%	40	19,9	19,9	47,3
	51-75%	22	10,9	10,9	58,2
	76-100%	84	41,8	41,8	100,0
	Total	201	100,0	100,0	

Presence of Risk Management System

		Frequency	Valid Percent
	Not used	119	59,2
	Sometimes used	51	25,4
	Used	31	15,4
	Total	201	100,0

Perception of General Risk

		Frequency	Valid Percent
	Threat	15	19,2
	Opportunity	5	6,4
	Sometimes threat, sometimes opportunity	58	74,4
	Total	78	100,0

Perceived Risk from International Market

Summarized Frequency Table for
“Perceived Risk from International Market”

	Ineffective (%)	Medium Level Effective (%)	Very Effective (%)	No Idea (%)
Risk of buyer's unpaidment	7,5	5,0	82,1	5,5
Foreign Exchange Risk	3,0	10,9	79,6	6,5
Not being conforming to contract clauses	6,0	12,9	75,6	5,5
Liquidity Risk	5,5	9,5	74,6	10,4
Mistakes at target market and product selection and pricing	5,5	14,4	73,1	7,0
Risk of unexpected increase in input's cost and risk of losses	6,5	15,9	71,6	6,0
Economic and politic unstability at buyer country	8,0	15,9	70,1	6,0
Not being able to present desired documents	17,4	15,4	61,2	6,0
Interest Rate Risk	7,0	7,7	60,7	24,6
Risk of not being able to employee specialists or leaving of specialists	10,9	25,9	55,2	8,0
Social, cultural differces and language problem	31,8	24,4	33,7	10,1
Geographical distance of countries	32,3	31,3	30,3	6,0

As seen from table that Exporters perceive these statements as more risky;

- Risk of buyer's unpaidment
- Foreign Exchange Risk
- Not being conforming to contract clauses
- Liquidity Risk

As seen from table that Exporters perceive these statements as less risky;

- Geographical distance of countries
- Social, cultural differces and language problem

Most Used Delivery Terms

Delivery Terms	# Responses
FOB	159
CIF	127
Ex-Works	93
CFR	52
FCA	40
DDU	35
CPT	19
CIP	14
DDP	8
FAS	5
DAF	5

As seen from table that exporters mostly use Delivery Terms of FOB, CIF and Ex-Works. In these delivery terms, any lose and damage risk during main carriage are on the account of buyer.

Perceived Risk for Delivery Terms

	No Risk(%)	Low Risk (%)	High Risk (%)	No Idea (%)
DDP	3,5	2,0	27,9	66,7
DDU	4,5	9,0	22,9	63,7
CIF	6,5	36,3	18,4	38,8
DEQ	1,5	6,0	15,4	77,1
DES	2,0	7,5	13,9	76,6
DAF	1,0	10,9	12,4	75,6
CIP	2,5	19,4	8,0	70,1
CFR	3,0	32,8	6,5	57,7
CPT	3,0	20,9	6,5	69,7
FOB	20,4	43,3	4,0	32,3
Ex-Works	49,3	9,5	2,5	38,8
FCA	15,4	20,4	2,0	62,2
FAS	10,0	17,4	1,5	71,1

As seen from table that Exporters perceive these Delivery Terms as more risky;

- DDP
- DDU
- CIF
- DEQ, DES

As seen from table that Exporters perceive these statements as less risky;

- FAS
- FCA
- Ex-Works

The mostly knows delivery terms are FOB, Ex-Works, CIF.

Aspecially Delivery Terms with D mostly unknown. Also another interesting point is risk perception of CIF in placed near D Terms.

The other conclusion from this table is that Exporters have detailed idea about delivery terms which they use. They don't have any idea remaining delivery terms which they do not use.

Risk Minimization Methods of Delivery Terms

	Do not use (%)	Sometimes use (%)	Always use (%)	Sometimes + Always use (%)	No Idea (%)
Maximum Cover (A Clauses) Insurance	13,4	23,9	33,3	57,2	29,4
Loading Clauses	24,4	15,4	15,4	30,8	44,8
Unloading Clauses	25,9	14,4	13,4	27,9	46,3
Additional Clauses (Strike, lockout, war and civil commotions)	31,3	12,4	11,4	23,9	44,8
Minimum Cover (C Clauses) Insurance	29,9	17,4	8,0	25,4	44,8

As seen from table that Exporters mostly use Maximum Cover (A Clauses) Insurance to minimize the risk during carriage. The other important

insurance clauses' (Loading Clauses, Unloading Clauses, Additional Clauses (Strike, lockout, war and civil commotions) usage level is very low.

The other conclusion from this table is that Exporters have detailed idea about insurances which they use. They don't have any idea remaining insurances which they do not use.

Decision about Delivery Terms

	Frequency	Valid Percent
Decision by exporter	36	18,0
Decision by importer	49	24,5
Decision by both sides	115	57,5
Total	200	100,0

The table indicates that delivery terms are defined by both sides; exporter and importer.

Most Used Payment Terms

Payment Terms	# of Responses
Cash in Advance	148
Cash Against Documents	116
Letter of Credit	114
Cash Against Goods	112
Buyer and Bank Avalized Credit Acceptance	46
Buyer Avalized Credit Acceptance	9

As seen from table that the mostly used Payment Terms are Cash in Advance, Cash Against Documents, Letter of Credit, Cash Against Goods.

Usage level of avallized Credit Acceptance is very low.

Perceived Risk of Payment Terms

	No Risk (%)	Low Risk (%)	High Risk (%)	No Idea (%)
Cash in Advance	84,1	5,0	1,5	9,5
Letter of Credit	46,8	31,8	0,5	20,9
Buyer and Bank Avalized Credit Acceptance	23,9	33,8	1,0	41,3
Buyer Avalized Credit Acceptance	7,5	35,8	10,4	46,3
Cash Against Documents	8,5	53,2	15,4	22,9
Cash Against Goods	2,5	17,9	59,7	19,9

As seen from table that Exporters perceive these Payment Terms as more risky;

- Cash Against Goods
- Cash Against Documents
- Buyer Avalized Credit Acceptance

As seen from table that Exporters perceive these Payment Terms as less risky;

- Buyer and Bank Avalized Credit Acceptance
- Letter of Credit
- Cash in Advance

Risk Minimization Methods of Payment Terms

	Do not use (%)	Sometimes use (%)	Always use (%)	Sometimes + Always use (%)	No Idea (%)
Eximbank Insurance	29,9	22,4	10,9	33,3	36,8
Factoring	34,3	20,9	5,5	26,4	39,3
Forfaiting	41,8	5,5	0	5,5	52,7
Forward	36,8	13,4	2,5	15,9	47,3
Futures	42,3	5,0	0,5	5,5	52,2
Leasing	36,8	15,4	3,0	18,4	44,8
Guarantee Letter	22,4	36,8	8,0	44,8	32,8
VOB	40,8	3,0	1,0	4,0	55,2

As seen from table that Aegean Exporters mostly use Guarantee Letter, Eximbank Insurance and factoring to minimize/eliminate the risk perceived form Payment Terms.

Decision about Payment Terms

	Frequency	Valid Percent
Decision by exporter	58	29,1
Decision by importer	23	11,6
Decision by both sides	118	59,3
Total	199	100,0

The table indicates that payment terms are defined by both sides as exporter and importer.

Risk Perception at Product Demand from Buyer

	Not Very Effective (%)	Medium Level Effective(%)	Very Effective (%)	No Idea (%)
Buyer Risk	1,0	3,5	80,1	15,4
Payment Terms at Product Demand	2,0	9,0	74,1	14,9
References of Buyer	5,0	11,9	64,7	18,4
Country Risk	4,0	18,4	63,2	14,4
Desired quantity of product	6,5	16,9	60,2	16,4
Reputation of Buyer Company	6,0	19,4	56,2	18,4
Desired quality of product	9,0	16,4	56,2	18,4
Delivery Terms at Product Demand	10,9	19,9	52,2	16,9
Intermediate web site's reliability (Ali Baba etc..)	24,4	16,4	34,8	24,4

As seen from table that Exporters perceive these statements as most Very Effective in order to determine risk;

- Buyer risk
- Payment Terms
- References of Buyer
- Country Risk

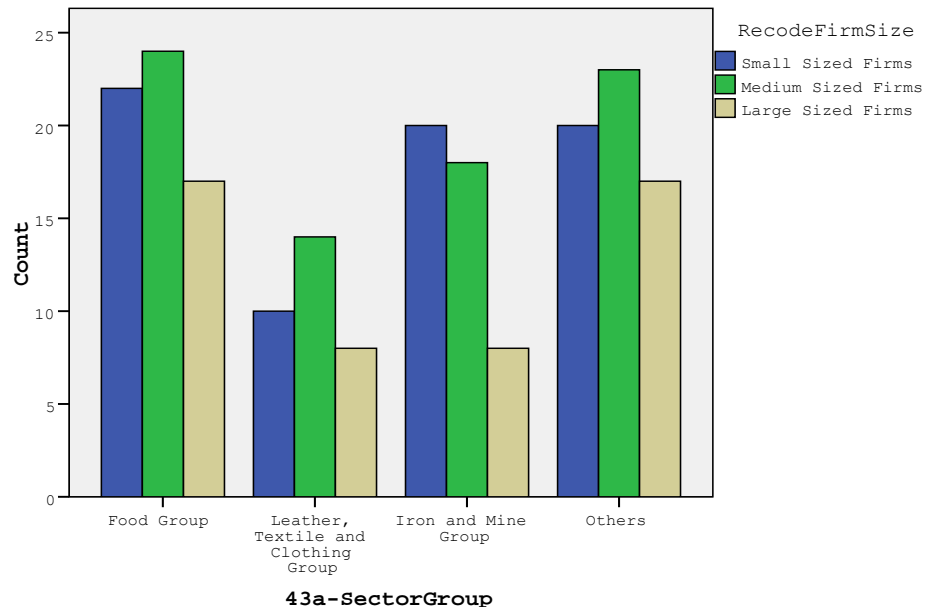
4.2.2 Descriptive-Cross Tabulation Statistics of Study

Sector & Firm Size

Sector		FirmSize			Total
		Small Sized Firms	Medium Sized Firms	Large Sized Firms	
Food Group	Count	22	24	17	63
	% within - Sector	34,9%	38,1%	27,0%	100,0%
	% within FirmSize	30,6%	30,4%	34,0%	31,3%
Leather, Textile and Clothing Group	Count	10	14	8	32
	% within - Sector	31,3%	43,8%	25,0%	100,0%
	% within FirmSize	13,9%	17,7%	16,0%	15,9%
Iron and Mine Group	Count	20	18	8	46
	% within - Sector	43,5%	39,1%	17,4%	100,0%
	% within FirmSize	27,8%	22,8%	16,0%	22,9%
Others	Count	20	23	17	60
	% within - Sector	33,3%	38,3%	28,3%	100,0%
	% within FirmSize	27,8%	29,1%	34,0%	29,9%
Total	Count	72	79	50	201
	% within - Sector	35,8%	39,3%	24,9%	100,0%
	% within FirmSize	100,0%	100,0%	100,0%	100,0%

Table indicates that according to sector group, the firms mostly located in Middle Sized category (%39). And Majority of the firms are Small Sized and Middle Sized Firms (%75,1)

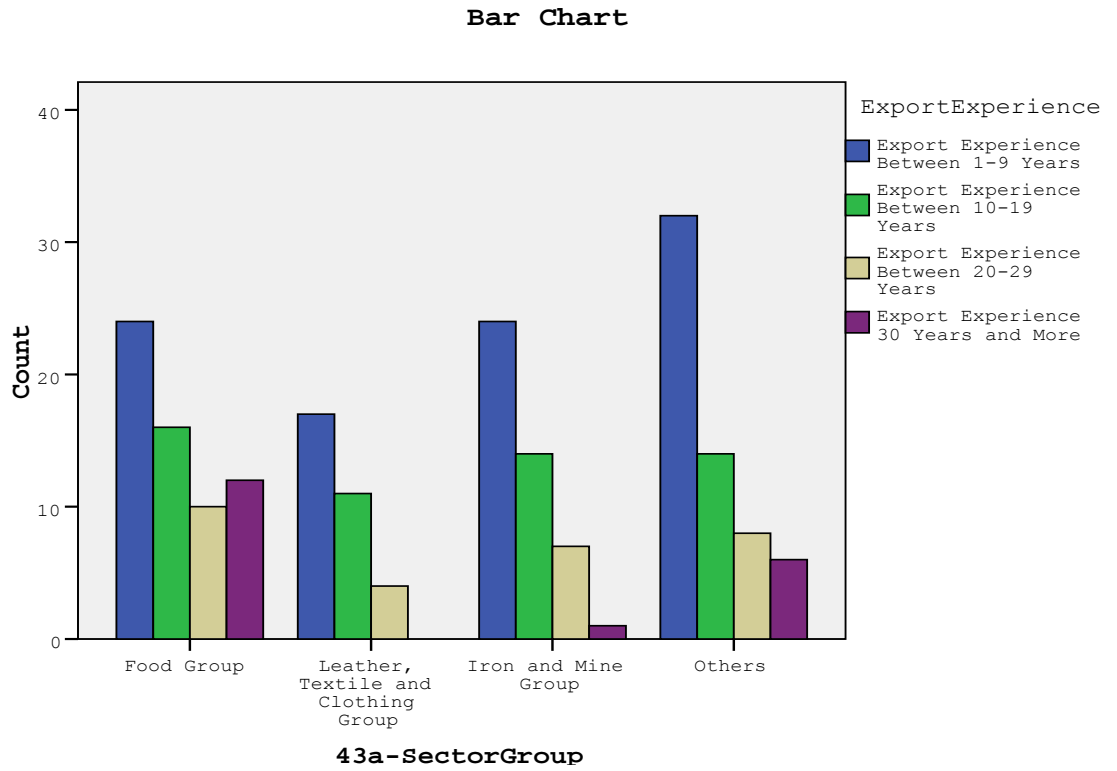
Bar Chart



Sector & Export Experience

Sector		ExportExperience				Total
		Export Experience Between 1-9 Years	Export Experience Between 10-19 Years	Export Experience Between 20-29 Years	Export Experience 30 Years and More	
Food Group	Count	24	16	10	12	62
	% within - Sector	38,7%	25,8%	16,1%	19,4%	100,0%
Leather, Textile and Clothing Group	Count	17	11	4	0	32
	% within - Sector	53,1%	34,4%	12,5%	0,0%	100,0%
Iron and Mine Group	Count	24	14	7	1	46
	% within - Sector	52,2%	30,4%	15,2%	2,2%	100,0%
Others	Count	32	14	8	6	60
	% within - Sector	53,3%	23,3%	13,3%	10,0%	100,0%
Total	Count	97	55	29	19	200
	% within - Sector	48,5%	27,5%	14,5%	9,5%	100,0%

The table indicates that majority (48,5%) of the firms can be stated as less experienced and newly founded younger firms (Export Experience Between 1-9 Years). And 95% of the firms have 30 years and less export experiences.

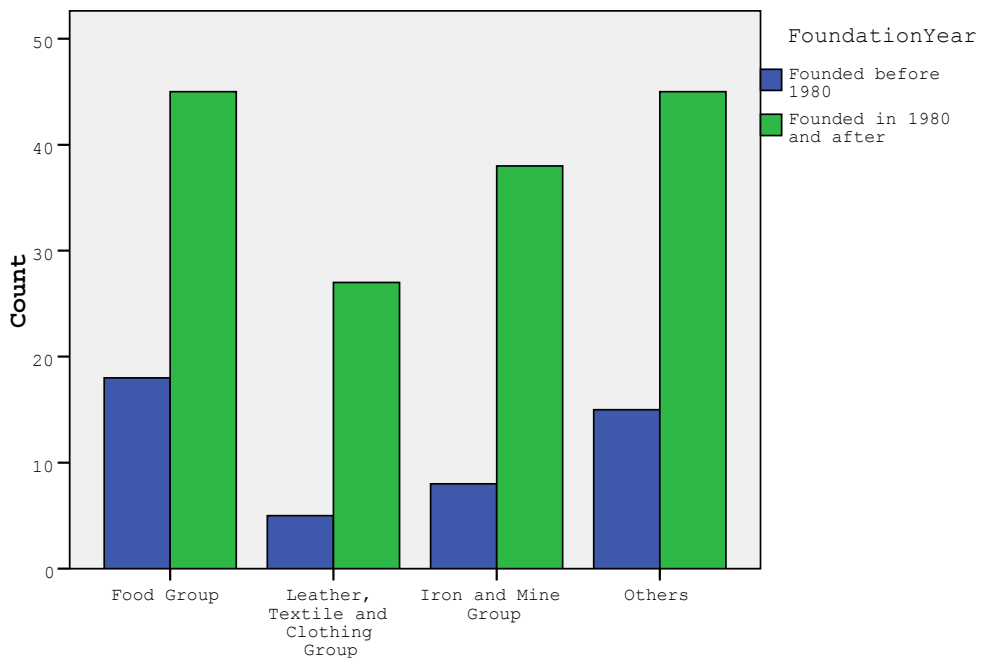


Sector Group & Foundation Year

Sector		FoundationYear		Total
		Founded before 1980	Founded in 1980 and after	
Food Group	Count	18	45	63
	% within - Sector	28,6%	71,4%	100,0%
Leather, Textile and Clothing Group	Count	5	27	32
	% within - Sector	15,6%	84,4%	100,0%
Iron and Mine Group	Count	8	38	46
	% within - Sector	17,4%	82,6%	100,0%
Others	Count	15	45	60
	% within - Sector	25,0%	75,0%	100,0%
Total	Count	46	155	201
	% within - Sector	22,9%	77,1%	100,0%

The table indicates that majority (77,1%) of the firms are founded in 1980 and after. Leather, Textile and Clothing Group is the mostly popular sector for opening international market compared to other sector group.

Bar Chart

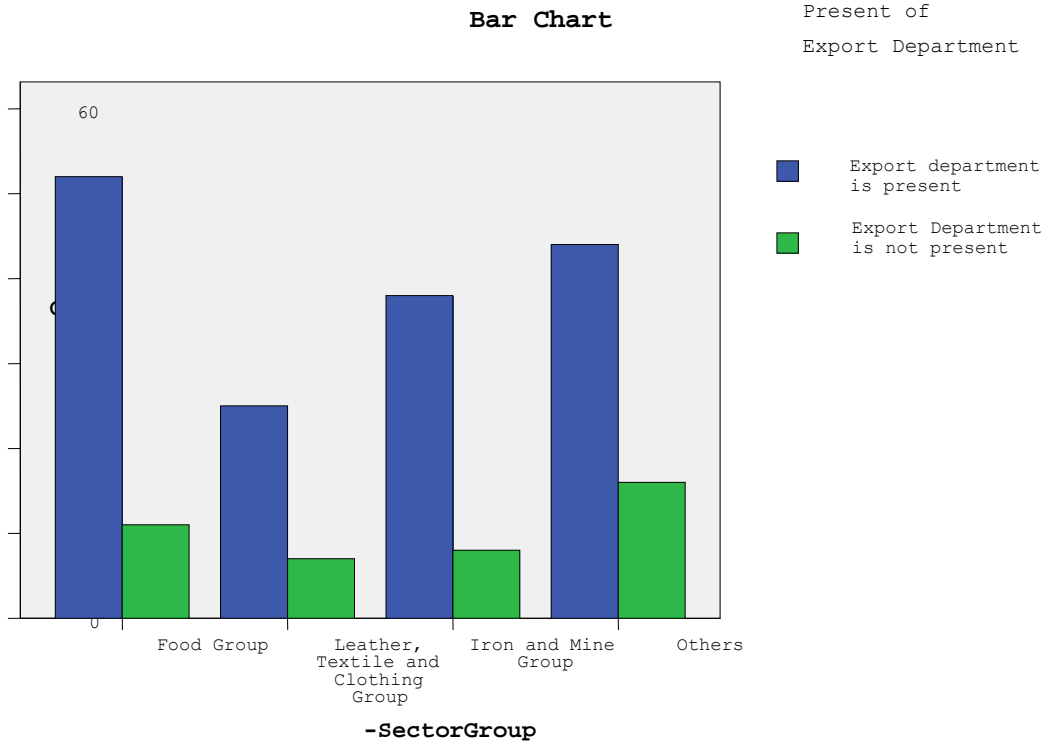


43a-SectorGroup

Sector Group and Present of Export Department

- Sector		8-Present of Export Department?		Total
		Export department is present	Export department is not present	
Food Group	Count	52	11	63
	% within - Sector	82,5%	17,5%	100,0%
	% within 8-Present of Export Department?	32,7%	26,2%	31,3%
Leather, Textile and Clothing Group	Count	25	7	32
	% within - Sector	78,1%	21,9%	100,0%
	% within 8-Present of Export Department?	15,7%	16,7%	15,9%
Iron and Mine Group	Count	38	8	46
	% within - Sector	82,6%	17,4%	100,0%
	% within 8-Present of Export Department?	23,9%	19,0%	22,9%
Others	Count	44	16	60
	% within - Sector	73,3%	26,7%	100,0%
	% within 8-Present of Export Department?	27,7%	38,1%	29,9%
Total	Count	159	42	201
	% within - Sector	79,1%	20,9%	100,0%
	% within 8-Present of Export Department?	100,0%	100,0%	100,0%

The table indicates that majority (79,1%) of the firms have export department.

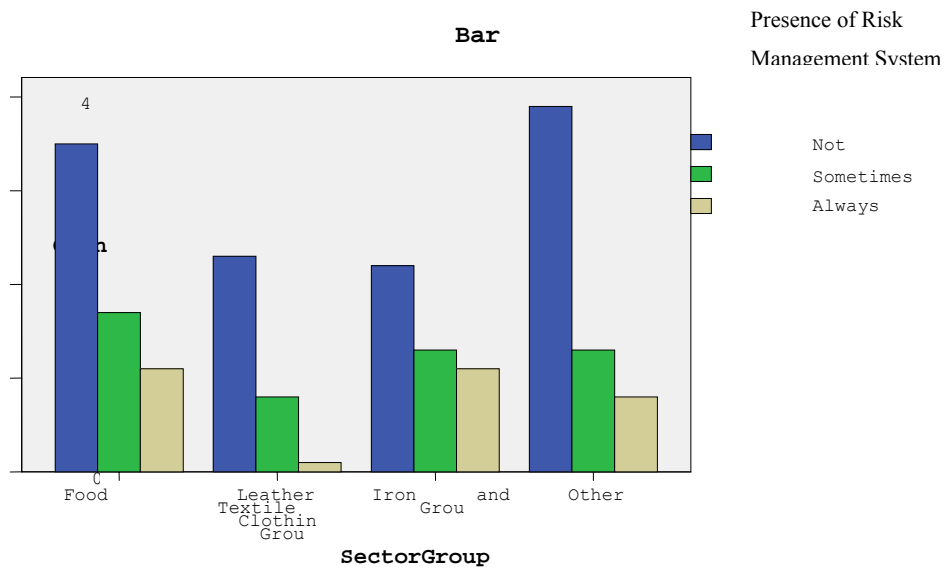


Sector Group and Presence of Risk Management System

Sector		13-Presence of Risk Management System ?			Total
		Not used	Sometimes used	Used	
Food Group	Count	35	17	11	63
	% within - Sector	55,6%	27,0%	17,5%	100,0%
Leather, Textile and Clothing Group	Count	23	8	1	32
	% within - Sector	71,9%	25,0%	3,1%	100,0%
Iron and Mine Group	Count	22	13	11	46
	% within - Sector	47,8%	28,3%	23,9%	100,0%
Others	Count	39	13	8	60
	% within - Sector	65,0%	21,7%	13,3%	100,0%
Total	Count	119	51	31	201
	% within - Sector	59,2%	25,4%	15,4%	100,0%

The table indicates that majority (59,2%) of the firms don't use any risk management system. And Leather, Textile and Clothing Group is the main setor that does not aware of risk management concept.

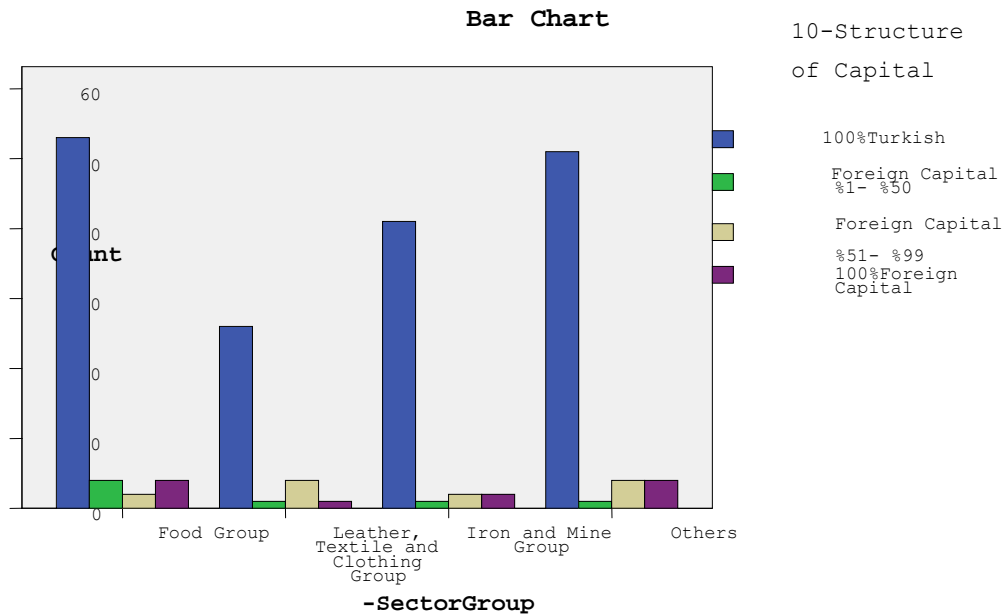
Another finding from table is the leader sector that has highly awareness of risk management system.



Sector Group and Capital Structure

- Sector		10-Capital Structure				Total
		100% Turkish	Percentage of Foreign Capital (1-50%)	Percentage of Foreign Capital (%51-%99)	Foreign Owned (%100)	
Food Group	Count	53	4	2	4	63
	% within - Sector	84,1%	6,3%	3,2%	6,3%	100,0%
Leather, Textile and Clothing Group	Count	26	1	4	1	32
	% within - Sector	81,3%	3,1%	12,5%	3,1%	100,0%
Iron and Mine Group	Count	41	1	2	2	46
	% within - Sector	89,1%	2,2%	4,3%	4,3%	100,0%
Others	Count	51	1	4	4	60
	% within - Sector	85,0%	1,7%	6,7%	6,7%	100,0%
Total	Count	171	7	12	11	201
	% within - Sector	85,1%	3,5%	6,0%	5,5%	100,0%

The table indicates that majority of the firms are owned by 100% Turkish Capital. Foreign Capital mostly invested in Leather, Textile and Clothing Group (18,7%).



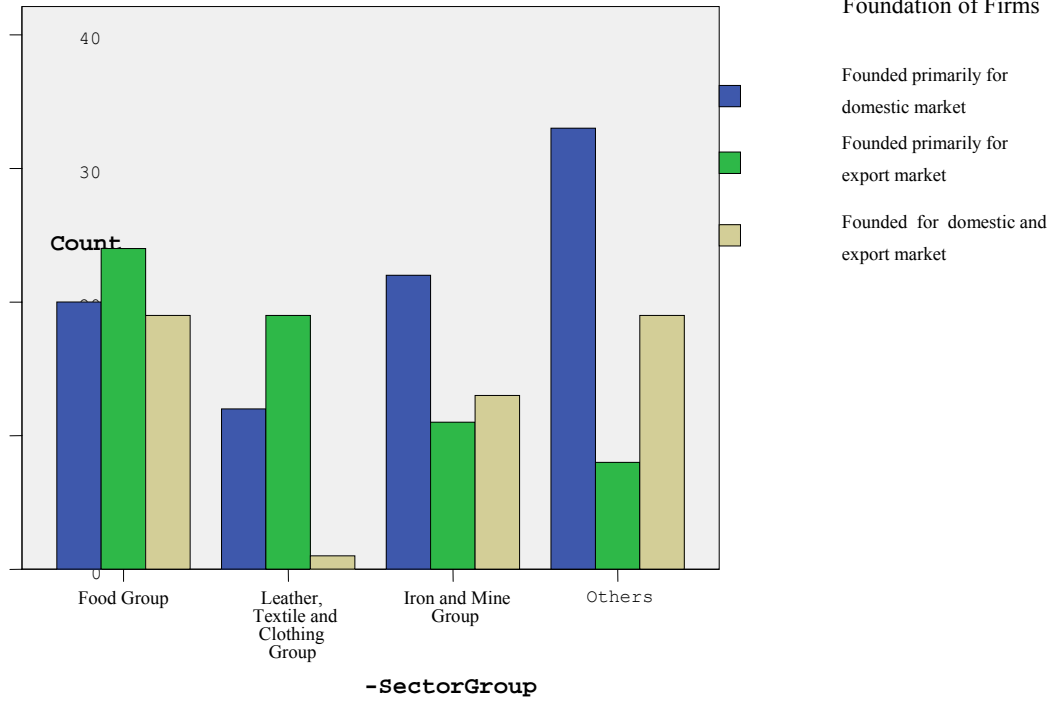
Sector Group and Market Orientation (Foundation of the Firm)

		Market Orientation (Foundation of the Firm)			Total
		Founded primarily for domestic market	Founded primarily for export market	Founded both for domestic and foreign market	
- Sector					
Others	Count	33	8	19	60
	% within - Sector	55,0%	13,3%	31,7%	100,0%
	% within 11-Market Orientation	37,9%	12,9%	36,5%	29,9%
Iron and Mine Group	Count	22	11	13	46
	% within - Sector	47,8%	23,9%	28,3%	100,0%
	% within 11-Market Orientation	25,3%	17,7%	25,0%	22,9%
Leather, Textile and Clothing Group	Count	12	19	1	32
	% within - Sector	37,5%	59,4%	3,1%	100,0%
	% within 11-Market Orientation	13,8%	30,6%	1,9%	15,9%
Food Group	Count	20	24	19	63
	% within - Sector	31,7%	38,1%	30,2%	100,0%
	% within 11-Market Orientation	23,0%	38,7%	36,5%	31,3%
Total	Count	87	62	52	201
	% within - Sector	43,3%	30,8%	25,9%	100,0%
	% within 11-Market Orientation	100,0%	100,0%	100,0%	100,0%

The table indicates that majority (43,3%) of the firms are founded primarily for domestic market and later crossed to international market. 30,8% of the firms are founded primarily for export market.

Leather, Textile and Clothing Group (59,4%) and Food Group (38,1%) are the popular export oriented sectors and foundation decision making process.

Bar Chart



Sector & Export/Sales Volume Ratio

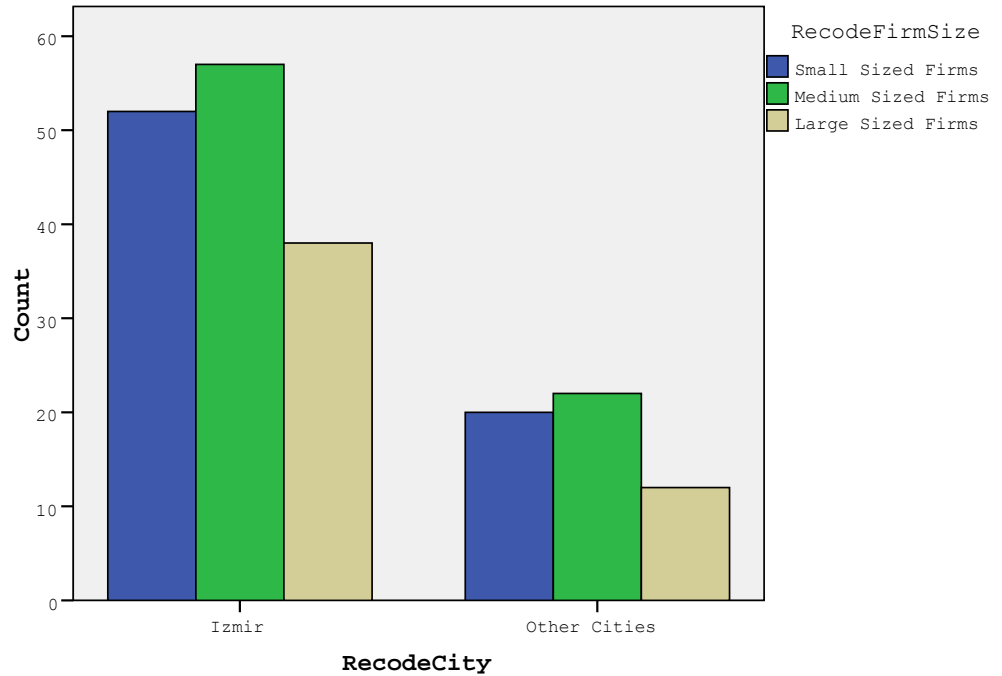
		12-Export/Total Sales Volume Ratio				Total
		0-25%	26-50%	51-75%	76-100%	
Food Group	Count	14	9	6	34	63
	% within - Sector	22,2%	14,3%	9,5%	54,0%	100,0%
	% within 12-Export/Total Sales Volume Ratio	25,5%	22,5%	27,3%	40,5%	31,3%
Leather, Textile and Clothing Group	Count	8	3	1	20	32
	% within - Sector	25,0%	9,4%	3,1%	62,5%	100,0%
	% within 12-Export/Total Sales Volume Ratio	14,5%	7,5%	4,5%	23,8%	15,9%
Iron and Mine Group	Count	11	11	7	17	46
	% within - Sector	23,9%	23,9%	15,2%	37,0%	100,0%
	% within 12-Export/Total Sales Volume Ratio	20,0%	27,5%	31,8%	20,2%	22,9%
Others	Count	22	17	8	13	60
	% within - Sector	36,7%	28,3%	13,3%	21,7%	100,0%
	% within 12-Export/Total Sales Volume Ratio	40,0%	42,5%	36,4%	15,5%	29,9%
Total	Count	55	40	22	84	201
	% within - Sector	27,4%	19,9%	10,9%	41,8%	100,0%
	% within 12-Export/Total Sales Volume Ratio	100,0%	100,0%	100,0%	100,0%	100,0%

Majority (41,8%) of the firms Export/Total Sales Volume Ratio is in interval of 76-100%. Leather, Textile and Clothing Group(62,5%) is highly opened sector to export market.

City & Firm Size

City		FirmSize			Total
		Small Sized Firms	Medium Sized Firms	Large Sized Firms	
Izmir	Count	52	57	38	147
	% within City	35,4%	38,8%	25,9%	100,0%
	% within FirmSize	72,2%	72,2%	76,0%	73,1%
Other Cities	Count	20	22	12	54
	% within City	37,0%	40,7%	22,2%	100,0%
	% within FirmSize	27,8%	27,8%	24,0%	26,9%
Total	Count	72	79	50	201
	% within City	35,8%	39,3%	24,9%	100,0%
	% within FirmSize	100,0%	100,0%	100,0%	100,0%

Bar Chart

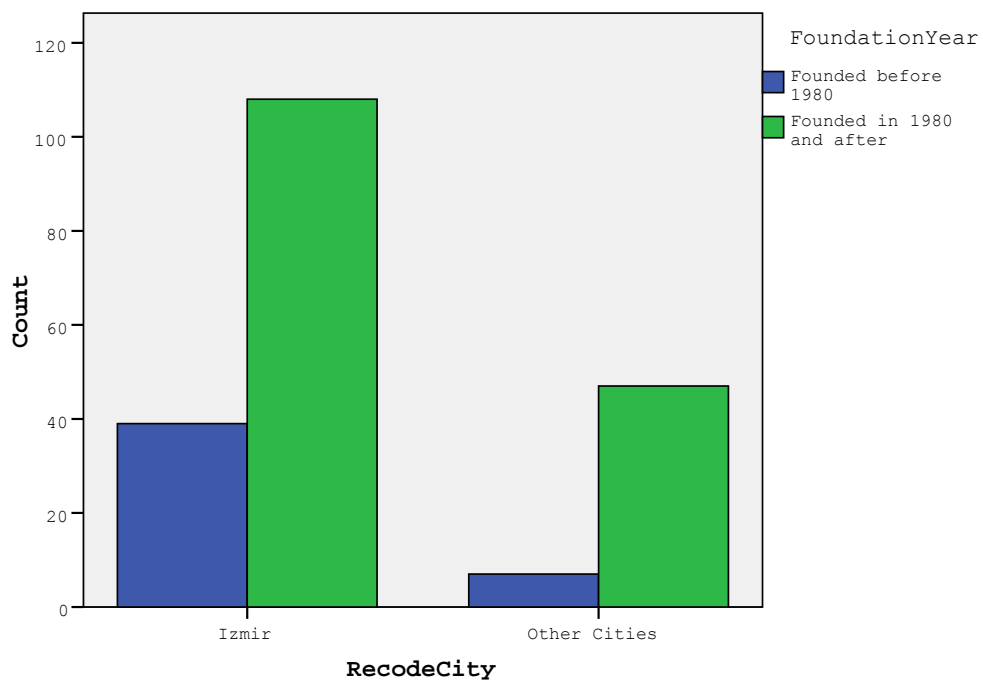


City & Foundation Year

		FoundationYear		Total	
		Founded before 1980	Founded in 1980 and after	Founded before 1980	
City	Izmir	Count	39	108	147
		% within City	26,5%	73,5%	100,0%
	Other Cities	Count	7	47	54
		% within City	13,0%	87,0%	100,0%
Total		Count	46	155	201
		% within City	22,9%	77,1%	100,0%

The table indicates that 26,5% of the firms in Izmir, 13% of the firms in other city founded before 1980.

Bar Chart

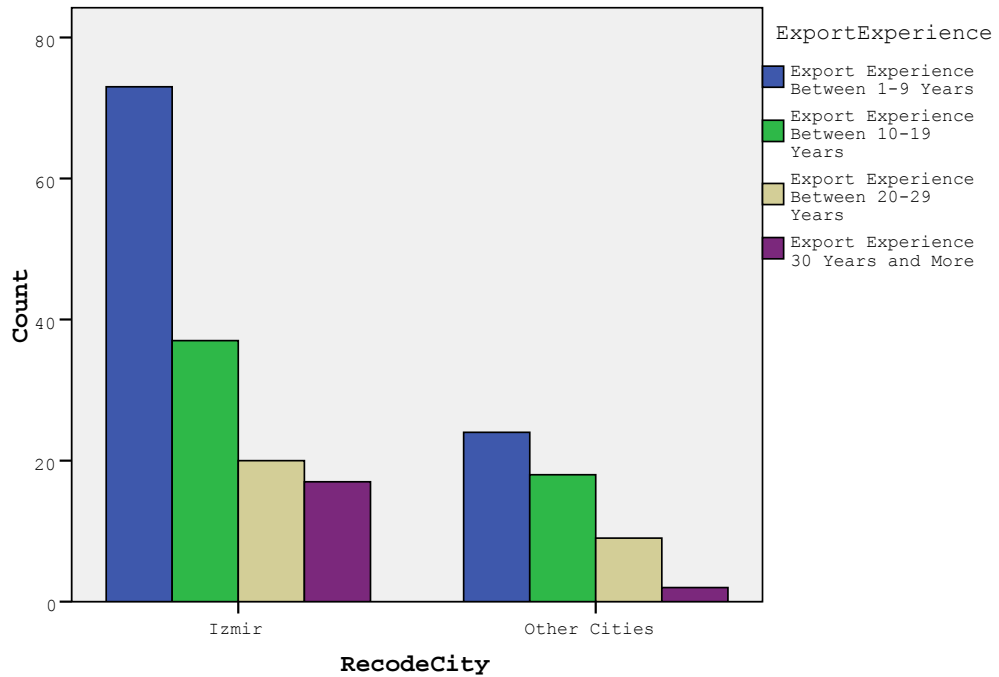


City & Export Experience

City		ExportExperience				Total
		Export Experience Between 1-9 Years	Export Experience Between 10-19 Years	Export Experience Between 20-29 Years	Export Experience 30 Years and More	
Izmir	Count	73	37	20	17	147
	% within City	49,7%	25,2%	13,6%	11,6%	100,0%
Other Cities	Count	24	18	9	2	53
	% within City	45,3%	34,0%	17,0%	3,8%	100,0%
Total	Count	97	55	29	19	200
	% within City	48,5%	27,5%	14,5%	9,5%	100,0%

The table indicates 74,9% of the İzmir located firms have 1-19 years export experience, 79,3% of the Other City Located firms have 1-19 years export experience. Foundation and export experience year in other cities comparatively is higher than İzmir located firms.

Bar Chart

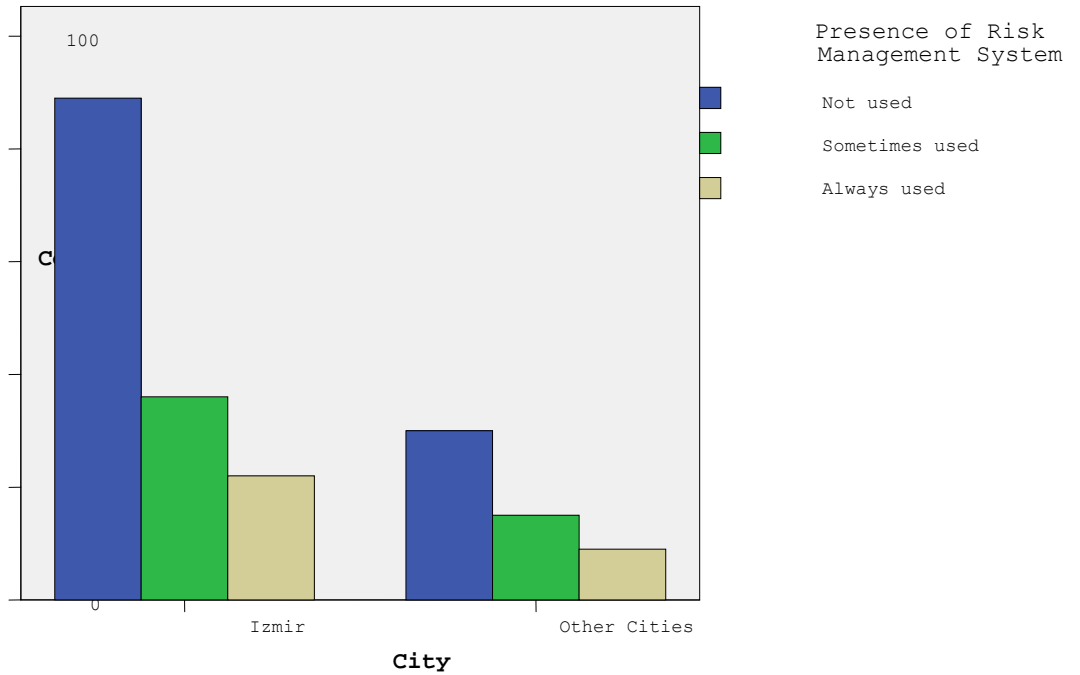


City & Presence of Risk Management System

		13-The Presence of Risk Management System ?			Total	
		Not used	Sometimes used	Used		
City	Izmir	Count	89	36	22	147
		% within City	60,5%	24,5%	15,0%	100,0%
	Other Cities	Count	30	15	9	54
		% within City	55,6%	27,8%	16,7%	100,0%
Total		Count	119	51	31	201
		% within City	59,2%	25,4%	15,4%	100,0%

The significant differences between City and Presence of Risk Management System is not found.

Bar Chart

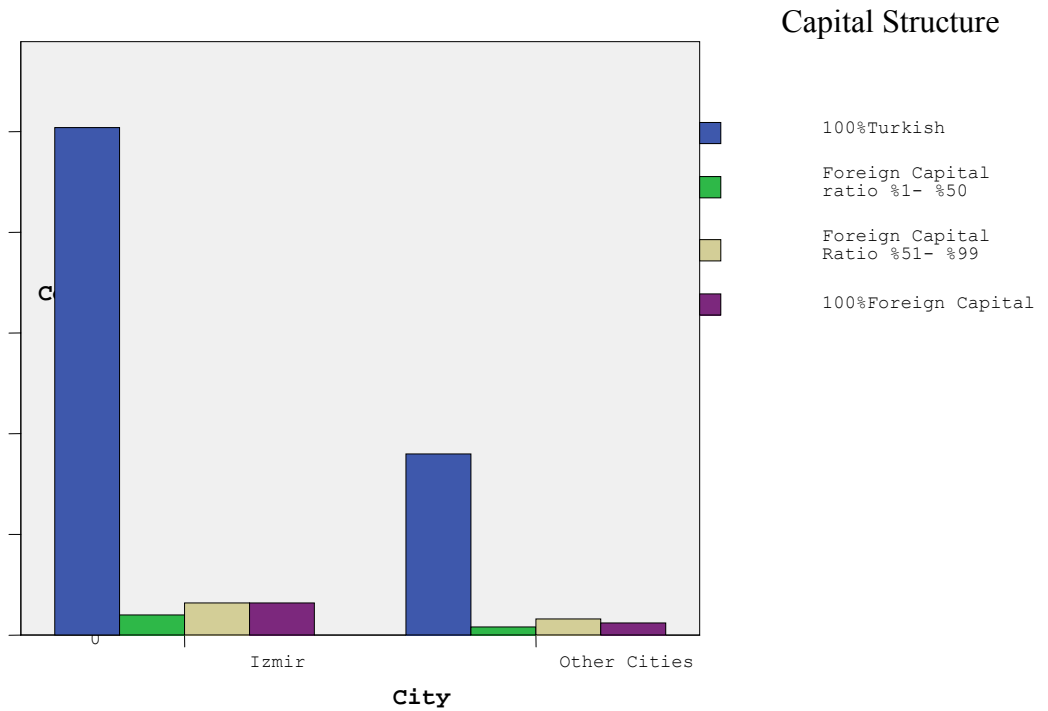


City and Capital Structure

City		10-Capital Structure				Total
		100% Turkish	Percentage of Foreign Capital (1-50%)	Percentage of Foreign Capital (%51- %99)	Foreign Owned (%100)	
Izmir	Count	126	5	8	8	147
	% within City	85,7%	3,4%	5,4%	5,4%	100,0%
	% within 10-Capital Structure	73,7%	71,4%	66,7%	72,7%	73,1%
Other Cities	Count	45	2	4	3	54
	% within City	83,3%	3,7%	7,4%	5,6%	100,0%
	% within 10-Capital Structure	26,3%	28,6%	33,3%	27,3%	26,9%
Total	Count	171	7	12	11	201
	% within City	85,1%	3,5%	6,0%	5,5%	100,0%
	% within 10-Capital Structure	100,0%	100,0%	100,0%	100,0%	100,0%

The significant differences between City and Capital Structure is not found.

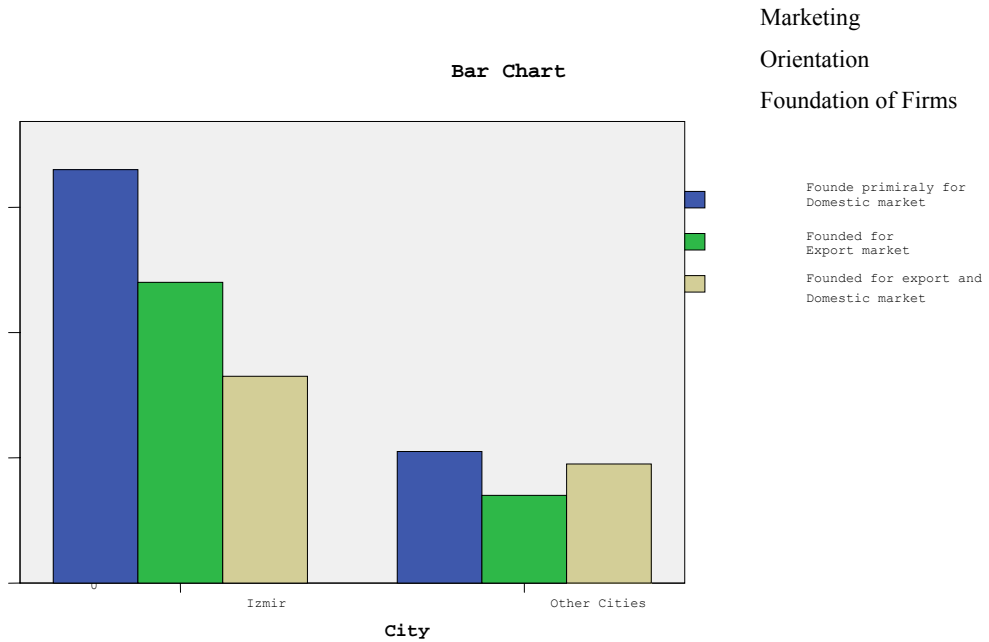
Bar Chart



City and Market Orientation (Foundation of the Firm)

City		11- Market Orientation (Foundation of the Firm)			Total
		Founded primarily for domestic market	Founded primarily for export market	Founded both for domestic and foreign market	
Izmir	Count	66	48	33	147
	% within City	44,9%	32,7%	22,4%	100,0%
	% within 11-Market Orientation	75,9%	77,4%	63,5%	73,1%
Other Cities	Count	21	14	19	54
	% within City	38,9%	25,9%	35,2%	100,0%
	% within 11-Market Orientation	24,1%	22,6%	36,5%	26,9%
Total	Count	87	62	52	201
	% within City	43,3%	30,8%	25,9%	100,0%
	% within 11-Market Orientation	100,0%	100,0%	100,0%	100,0%

Comparative Ratio for Foundation primarily for export market is more in Izmir than other cities.

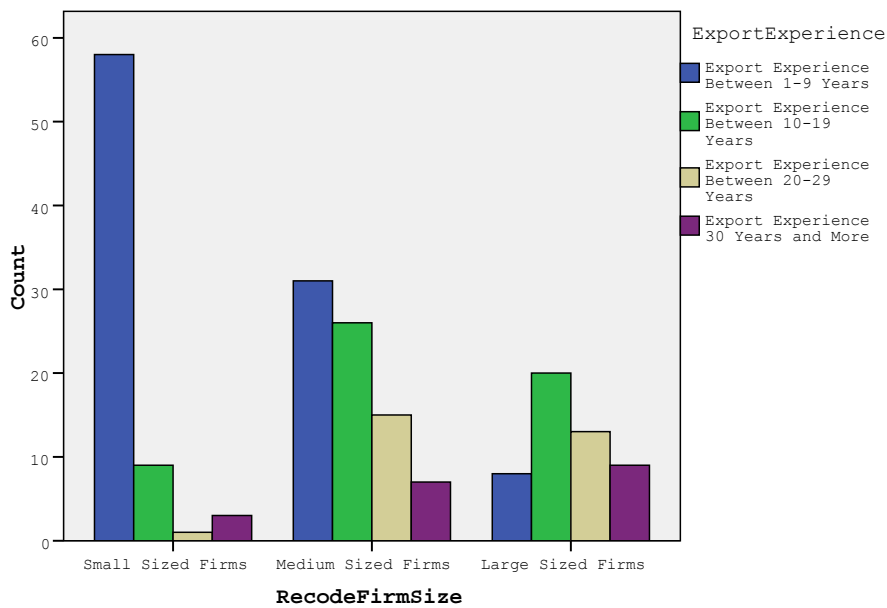


Firm Size and Export Experience

FirmSize		ExportExperience				Total
		Export Experience Between 1-9 Years	Export Experience Between 10-19 Years	Export Experience Between 20-29 Years	Export Experience 30 Years and More	
Small Sized Firms	Count	58	9	1	3	71
	% within FirmSize	81,7%	12,7%	1,4%	4,2%	100,0%
Medium Sized Firms	Count	31	26	15	7	79
	% within FirmSize	39,2%	32,9%	19,0%	8,9%	100,0%
Large Sized Firms	Count	8	20	13	9	50
	% within FirmSize	16,0%	40,0%	26,0%	18,0%	100,0%
Total	Count	97	55	29	19	200
	% within FirmSize	48,5%	27,5%	14,5%	9,5%	100,0%

Majority of the small sized firms (81,7%) have Export Experience Between 1-9 Years. Majority of the medium sized firms (39,2%) have Export Experience Between 1-9 Years. Majority of the large sized firms (40,0%) have Export Experience Between 10-19 Years.

Bar Chart

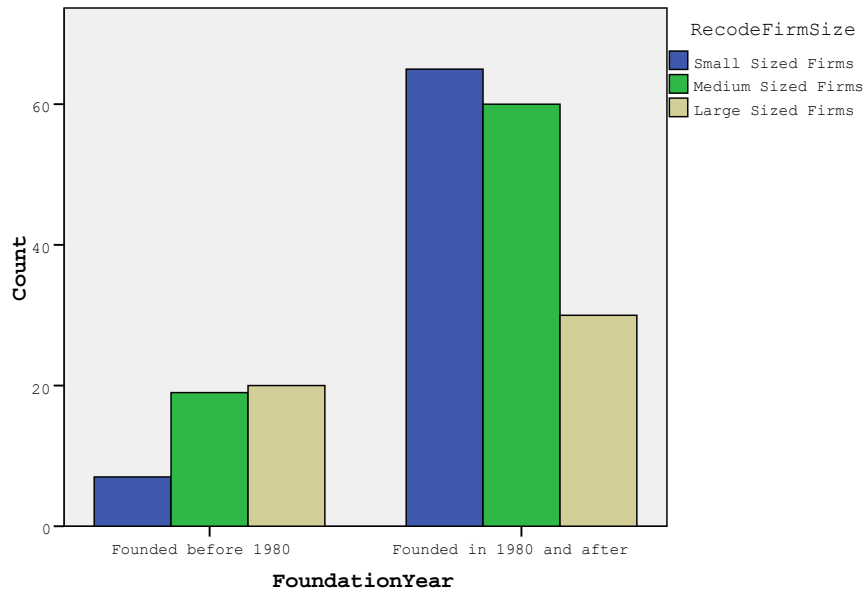


Firm Size and Foundation

		FirmSize			
FoundationYear		Small Sized Firms	Medium Sized Firms	Large Sized Firms	Total
Founded before 1980	Count	7	19	20	46
	% within FoundationYear	15,2%	41,3%	43,5%	100,0%
	% within FirmSize	9,7%	24,1%	40,0%	22,9%
Founded in 1980 and after	Count	65	60	30	155
	% within FoundationYear	41,9%	38,7%	19,4%	100,0%
	% within FirmSize	90,3%	75,9%	60,0%	77,1%
Total	Count	72	79	50	201
	% within FoundationYear	35,8%	39,3%	24,9%	100,0%
	% within FirmSize	100,0%	100,0%	100,0%	100,0%

Majority of the large sized firms (60,0%), medium sized firms(75,9%) and small sized firms(90,3%) are founded in 1980 and after.

Bar Chart

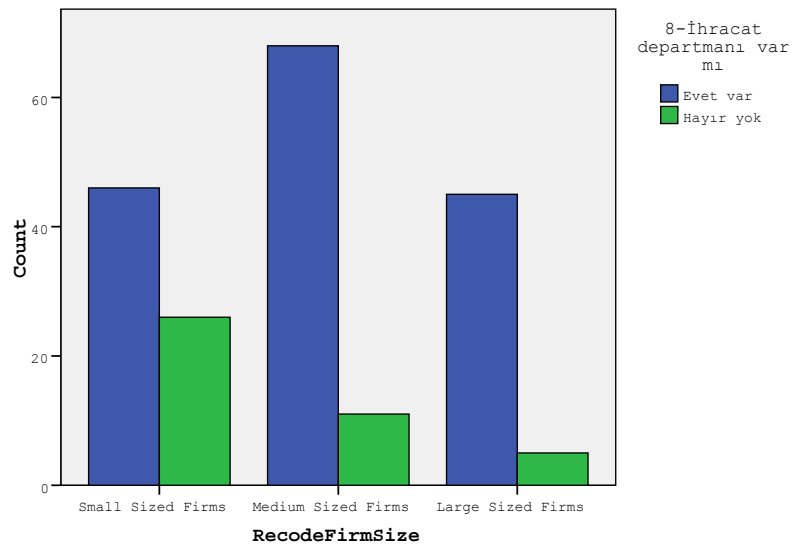


Firm Size and Present of Export Department

FirmSize		8-Present of Export Department ?		Total
		Export department is present	Export department is not present	
Small Sized Firms	Count	46	26	72
	% within FirmSize	63,9%	36,1%	100,0%
	% within 8-Present of Export Department ?	28,9%	61,9%	35,8%
Medium Sized Firms	Count	68	11	79
	% within FirmSize	86,1%	13,9%	100,0%
	% within 8-Present of Export Department ?	42,8%	26,2%	39,3%
Large Sized Firms	Count	45	5	50
	% within FirmSize	90,0%	10,0%	100,0%
	% within 8-Present of Export Department ?	28,3%	11,9%	24,9%
Total	Count	159	42	201
	% within FirmSize	79,1%	20,9%	100,0%
	% within 8-Present of Export Department ?	100,0%	100,0%	100,0%

Majority of the large sized firms (90,0%), medium sized firms(86,1%) and small sized firms(63,9%) have export department.

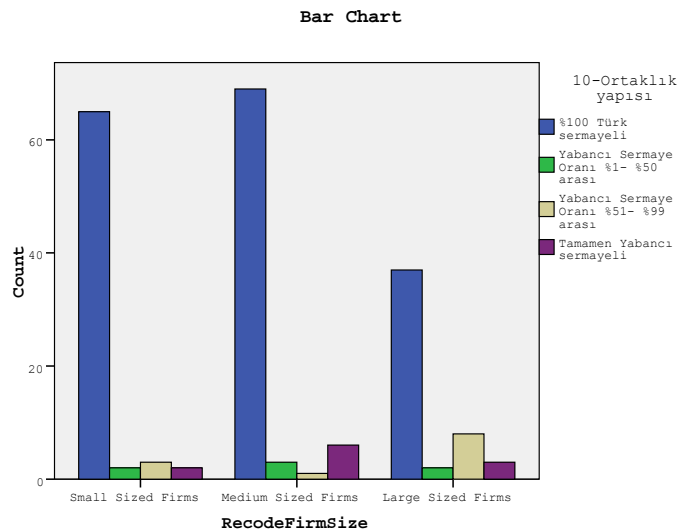
Bar Chart



Firm Size and Capital Structure

FirmSize		10-Capital Structure				Total
		100%Turkish	Percentage of Foreign Capital (1-50%)	Percentage of Foreign Capital (%51- %99)	Foreign Owned (%100)	
Small Sized Firms	Count	65	2	3	2	72
	% within FirmSize	90,3%	2,8%	4,2%	2,8%	100,0%
	% within 10-Capital Structure	38,0%	28,6%	25,0%	18,2%	35,8%
Medium Sized Firms	Count	69	3	1	6	79
	% within FirmSize	87,3%	3,8%	1,3%	7,6%	100,0%
	% within 10-Capital Structure	40,4%	42,9%	8,3%	54,5%	39,3%
Large Sized Firms	Count	37	2	8	3	50
	% within FirmSize	74,0%	4,0%	16,0%	6,0%	100,0%
	% within 10-Capital Structure	21,6%	28,6%	66,7%	27,3%	24,9%
Total	Count	171	7	12	11	201
	% within FirmSize	85,1%	3,5%	6,0%	5,5%	100,0%
	% within 10-Capital Structure	100,0%	100,0%	100,0%	100,0%	100,0%

Majority of the large sized firms (74,0%), medium sized firms(87,3%) and small sized firms(90,3%) are 100%Turkish.



Firm Size and Export/Total Sales Ratio

		12-Export/Total Sales Volume Ratio				
FirmSize		0-25%	26-50%	51-75%	76-100%	Total
Small Sized Firms	Count	25	16	4	27	72
	% within FirmSize	34,7%	22,2%	5,6%	37,5%	100,0%
	% within 12-Export/Total Sales Volume Ratio	45,5%	40,0%	18,2%	32,1%	35,8%
Medium Sized Firms	Count	17	21	9	32	79
	% within FirmSize	21,5%	26,6%	11,4%	40,5%	100,0%
	% within 12-Export/Total Sales Volume Ratio	30,9%	52,5%	40,9%	38,1%	39,3%
Large Sized Firms	Count	13	3	9	25	50
	% within FirmSize	26,0%	6,0%	18,0%	50,0%	100,0%
	% within 12-Export/Total Sales Volume Ratio	23,6%	7,5%	40,9%	29,8%	24,9%
Total	Count	55	40	22	84	201
	% within FirmSize	27,4%	19,9%	10,9%	41,8%	100,0%
	% within 12-Export/Total Sales Volume Ratio	100,0%	100,0%	100,0%	100,0%	100,0%

Majority of the large sized firms (40,9%) Export/Total Sales Volume ratio is 51%-75%.

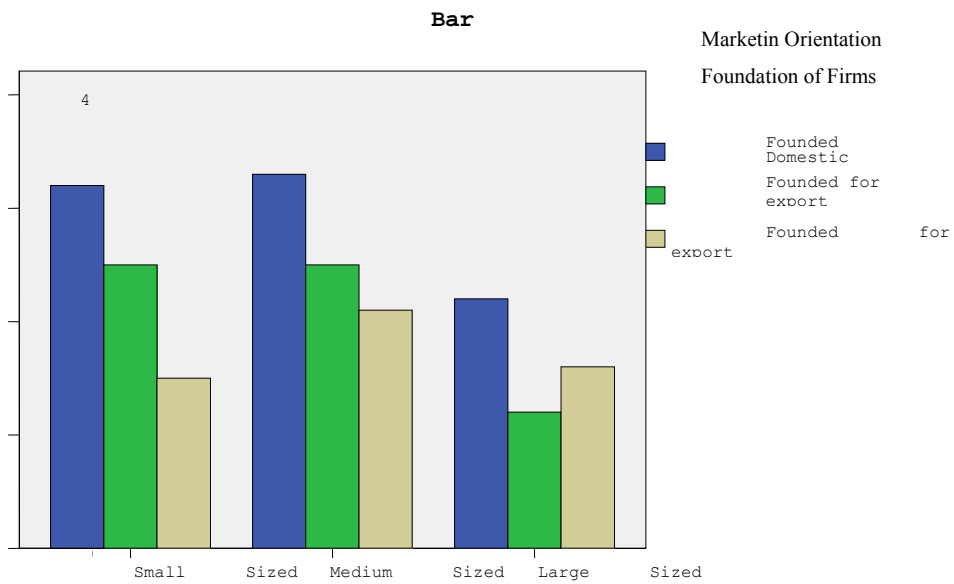
Majority of the medium sized firms (52,5%) Export/Total Sales Volume ratio is 26%-50%.

Majority of the small sized firms (45,5%) Export/Total Sales Volume ratio is 1%-25%.

Firm Size and Market Orientation (Foundation of the Firm)

FirmSize		11- Market Orientation (Foundation of the Firm)			Total
		Founded primarily for domestic market	Founded primarily for export market	Founded both for domestic and foreign market	
Small Sized Firms	Count	32	25	15	72
	% within FirmSize	44,4%	34,7%	20,8%	100,0%
	% within 11-Market Orientation	36,8%	40,3%	28,8%	35,8%
Medium Sized Firms	Count	33	25	21	79
	% within FirmSize	41,8%	31,6%	26,6%	100,0%
	% within 11-Market Orientation	37,9%	40,3%	40,4%	39,3%
Large Sized Firms	Count	22	12	16	50
	% within FirmSize	44,0%	24,0%	32,0%	100,0%
	% within 11-Market Orientation	25,3%	19,4%	30,8%	24,9%
Total	Count	87	62	52	201
	% within FirmSize	43,3%	30,8%	25,9%	100,0%
	% within 11-Market Orientation	100,0%	100,0%	100,0%	100,0%

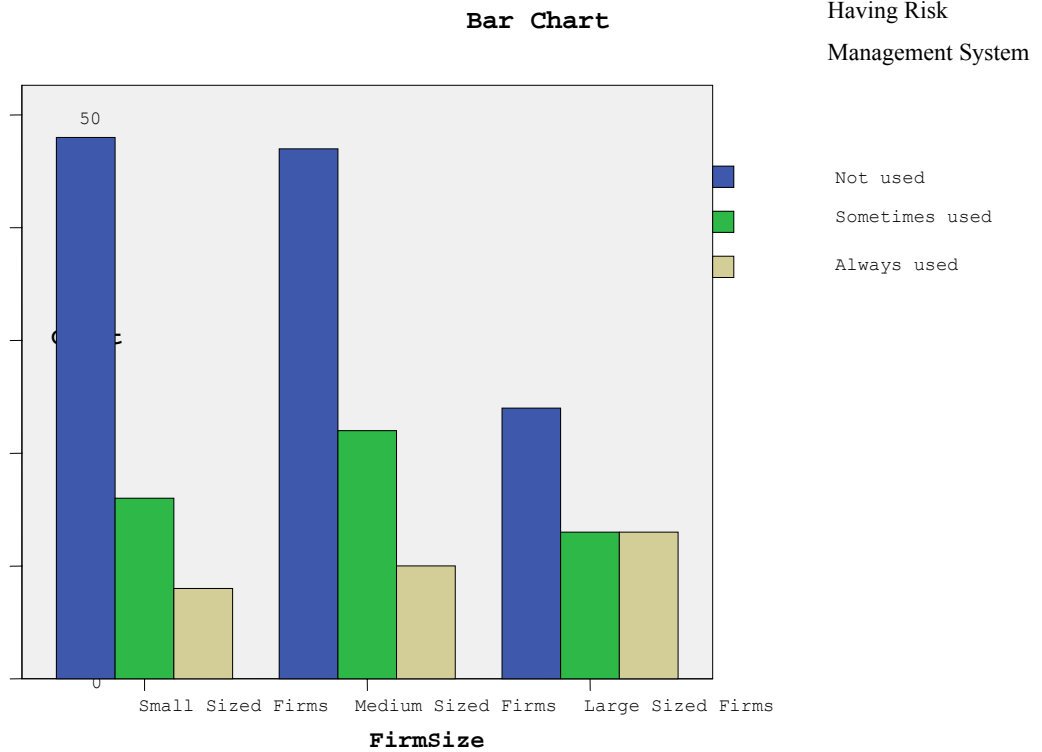
Majority of the large sized firms (44,0%), medium sized firms(41,8%) and small sized firms(44,4%) are Founded primarily for domestic market



Firm Size and Presence of Risk Management System

		13-The Presence of Risk Management System ?			
FirmSize		Not used	Sometimes used	Used	Total
Small Sized Firms	Count	48	16	8	72
	% within FirmSize	66,7%	22,2%	11,1%	100,0%
Medium Sized Firms	Count	47	22	10	79
	% within FirmSize	59,5%	27,8%	12,7%	100,0%
Large Sized Firms	Count	24	13	13	50
	% within FirmSize	48,0%	26,0%	26,0%	100,0%
Total	Count	119	51	31	201
	% within FirmSize	59,2%	25,4%	15,4%	100,0%

Majority of the large sized firms (48,0%), medium sized firms(59,5%) and small sized firms(66,7%) do not use risk management system.



4.2.3. Factor Analysis for Question 15

The question 15 which will measure exporters' risk perception from international market comprise of 12 different statements. The reliability analysis is applied for the scale in these statements and for these 12 statement Cronbach Alfa value is received as ,805. Reliability of scale is accepted if Cronbach Alfa value is bigger than (0,70), thus our reliability result (0,805) indicates the variables are reliable for measuring the risk.

By applying the factor analysis for 12 statements, it is objected to define dimensions of risk which are perceived from international market when companies intending to cross international market. Obtaining KMO value as 0,80 (for reliability must be higher than 0,70) and significance value as ,000 <,05 reflects that Factor Analysis is acceptable.

Total defined variance value for 12 statements is received %65,473 for 4 factors. At 15th question, the 12 statements were grouped through factor analysis. KMO and Bartlett's Test and Total Variance Explained and obtained 4 group were given below;

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.			,814
Bartlett's Test of Sphericity	Approx. Chi-Square		644,705
	Df		66
	Sig.		,000

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4,358	36,314	36,314	4,358	36,314	36,314	2,568	21,403	21,403
2	1,331	11,091	47,405	1,331	11,091	47,405	1,970	16,416	37,819

3	1,144	9,536	56,941	1,144	9,536	56,941	1,689	14,075	51,894
4	1,024	8,532	65,473	1,024	8,532	65,473	1,629	13,579	65,473
5	,908	7,565	73,038						
6	,683	5,689	78,728						
7	,561	4,678	83,405						
8	,500	4,166	87,571						
9	,468	3,899	91,471						
10	,391	3,257	94,728						
11	,318	2,651	97,378						
12	,315	2,622	100,000						

Extraction Method: Principal Component Analysis.

The statements under these 4 factor are grouped as follows;

1- Country Risk

Economic and politic unstability at buyer country

Social, cultural differces and language problem at buyer country

Geographical distance of countries

2- Financial Risk

Foreign Exchange Risk

Interest Rate Risk

Liquidity Risk

3- Trade Risk

Risk of buyer's unpayment

Not being conforming to contract clauses

Not being able to present desired documents

Risk of unexpected increase in input's cost and risk of losses

4- Managerial Risk

Mistakes at target market and product selection and pricing

Risk of not being able to employee specialists or leaving of specialists

4.2.4. Hypotheses Testing of Study

In hypothesis testing, Anova and Independent Sample T-Test applied in order to analyze if there is any difference between different dependent variables. Test Variables / Factors and Grouping Variable/Dependent Variables are given below.

Test Variables and Factors	Question No. in Questionnaire	Applied Test
Sector	1	Anova
City	2	T-Test
Size	3	Anova
Manager and Workers	4	Anova
Economic Activity	5	Anova
Foundation	6	T-Test
Export Experience	7	Anova
Present of Export Department	8	T-Test
Number of Personnel Involved in Export Activities	9	Anova
Structure of Capital Ownership	10	T-Test
Market Orientation (Foundation of the Firm)	11	Anova
Export/Total Sales Volume Ratio	12	Anova
Presence of Risk Management System	13	T-Test

T-Test: Independent Sample T-Test

Anova: One Way Analysis of Variance

Grouping Variable and Dependent Variable	Question No. in Questionnaire	Amount of Statement
Perceived Risk from International Market	15	12
Risk Perception of Delivery Terms	17	13
Risk Minimization Method for Delivery Terms	18	5
Risk Perception of Payment Terms	21	6
Risk Minimization Method for Payment Terms	22	8
Risk Perception from Sales Inquiries	24	9

After constructing hypothesis, then tests are applied and only significance results given in a table.

Sectoral Analysis for Risk Perception and Minimization

Methods

H1o= Risk perception from International Market is not different according to the sector group. (Accepted)

H2o= Risk perception depending on the types of Delivery Terms is not different according to the sector group. (Rejected)

H3o= Risk Minimization Methods for Delivery Terms are not different according to the sector group. (Rejected)

H4o= Risk perception depending on the types of Payment Terms is not different according to the sector group. (Rejected)

H5o= Risk Minimization Methods for Payment Terms are not different according to the sector group. (Rejected)

H6o= Risk perception of the Statement in Product Demand Offer is not different according to the sector group. (Rejected)

Related Hypothesis	Statement	Post Hoc Tests - LSD		ANOVA		
			Mean	Df	F	Sig.
H2o	FAS	Others *	2,0000	3	3,514	0,021
		Iron and Mine Group	1,7692			
		Food Group	1,6667			
		Leather, Textile and Clothing Group *	1,3000			
		Total	1,7069			
H3o	Minimum Cover (C Clauses) Insurance	Leather, Textile and Clothing Group *	1,8889	3	2,728	0,048
		Iron and Mine Group	1,6923			
		Others	1,6786			
		Food Group *	1,3590			
		Total	1,6036			
H4o	Letter of Credit	Leather, Textile and Clothing Group *	1,6071	3	2,846	0,040
		Iron and Mine Group	1,5000			
		Others	1,3696			
		Food Group *	1,2941			
		Total	1,4151			
H5o	Eximbank Insurance	Leather, Textile and Clothing Group *	2,0909	3	4,618	0,004
		Others	1,8108			
		Food Group	1,5957			
		Iron and Mine Group *	1,3333			
		Total	1,7008			
H5o	Factoring	Leather, Textile and Clothing Group *	1,9130	3	3,800	0,012
		Food Group	1,5000			
		Iron and Mine Group *	1,3846			
		Others	1,3793			
		Total	1,5246			
H6o	Desired quality of product	Others *	2,8085	3	3,381	0,020
		Iron and Mine Group	2,6286			
		Food Group	2,4464			
		Leather, Textile and Clothing Group *	2,3846			
		Total	2,5793			

Leather, Textile and Clothing Group perceives FCA more risky than Iron and Mine Group,

Leather, Textile and Clothing Group use Minimum Cover (C Clauses) Insurance more than other groups.

Leather, Textile and Clothing Group perceives Letter of Credit more risky than Food group,

Leather, Textile and Clothing Group use Eximbank Insurance and Factoring more other groups.

Analysis of City for Risk Perception and Minimization

Methods

H7o= Risk perception from International Market is not different depending on the firms mainly located city

H8o= Risk perception depending on the types of Delivery Terms is not different depending on the firms mainly located city

H9o= Risk Minimization Methods for Delivery Terms is not different depending on the firms mainly located city

H10o= Risk perception depending on the types of Payment Terms is not different depending on the firms mainly located city

H11o= Risk Minimization Methods for Payment Terms is not different depending on the firms mainly located city

H12o= Risk perception of the Statement in Product Demand Offer is not different depending on the firms mainly located city

The results of Independent Sample T-Test indicates all $p > 0,05$. Thus all Null Hypothesis from 7 to 12 are accepted.

Analysis of Size of the Firms for Risk Perception and Minimization Methods

H13o= Risk perception from International Market is not different depending on the size of the firm

H14o= Risk perception depending on the types of Delivery Terms is not different depending on the size of the firm

H15o= Risk Minimization Methods for Delivery Terms is not different depending on the size of the firm

H16o= Risk perception depending on the types of Payment Terms is not different depending on the size of the firm

H17o= Risk Minimization Methods for Payment Terms is not different depending on the size of the firm

H18o= Risk perception of the Statement in Product Demand Offer is not different depending on the size of the firm

Related Hypothesis	Statement	Post Hoc Tests - LSD		ANOVA		
			Mean	Df	F	Sig.
H14o	DDP	Large Sized Firms	2,9545	2	3,927	0,025
		Small Sized Firms	2,8333			
		Medium Sized Firms	2,4815			
		Total	2,7313			
H16o	Cash Against Goods	Medium Sized Firms	2,8070	2	5,102	0,007
		Small Sized Firms	2,7797			
		Large Sized Firms	2,5111			
		Total	2,7143			
H17o	Eximbank Insurance	Large Sized Firms	2,0000	2	4,196	0,017
		Medium Sized Firms	1,6939			
		Small Sized Firms	1,5106			
		Total	1,7008			
H17o	Forward	Large Sized Firms	1,6400	2	4,952	0,009
		Medium Sized Firms	1,3095			
		Small Sized Firms	1,2051			
		Total	1,3491			
H17o	Guarantee Letter	Large Sized Firms	2,0000	2	6,595	0,002
		Medium Sized Firms	1,8704			
		Small Sized Firms	1,5319			
		Total	1,7852			
H18o	Payment Terms at Product Demand	Large Sized Firms	2,9318	2	3,916	0,022
		Small Sized Firms	2,9048			
		Medium Sized Firms	2,7344			
		Total	2,8480			
H18o	Desired quantity of product	Large Sized Firms	2,8372	2	3,117	0,047
		Small Sized Firms	2,6129			
		Medium Sized Firms	2,5397			
		Total	2,6429			

Large Sized Firms perceives DDP more risky than others. Medium Sized Firms perceives Cash Against Goods more risky than others.

Medium Sized firms use Eximbank Insurance more than others

Large Sized firms use Forward and Guarantee Letter more than others.

Large Sized Firms perceives Payment Terms at Product Demand and Desired quantity of product more risky than others.

Analysis of Management Level for Risk Perception and Minimization Methods

H19o= Risk perception from International Market is not different according to the Management Level (Accepted).

H20o= Risk perception depending on the types of Delivery Terms is not different according to the Management Level (Accepted).

H21o= Risk Minimization Methods for Delivery Terms are not different according to the Management Level (Accepted).

H22o= Risk perception depending on the types of Payment Terms is not different according to the Management Level (Rejected).

H23o= Risk Minimization Methods for Payment Terms are not different according to the Management Level (Accepted).

H24o= Risk perception of the Statement in Product Demand Offer is not different according to the Management Level (Accepted).

Related Hypothesis	Statement	Post Hoc Tests - LSD		ANOVA		
			Mean	df	F	Sig.
H22o	Cash Against Goods	Export Department Employees	2,8507	2	7,396	0,001
		Strategic Managers	2,7447			
		Others	2,4894			
		Total	2,7143			

Only H22o can be rejected. Export Department Emploess perceive Cash Against Goods more risky than others.

Analysis of Economic Activity for Risk Perception and Minimization Methods

H25o= Risk perception from International Market is not different according to the Economic activity (Rejected).

H26o= Risk perception depending on the types of Delivery Terms is not different according to the Economic activity (Rejected).

H27o= Risk Minimization Methods for Delivery Terms are not different according to the Economic activity (Accepted).

H28o= Risk perception depending on the types of Payment Terms is not different according to the Economic activity (Rejected).

H29o= Risk Minimization Methods for Payment Terms are not different according to the Economic activity(Accepted).

H30o= Risk perception of the Statement in Product Demand Offer is not different according to the Economic activity (Accepted).

Related Hypothesis	Statement	Post Hoc Tests - LSD			ANOVA		
			Mean	df	F	Sig.	
H25o	Social, cultural differences and language problem	Sectoral Foreign Trade Companies	2,8000	3	2,784	0,042	
		Exporter (No Manufacturing)	2,3704				
		Foreign Trade Capital Companies	2,0000				
		Manufacturer and Exporter	1,9936				
		Total	2,0684				
H26o	DES	Foreign Trade Capital Companies	.	2	3,552	0,037	
		Exporter (No Manufacturing)	2,7500				
		Manufacturer and Exporter	2,5000				
		Sectoral Foreign Trade Companies	1,0000				
		Total	2,5106				
H28o	Cash Against Documents	Foreign Trade Capital Companies	3,0000	3	2,956	0,034	
		Exporter (No Manufacturing)	2,3200				
		Sectoral Foreign Trade Companies	2,1667				
		Manufacturer and Exporter	2,0325				
		Total	2,0903				

Exporter (No Manufacturing) perceives Social, cultural differences and language problem more risky than others.

Exporter (No Manufacturing) perceives DES Delivery Terms more risky than others

Exporter (No Manufacturing) perceives Cash Against Documents more risky than others.

Analysis of Foundation Year for Risk Perception and Minimization Methods

H31o= Risk perception from International Market is not different according to the Foundation year (Rejected).

H32o= Risk perception depending on the types of Delivery Terms is not different according to the Foundation year (Rejected).

H33o= Risk Minimization Methods for Delivery Terms are not different according to the Foundation year (Accepted).

H34o= Risk perception depending on the types of Payment Terms is not different according to the Foundation year (Accepted).

H35o= Risk Minimization Methods for Payment Terms are not different according to the Foundation year (Rejected).

H36o= Risk perception of the Statement in Product Demand Offer is not different according to the Foundation year (Accepted).

Independent Samples Test

Related Hypothesis			Levene's Test for Equality of Variances		t-test for Equality of Means			Group Statistics		
			F	Sig.	t	Df	Sig. (2-tailed)	Foundation Year	N	Mean
H31o	Social, cultural differences and language problem	Equal variances assumed	1,827	0,178	2,186	188	0,030	Founded before 1980	45	2,3111
		Equal variances not assumed			2,353	83,245	0,021	Founded in 1980 and after	145	1,9931
H32o	Ex-Works	Equal variances assumed	34,385	0,000	-2,465	121	0,015	Founded before 1980	29	1,0345
		Equal variances not assumed			-3,891	120,465	0,000	Founded in 1980 and after	94	1,2979
H35o	Guarantee Letter	Equal variances assumed	12,998	0,000	3,011	133	0,003	Founded before 1980	35	2,0571
		Equal variances not assumed			3,285	70,685	0,002	Founded in 1980 and after	100	1,6900

Firms Founded before 1980 perceives Social, cultural differences and language problem more risky Firms Founded in 1980 and after.

Firms Founded in 1980 and after perceives Ex-Works more risky than Firms Founded before 1980.

Firms Founded before 1980 use Guarantee Letter more risky than Firms Founded in 1980 and after.

Analysis of Export Experience for Risk Perception and Minimization Methods

H37o= Risk perception from International Market is not different according to the Export experience (Rejected).

H38o= Risk perception depending on the types of Delivery Terms is not different according to the Export experience

H39o= Risk Minimization Methods for Delivery Terms are not different according to the Export experience

H40o= Risk perception depending on the types of Payment Terms is not different according to the Export experience

H41o= Risk Minimization Methods for Payment Terms are not different according to the Export experience (Rejected).

H42o= Risk perception of the Statement in Product Demand Offer is not different according to the Export experience (Rejected).

Related Hypothesis	Statement	Post Hoc Tests - LSD		ANOVA		
			Mean	Df	F	Sig.
H37o	Risk of Unpayment of Buyer	Export Experience Between 1-9 Years	2,8571	3	4,009	0,009
		Export Experience 30 Years and More	2,8421			
		Export Experience Between 10-19 Years	2,8269			
		Export Experience Between 20-29 Years	2,4444			
		Total	2,7884			
H37o	Not being able to present desired documents	Export Experience 30 Years and More	2,6316	3	3,129	0,027
		Export Experience Between 1-9 Years	2,5714			
		Export Experience Between 10-19 Years	2,4038			
		Export Experience Between 20-29 Years	2,0769			
		Total	2,4628			
H41o	Factoring	Export Experience Between 20-29 Years	1,8125	3	4,118	0,008
		Export Experience Between 10-19 Years	1,7000			
		Export Experience 30 Years and More	1,4545			
		Export Experience Between 1-9 Years	1,3148			
		Total	1,5207			
H42o	Intermediate web site's reliability (Ali Baba etc..)	Export Experience Between 1-9 Years	2,3333	3	2,802	0,042
		Export Experience Between 10-19 Years	2,0000			
		Export Experience 30 Years and More	2,0000			
		Export Experience Between 20-29 Years	1,7778			
		Total	2,1325			

The firms have Export Experience Between 1-9 Years perceives Risk of Unpayment of Buyer more risky than others.

The firms have Export Experience 30 Years and More perceives Not being able to present desired documents more risky than others.

The firms have Export Experience Between 20-29 Years use Factoring more than others.

The firms have Export Experience Between 1-9 Years perceives Intermediate web site's reliability (Ali Baba etc..) more risky than others.

Analysis of Present of Export Department for Risk Perception and Minimization Methods

H43o= Risk perception from International Market is not different according to the Present of Export Department (Accepted).

H44o= Risk perception depending on the types of Delivery Terms is not different according to the Present of Export Department (Rejected).

H45o= Risk Minimization Methods for Delivery Terms are not different according to the Present of Export Department (Rejected).

H46o= Risk perception depending on the types of Payment Terms is not different according to the Present of Export Department (Accepted).

H47o= Risk Minimization Methods for Payment Terms are not different according to the Present of Export Department (Rejected).

H48o= Risk perception of the Statement in Product Demand Offer is not different according to the Present of Export Department (Accepted).

Independent Samples Test

Related Hypothesis			Levene's Test for Equality of Variances		t-test for Equality of Means			Group Statistics		
			F	Sig.	t	df	Sig. (2-tailed)	Present of Export Department	N	Mean
H44o	CFR	Equal variances assumed	3,337	0,071	-2,041	83	0,044	Export department is present	73	2,0411
		Equal variances not assumed			-1,926	14,256	0,074	Export department is not present	12	2,3333
H45o	Additional Clauses (Strike, Lockout, civil commotions and war)	Equal variances assumed	14,104	0,000	2,277	109	0,025	Export department is present	92	1,7174
		Equal variances not assumed			2,926	36,399	0,006	Export department is not present	19	1,2632
H47o	Factoring	Equal variances assumed	32,840	0,000	3,317	120	0,001	Export department is present	99	1,6162
		Equal variances not assumed			4,897	67,579	0,000	Export department is not present	23	1,1304
H47o	Forward	Equal variances assumed	29,804	0,000	2,327	104	0,022	Export department is present	85	1,4118
		Equal variances not assumed			3,415	64,391	0,001	Export department is not present	21	1,0952
H47o	Guarantee Letter	Equal variances assumed	0,347	0,557	2,335	133	0,021	Export department is present	110	1,8455
		Equal variances not assumed			2,465	38,069	0,018	Export department is not present	25	1,5200

The firms which have export department perceive CFR more risky than The firms which don't have export department.

The firms which have export department use Guarantee Letter, Forward, Factoring, Additional Clauses(Strike, Lockout, civil commotions and war) more than The firms which don't have export department.

Analysis of the Number of Personnel Involved in Export Activities for Risk Perception and Minimization Methods

H49o= Risk perception from International Market is not different according to the Number of Personnel Involved in Export Activities (Rejected).

H50o= Risk perception depending on the types of Delivery Terms is not different according to the Number of Personnel Involved in Export Activities(Rejected).

H51o= Risk Minimization Methods for Delivery Terms are not different according to the Number of Personnel Involved in Export Activities (Rejected).

H52o= Risk perception depending on the types of Payment Terms is not different according to the Number of Personnel Involved in Export Activities (Rejected).

H53o= Risk Minimization Methods for Payment Terms are not different according to the Number of Personnel Involved in Export Activities (Rejected).

H54o= Risk perception of the Statement in Product Demand Offer is not different according to the Number of Personnel Involved in Export Activities (Rejected).

Related Hypothesis	Statement	Post Hoc Tests - LSD		ANOVA		
			Mean	df	F	Sig.
H49o	23a-Risk of Unpayment of Buyer	1-4 People	2,8134	2	6,341	0,002
		5-8 People	2,8462			
		9 and more People	2,2308			
		Total	2,7746			
H50o	26a-Ex-Works	1-4 People	1,1684	2	3,425	0,036
		5-8 People	1,4286			
		9 and more People	1,5714			
		Total	1,2241			
H50o	26g-CPT	1-4 People	2,1905	2	4,586	0,014
		5-8 People	2,1818			
		9 and more People	1,5000			
		Total	2,1186			
H50o	26h-CIP	1-4 People	2,2500	2	3,355	0,042
		5-8 People	2,2143			
		9 and more People	1,5000			
		Total	2,1897			
H50o	26j-DES	5-8 People	2,8000	2	3,844	0,029
		1-4 People	2,5000			
		9 and more People	1,6667			
		Total	2,5111			
H50o	26k-DEQ	1-4 People	2,5806	2	5,504	0,008
		5-8 People	2,9000			
		9 and more People	1,6667			
		Total	2,5909			
H50o	26l-DDU	1-4 People	2,4792	2	3,983	0,023
		5-8 People	2,8000			
		9 and more People	1,8000			
		Total	2,5000			
H50o	26m-DDP	1-4 People	2,7273	2	4,060	0,022
		5-8 People	2,9286			
		9 and more People	2,0000			
		Total	2,7143			
H51o	27e-Unloading Clause	1-4 People	1,6944	2	3,352	0,039
		5-8 People	1,8421			
		9 and more People	2,4444			
		Total	1,7900			
H52o	30c-Buyer + Bank Avallized Acceptance Credit	1-4 People	1,5789	2	3,404	0,037
		5-8 People	1,8182			
		9 and more People	1,3636			
		Total	1,6055			
H52o	30e-Cash Documents Against	1-4 People	1,9813	2	5,541	0,005
		5-8 People	2,3750			
		9 and more People	2,0833			
		Total	2,0559			
H53o	31a-Eximbank Insurance	1-4 People	1,5934	2	3,983	0,021
		5-8 People	2,0000			

		9 and more People	2,1429			
		Total	1,6923			
H53o	31b-Factoring	1-4 People	1,4713	2	3,078	0,050
		5-8 People	1,6875			
		9 and more People	2,0000			
		Total	1,5446			
H53o	31c-Forfaiting	1-4 People	1,0571	2	12,567	0,000
		5-8 People	1,1429			
		9 and more People	1,7500			
		Total	1,1023			
H53o	31d-Forward	1-4 People	1,2267	2	10,622	0,000
		5-8 People	1,8000			
		9 and more People	1,8571			
		Total	1,3608			
H53o	31e-Futures	1-4 People	1,0833	2	3,459	0,036
		5-8 People	1,2500			
		9 and more People	1,5000			
		Total	1,1250			
H53o	31g-Guarantee Letter	1-4 People	1,6875	2	7,897	0,001
		5-8 People	2,0526			
		9 and more People	2,3636			
		Total	1,8016			
H53o	31h-VOB	1-4 People	1,0597	2	7,256	0,001
		5-8 People	1,1667			
		9 and more People	1,7500			
		Total	1,1084			

The firms which have 1-4 specialized employees in export department perceives CPT and CIP more risky than others.

The firms which have 9 and more specialized employee in export department perceive Ex-Works more risky than others.

The firms which have 4-8 specialized employee in export department Eximbank Insurance, Factoring, Forfaiting, Futures, Guarantee Letter, VOB more than others.

Analysis of the Structure of Capital Ownership for Risk Perception and Minimization Methods

H55o= Risk perception from International Market is not different according to the Structure of Capital Ownership (Accepted).

H56o= Risk perception depending on the types of Delivery Terms is not different according to the Structure of Capital Ownership (Rejected).

H57o= Risk Minimization Methods for Delivery Terms are not different according to the Structure of Capital Ownership (Accepted).

H58o= Risk perception depending on the types of Payment Terms is not different according to the Structure of Capital Ownership (Rejected).

H59o= Risk Minimization Methods for Payment Terms are not different according to the Structure of Capital Ownership (Rejected).

H60o= Risk perception of the Statement in Product Demand Offer is not different according to the Structure of Capital Ownership (Accepted).

Independent Samples Test

Related Hypothesis			Levene's Test for Equality of Variances		t-test for Equality of Means			Group Statistics			
			F	Sig.	t	df	Sig. (2-tailed)	100% Turkish Capitalized	Foreign Capital	N	Mean
H56o	26e-CFR	Equal variances assumed	2,216	0,140	2,043	83	0,044	100% Turkish Capitalized		74	2,1216
		Equal variances not assumed			1,608	11,608	0,135	Have Foreign Capital		11	1,8182
H56o	26g-CPT	Equal variances assumed	0,034	0,854	2,710	59	0,009	100% Turkish Capitalized		50	2,2000
		Equal variances not assumed			2,957	16,316	0,009	Have Foreign Capital		11	1,7273
H56o	26i-DAF	Equal variances assumed	0,278	0,601	2,879	47	0,006	100% Turkish Capitalized		40	2,5750
		Equal variances not assumed			2,313	9,881	0,044	Have Foreign Capital		9	2,0000
H58o	30b-Letter of Credit	Equal variances assumed	#####	0,000	3,050	157	0,003	100% Turkish Capitalized		139	1,4604

		Equal variances not assumed			4,423	36,537	0,000	Have Foreign Capital	20	1,1000
H59o	31a- Eximbank Insurance	Equal variances assumed	2,805	0,096	2,050	125	0,042	100%Turkish Capitalized	112	1,7500
		Equal variances not assumed			2,387	20,044	0,027	Have Foreign Capital	15	1,3333
H59o	31f-Leasing	Equal variances assumed	49,165	0,000	2,462	109	0,015	100%Turkish Capitalized	99	1,4343
		Equal variances not assumed			7,099	98,000	0,000	Have Foreign Capital	12	1,0000

The firms 100%Turkish perceive CFR, CPT, DAF and Letter of Credit more risky than firms which Have Foreign Capital.

The firms 100%Turkish use Eximbank Insurance and Leasing more than firms which Have Foreign Capital.

Analysis of Market Orientation (Foundation of the Firm) for Risk Perception and Minimization Methods

H61o= Risk perception from International Market is not different according to the Market Orientation (Foundation of the Firm) (Rejected).

H62o= Risk perception depending on the types of Delivery Terms is not different according to the Market Orientation (Foundation of the Firm) (Accepted).

H63o= Risk Minimization Methods for Delivery Terms are not different according to the Market Orientation (Foundation of the Firm) (Accepted).

H64o= Risk perception depending on the types of Payment Terms is not different according to the Market Orientation (Foundation of the Firm) (Accepted).

H65o= Risk Minimization Methods for Payment Terms are not different according to the Market Orientation (Foundation of the Firm) (Accepted).

H66o= Risk perception of the Statement in Product Demand Offer is not different according to the Market Orientation (Foundation of the Firm) (Accepted).

Related Hypothesis	Statement	Post Hoc Tests - LSD		ANOVA		
			Mean	df	F	Sig.
H61o	Geographical distance of countries	Founded primarily for domestic market	2,1282	2	3,115	0,047
		Founded primarily for export market	1,7797			
		Founded for both export and domestic market	1,9808			
		Total	1,9788			

Only H61o is rejected conclusions are as follows;

Geographical distance of countries represents lower level of risk for firms Founded primarily for export market.

Geographical distance of countries represents higher risk perception for firms Founded primarily for domestic market.

Analysis of Export/Total Sales Volume Ratio for Risk Perception and Minimization Methods

H67o= Risk perception from International Market is not different according to the Export/Total Sales Volume Ratio (Rejected).

H68o= Risk perception depending on the types of Delivery Terms is not different according to the Export/Total Sales Volume Ratio (Rejected).

H69o= Risk Minimization Methods for Delivery Terms are not different according to the Export/Total Sales Volume Ratio (Rejected).

H70o= Risk perception depending on the types of Payment Terms is not different according to the Export/Total Sales Volume Ratio (Accepted).

H71o= Risk Minimization Methods for Payment Terms are not different according to the Export/Total Sales Volume Ratio (Rejected).

H72o= Risk perception of the Statement in Product Demand Offer is not different according to the Export/Total Sales Volume Ratio (Accepted).

Related Hypothesis	Statement	Post Hoc Tests - LSD		ANOVA		
			Mean	df	F	Sig.
H67o	21c Geographical distance of countries	0-25%	2,1200	3	3,353	0,020
		26-50%	2,1622			
		51-75%	2,1429			
		76-100%	1,7654			
		Total	1,9788			
H67o	23c-Not being able to present desired documents	0-25%	2,6000	3	2,634	0,051
		26-50%	2,4872			
		51-75%	2,7778			
		76-100%	2,3049			
		Total	2,4656			
H68o	26i-DAF	0-25%	2,1667	3	3,294	0,029
		26-50%	2,7273			
		51-75%	2,2222			
		76-100%	2,6471			
		Total	2,4694			
H69o	27b-Maximum Cover Clause (All)	0-25%	2,3514	3	3,338	0,021
		26-50%	2,5357			
		51-75%	2,5000			
		76-100%	2,0656			
		Total	2,2817			
H71o	31b-Factoring	0-25%	1,3333	3	4,010	0,009
		26-50%	1,3077			
		51-75%	1,5000			
		76-100%	1,7407			
		Total	1,5246			

The firms which Export Ratio is 26-50% use Maximum Cover (All Clause) more than others.

The firms which Export Ratio is 76-100%, perceive Geographical distance of countries and Not being able to present desired documents less risky than others.

The firms which Export Ratio is 0-25% perceive DAF as less risky than others.

Analysis of Presence of Risk Management System for Risk Perception and Minimization Methods

H73o= Risk perception from International Market is not different according to the Presence of Risk Management System (Rejected)

H74o= Risk perception depending on the types of Delivery Terms is not different according to the Presence of Risk Management System (Rejected).

H75o= Risk Minimization Methods for Delivery Terms are not different according to the Presence of Risk Management System (Accepted).

H76o= Risk perception depending on the types of Payment Terms is not different according to the Presence of Risk Management System (Accepted).

H77o= Risk Minimization Methods for Payment Terms are not different according to the Presence of Risk Management System (Rejected).

H78o= Risk perception of the Statement in Product Demand Offer is not different according to the Presence of Risk Management System (Accepted).

Independent Samples Test

Related Hypothesis			Levene's Test for Equality of Variances		t-test for Equality of Means			Group Statistics		
			F	Sig.	t	Df	Sig. (2-tailed)	Presence of Risk Management System	N	Mean
H73o	Risk of not being able to employee specialists or leaving of specialists	Equal variances assumed	3,586	0,060	-2,257	183	0,025	Presence of Risk Management System	113	2,3894
		Equal variances not assumed			-2,296	159,853	0,023	Not Presence of Risk Management System	72	2,6250
H74o	26f-CIF	Equal variances assumed	7,956	0,006	2,380	121	0,019	Presence of Risk Management System	73	2,3014
		Equal variances not assumed			2,416	110,645	0,017	Not Presence of Risk Management System	50	2,0400
H77o	31a-Eximbank Insurance	Equal variances assumed	0,087	0,769	-2,389	125	0,018	Presence of Risk Management System	82	1,5854
		Equal variances not assumed			-2,305	81,786	0,024	Not Presence of Risk Management System	45	1,9111

The firms which don't have Risk Management System perceive Risk of not being able to employee specialists or leaving of specialists more risky than firms Have Risk Management System.

The firms which have Risk Management System perceive CIF more risky than firms don't Have Risk Management System.

The firms which don't have Risk Management System use Eximbank Insurance more than firms have Risk Management System.

4.2.5 Findings and Conclusion of the Field Study

The majority (73,1%) of the responses for the questionnaire are from Izmir. According to the Aegean Unions of Exporters, 69% of the exporters are located in Izmir. Therefore, almost 70% of exporting activities are originated from the Izmir-based companies.

75,1% of the firms are Small and Medium Sized Firms and 80,6% of the firms are Manufacturer and Exporter. 76% of the firms' export experience is between 1-9 years and 90,1% of the firms' export experience is between 1-19 years.

Majority of the firms (79,1%) have an export department. 43,3% of the firms were primarily founded for domestic market and later interested in export markets. 70% of the firms employed 1-3 employees for export activities while 89% of the firms employed 1-6 People for export activities.

85% of the firms are Turkish company and 5,5% of the firms are foreign-owned company.

Majority (41,8%) of the firms' Export/Total Sales Ratio is between 76-100%.

As the above mentioned results indicate, the majority of the firms have been newly founded, having export specialists, export oriented manner, only 15,4% of the firms use systematic risk management system.

Majority of the firms (between 70-82%) indicated that the below mentioned factors are very important; Risk of buyer's unpaid, foreign exchange risk, not being conforming to contract clauses, liquidity risk, mistakes at target market, product selection and pricing, risk of unexpected increase in input's cost and risk of losses, economic and politic unstability at buyer country.

In addition, the majority of the firms also indicated that geographical distance of countries, not being able to present required documents, social, cultural differences and language problem do not carry a lot of importance in exporting

Most of the firms use FOB (159 responses) and CIF (127 responses). In this delivery terms, importer carries all the loss and damage risk during main transportation. Exporter only carries damage and loss risk up until to the delivery to main transportation vehicle. This delivery terms mean minimum obligation and risk for exporter.

Delivery Term with D are indicated as more risky delivery terms. **The other conclusion from this table that while exporters have a detailed idea about delivery terms which they mostly use, they don't have any idea relating to delivery terms which they do not use.**

The exporters mostly use Maximum Cover (A Clauses) Insurance to minimize the risk during carriage. The usage level of other important insurance clauses (Loading Clauses, Unloading Clauses, Additional Clauses (Strike, lockout, war and civil commotions) is very low.

The other conclusion that could be drawn from the table is that while exporters have a detailed idea about insurances they often use, they don't have any idea about insurances which are not used by them.

The Most used Payment Terms are Cash in Advance (148 responses), Cash Against Documents (116 responses), Letter of Credit (114 responses), Cash Against Goods (112 responses). The usage level of avalized Credit Acceptance is very low.

Exporters perceive these Payment Terms as more risky: Cash Against Goods, Cash Against Documents, Buyer Avalized Credit Acceptance. Exporters perceive these Payment Terms as less risky: Buyer and Bank Avalized Credit Acceptance, Letter of Credit, Cash in Advance.

Aegean Exporters mostly use Guarantee Letter, Eximbank Insurance and factoring to minimize/eliminate the risk perceived from Payment Terms.

The payment terms (59,6%) and delivery terms (57,5%) are defined both by exporter and importer.

While exporters perceive these statements as most effective for risk determination in decision making process when they receive product demand from buyer: Buyer risk, Payment Terms, References of Buyer, Country Risk, they perceive the other statements as low effective in determining risk during decision making process: Delivery Terms at Product Demand, Intermediate web site's reliability (Ali Baba etc.), Desired quality of product.

The majority (77,1%) of the firms were founded in 1980 and after. Leather, Textile and Clothing Group is the most popular sector in opening up to the international market compared to other sector groups.

The youngest exporting sectors are Leather, Textile and Clothing Group and Iron and Mine Group. The oldest exporting sector is Food Group.

Leather, Textile and Clothing Group is the major sector, which does not have an export department.

The majority (84,6%) of the firms don't use systematic and professional risk management system. Among them, the Leather, Textile and Clothing Group (96,9%) is the main sector that is not aware of risk management concept. Another

finding is that the Iron and Mine Group is the leader sector, which has a high awareness of risk management system.

The majority of the firms (85,1%) are owned by 100% Turkish Capital. Comparatively Foreign Capital is mostly invested in the Leather, Textile and Clothing Group (18,7%).

The majority (43,3%) of the firms are founded primarily for domestic market and later entered into international market. 30,8% of the firms are founded primarily for export market. The Leather, Textile and Clothing Group (59,4%) and the Food Group (38,1%) are the most two popular export-oriented sectors, which are founded for export marketing.

Majority (41,8%) of the firms' Export/Total Sales Volume Ratio is in the interval of 76%-100%. The Leather, Textile and Clothing Group (62,5%) is a highly opened sector to export market.

26,5% of the firms in Izmir and 13% of the firms in other city are founded before 1980. Foundation ratio in other city is comparatively higher than Izmir. Moreover, Large Sized firms (76%) are mostly located in Izmir.

The table indicates that while 74,9% of the Izmir located firms have 1-19 years of export experience, 79,3% of the Other City Located firms have 1-19 years of export experience. Foundation and export experience year in other cities is comparatively lower than Izmir located firms.

There are no significant differences between City Group and Presence of Risk Management System.

Ratio for foundation primarily for export market is very high in Izmir (32,7%) than in other cities (25,9%).

Majority of the small sized firms (81,7%) have Export Experience Between 1-9 Years. Majority of the medium sized firms (39,2%) have Export Experience Between 1-9 Years. Majority of the large sized firms (40,0%) have Export Experience Between 10-19 Years.

Majority of the large sized firms (60,0%), medium sized firms (75,9%) and small sized firms (90,3%) are founded in 1980 and after.

Majority of the large sized firms (90,0%), medium sized firms (86,1%) and small sized firms (63,9%) have an export department.

Majority of the large sized firms (74,0%), medium sized firms (87,3%) and small sized firms (90,3%) are 100% Turkish.

Majority of the large sized firms' (40,9%) Export/Total Sales Volume ratio is between 51%-75%. Majority of the medium sized firms' (52,5%) Export/Total Sales Volume ratio is between 26%-50%. Majority of the small sized firms' (45,5%) Export/Total Sales Volume ratio is between 1%-25%.

Majority of the large sized firms (44,0%), medium sized firms (41,8%) and small sized firms (44,4%) are founded primarily for domestic market.

Majority of the large sized firms (48,0%), medium sized firms (59,5%) and small sized firms (66,7%) do not use risk management system.

As indicated above, when the majority of the firms are founded in 1980 and after, they turn out to be the firms mainly in the Leather, Textile and Clothing Group. Also this sector is the most popular sector for entering into international market when compared to other sector groups. Notwithstanding these positive findings, there are also many negative findings that may explain why this sector is in a high level of crisis despite its popularity and eagerness in export market:

- **Major sector that does not have an export department**
- **Major sector that does not have the awareness of the risk management concept**

For hypothesis testing, 6 different Grouping Variable/Dependent Variable and 13 Test Variables/Factors are used and 78 Hypotheses were constructed in order to test whether there is any risk perception differences between grouping/dependent variables and test variables/factors.

Grouping Variable/Dependent Variables are:

- Perceived Risk from International Market
- Risk Perception of Delivery Terms
- Risk Minimization Method for Delivery Terms
- Risk Perception of Payment Terms
- Risk Minimization Method for Payment Terms
- Risk Perception from Sales Inquiries

Test Variables/Factors are;

- Sector
- City
- Size
- Manager and Workers
- Economic Activity
- Foundation
- Export Experience
- Having Export Department
- Number of Personnel Involved in Export Activities
- Structure of Capital Ownership

- Market Orientation (Foundation of the Firm)
- Export/Total Sales Volume Ratio
- Presence of Risk Management System

After application of Independent Sample T-Test and ANOVA:

- 34 Hypotheses are accepted; No differences found between risk perception / minimization method and Independent Variables / Factors.
- 44 Hypotheses are rejected; Differences found between risk perception / minimization method and Independent Variables / Factors.

The summarized list of Hypotheses is given below mentioning with Accepted or Rejected;

H1o= Risk perception from International Market is not different according to the sector group.	Accepted
H2o= Risk perception depending on the types of Delivery Terms is not different according to the sector group.	Rejected
H3o= Risk Minimization Methods for Delivery Terms are not different according to the sector group.	Rejected
H4o= Risk perception depending on the types of Payment Terms is not different according to the sector group.	Rejected
H5o= Risk Minimization Methods for Payment Terms are not different according to the sector group.	Rejected
H6o= Risk perception of the Statement in Product Demand Offer is not different according to the sector group.	Rejected
H7o= Risk perception from International Market is not different depending on the firms mainly located city	Accepted
H8o= Risk perception depending on the types of Delivery Terms is not different depending on the firms mainly located city	Accepted
H9o= Risk Minimization Methods for Delivery Terms is not different depending on the firms mainly located city	Accepted

H10o= Risk perception depending on the types of Payment Terms is not different depending on the firms mainly located city	Accepted
H11o= Risk Minimization Methods for Payment Terms is not different depending on the firms mainly located city	Accepted
H12o= Risk perception of the Statement in Product Demand Offer is not different depending on the firms mainly located city	Accepted
H13o= Risk perception from International Market is not different depending on the size of the firm	Accepted
H14o= Risk perception depending on the types of Delivery Terms is not different depending on the size of the firm	Rejected
H15o= Risk Minimization Methods for Delivery Terms is not different depending on the size of the firm	Accepted
H16o= Risk perception depending on the types of Payment Terms is not different depending on the size of the firm	Rejected
H17o= Risk Minimization Methods for Payment Terms is not different depending on the size of the firm	Rejected
H18o= Risk perception of the Statement in Product Demand Offer is not different depending on the size of the firm	Rejected
H19o= Risk perception from International Market is not different according to the Management Level	Accepted
H20o= Risk perception depending on the types of Delivery Terms is not different according to the Management Level	Accepted
H21o= Risk Minimization Methods for Delivery Terms are not different according to the Management Level	Accepted
H22o= Risk perception depending on the types of Payment Terms is not different according to the Management Level	Rejected
H23o= Risk Minimization Methods for Payment Terms are not different according to the Management Level	Accepted
H24o= Risk perception of the Statement in Product Demand Offer is not different according to the Management Level	Accepted
H25o= Risk perception from International Market is not different according to the Economic activity	Rejected
H26o= Risk perception depending on the types of Delivery Terms is not different according to the Economic activity	Rejected
H27o= Risk Minimization Methods for Delivery Terms are not different according to the Economic activity	Accepted
H28o= Risk perception depending on the types of Payment Terms is not different according to the Economic activity	Rejected
H29o= Risk Minimization Methods for Payment Terms are not different according to the Economic activity	Accepted

H30o= Risk perception of the Statement in Product Demand Offer is not different according to the Economic activity	Accepted
H31o= Risk perception from International Market is not different according to the Foundation year	Rejected
H32o= Risk perception depending on the types of Delivery Terms is not different according to the Foundation year	Rejected
H33o= Risk Minimization Methods for Delivery Terms are not different according to the Foundation year	Accepted
H34o= Risk perception depending on the types of Payment Terms is not different according to the Foundation year	Accepted
H35o= Risk Minimization Methods for Payment Terms are not different according to the Foundation year	Rejected
H36o= Risk perception of the Statement in Product Demand Offer is not different according to the Foundation year	Accepted
H37o= Risk perception from International Market is not different according to the Export experience	Rejected
H38o= Risk perception depending on the types of Delivery Terms is not different according to the Export experience	Accepted
H39o= Risk Minimization Methods for Delivery Terms are not different according to the Export experience	Accepted
H40o= Risk perception depending on the types of Payment Terms is not different according to the Export experience	Accepted
H41o= Risk Minimization Methods for Payment Terms are not different according to the Export experience	Rejected
H42o= Risk perception of the Statement in Product Demand Offer is not different according to the Export experience	Rejected
H43o= Risk perception from International Market is not different according to the Having Export Department	Accepted
H44o= Risk perception depending on the types of Delivery Terms is not different according to the Having Export Department	Rejected
H45o= Risk Minimization Methods for Delivery Terms are not different according to the Having Export Department	Rejected
H46o= Risk perception depending on the types of Payment Terms is not different according to the Having Export Department	Accepted
H47o= Risk Minimization Methods for Payment Terms are not different according to the Having Export Department	Rejected
H48o= Risk perception of the Statement in Product Demand Offer is not different according to the Having Export Department	Accepted
H49o= Risk perception from International Market is not different according to the Number of Personnel Involved in Export Activities	Rejected

H50o= Risk perception depending on the types of Delivery Terms is not different according to the Number of Personnel Involved in Export Activities	Rejected
H51o= Risk Minimization Methods for Delivery Terms are not different according to the Number of Personnel Involved in Export Activities	Rejected
H52o= Risk perception depending on the types of Payment Terms is not different according to the Number of Personnel Involved in Export Activities	Rejected
H53o= Risk Minimization Methods for Payment Terms are not different according to the Number of Personnel Involved in Export Activities	Rejected
H54o= Risk perception of the Statement in Product Demand Offer is not different according to the Number of Personnel Involved in Export Activities	Accepted
H55o= Risk perception from International Market is not different according to the Structure of Capital Ownership	Accepted
H56o= Risk perception depending on the types of Delivery Terms is not different according to the Structure of Capital Ownership	Rejected
H57o= Risk Minimization Methods for Delivery Terms are not different according to the Structure of Capital Ownership	Accepted
H58o= Risk perception depending on the types of Payment Terms is not different according to the Structure of Capital Ownership	Rejected
H59o= Risk Minimization Methods for Payment Terms are not different according to the Structure of Capital Ownership	Rejected
H60o= Risk perception of the Statement in Product Demand Offer is not different according to the Structure of Capital Ownership	Accepted
H61o= Risk perception from International Market is not different according to the Market Orientation (Foundation of the Firm)	Rejected
H62o= Risk perception depending on the types of Delivery Terms is not different according to the Market Orientation (Foundation of the Firm)	Accepted
H63o= Risk Minimization Methods for Delivery Terms are not different according to the Market Orientation (Foundation of the Firm)	Accepted
H64o= Risk perception depending on the types of Payment Terms is not different according to the Market Orientation (Foundation of the Firm)	Accepted
H65o= Risk Minimization Methods for Payment Terms are not different according to the Market Orientation (Foundation of the Firm)	Accepted
H66o= Risk perception of the Statement in Product Demand Offer is not different according to the Market Orientation (Foundation of the Firm)	Accepted
H67o= Risk perception from International Market is not different according to the Export/Total Sales Volume Ratio	Rejected

H68o= Risk perception depending on the types of Delivery Terms is not different according to the Export/Total Sales Volume Ratio	Rejected
H69o= Risk Minimization Methods for Delivery Terms are not different according to the Export/Total Sales Volume Ratio	Rejected
H70o= Risk perception depending on the types of Payment Terms is not different according to the Export/Total Sales Volume Ratio	Accepted
H71o= Risk Minimization Methods for Payment Terms are not different according to the Export/Total Sales Volume Ratio	Rejected
H72o= Risk perception of the Statement in Product Demand Offer is not different according to the Export/Total Sales Volume Ratio	Accepted
H73o= Risk perception from International Market is not different according to the Presence of Risk Management System	Rejected
H74o= Risk perception depending on the types of Delivery Terms is not different according to the Presence of Risk Management System	Rejected
H75o= Risk Minimization Methods for Delivery Terms are not different according to the Presence of Risk Management System	Accepted
H76o= Risk perception depending on the types of Payment Terms is not different according to the Presence of Risk Management System	Accepted
H77o= Risk Minimization Methods for Payment Terms are not different according to the Presence of Risk Management System	Rejected
H78o= Risk perception of the Statement in Product Demand Offer is not different according to the Presence of Risk Management System	Accepted

The summarized list of findings from Hypotheses were given below mentioning the perceived differences;

Sector	Leather, Textile and Clothing Group perceives FCA more risky than Iron and Mine Group
Sector	Leather, Textile and Clothing Group use Minimum Cover (C Clauses) Insurance more than other groups.
Sector	Leather, Textile and Clothing Group perceives Letter of Credit more risky than other groups.
Sector	Leather, Textile and Clothing Group use Eximbank Insurance and Factoring more other groups.
Size	Large Sized Firms perceives DDP more risky than others.
Size	Medium Sized Firms perceives Cash Against Goods more risky than others.
Size	Medium Sized firms use Eximbank Insurance more than others
Size	Large Sized firms use Forward and Guarantee Letter more than others.

Size	Large Sized Firms perceives Payment Terms at Product Demand and Desired quantity of product more risky than others.
Occupation	Export Department Emploess perceive Cash Against Goods more risky than others.
Economic Activity	Exporter (No Manufacturing) perceives Social, cultural differces and language problem more risky than others.
Economic Activity	Exporter (No Manufacturing) perceives DES Delivery Terms more risky than others
Economic Activity	Exporter (No Manufacturing) perceives Cash Against Documents more risky than others.
Foundation Year	Firms Founded before 1980 perceives Social, cultural differences and language problem more risky than Firms Founded in 1980 and after.
Foundation Year	Firms Founded in 1980 and after perceives Ex-Works more risky Firms Founded before 1980.
Foundation Year	Firms Founded before 1980 use Guarantee Letter more than Firms Founded in 1980 and after.
Export Experience	The firms have Export Experience 30 Years and more perceives not being able to present desired documents more risky than others.
Export Experience	The firms have Export Experience Between 20-29 Years use Factoring more than others.
Export Experience	The firms have Export Experience Between 1-9 Years perceives Intermediate web site's reliability (Ali Baba etc..) more risky than others.
Present of Export Department	The firms which have export department perceive CFR more risky than the firms which don't have export department
Present of Export Department	The firms which have export department use Guarantee Letter, Forward, Factoring, Additional Clauses(Strike, Lockout, civil commotions and war) more than The firms which don't have export department
# of Export Activity Specialists	The firms which have 1-4 specialized employee in export department perceives CPT and CIP more risky than others
# of Export Activity Specialists	The firms which have 9 and more specialized employee in export department perceives Ex-Works more risky than others.
# of Export Activity Specialists	The firms which have 4-8 specialized employee in export department Eximbank Insurance, Factoring, Forfaiting, Futures, Guarantee Letter, VOB more than others
Capital Ownership	The firms 100%Turkish perceive CFR, CPT, DAF and Letter of Credit more risky than firms which Have Foreign Capital.
Capital Ownership	The firms 100%Turkish use Eximbank Insurance and Leasing more than firms which Have Foreign Capital.
Market orientation	The firms founded primarily for export market perceives low risky geographical distance of countries.
Market orientation	The firms founded primarily for domestic market perceives geographical distance of countries high risk.

Export/Total Sales Ratio	The firms (Export Ratio is 26-50%) use Maximum Cover (All Clause) more than others.
Export/Total Sales Ratio	The firms (Export Ratio is 76-100%) perceive Geographical distance of countries and Not being able to present desired documents less risky than others.
Export/Total Sales Ratio	The firms (Export Ratio is 0-25%) perceive DAF less risky than others.
Presence of Risk Management System	The firms which don't have Risk Management System perceive risk of not being able to employ specialists or leaving of specialists more risky than firms Have Risk Management System
Presence of Risk Management System	The firms which have Risk Management System perceive CIF more risky than firms don't Have Risk Management System
Presence of Risk Management System	The firms which don't have Risk Management System use Eximbank Insurance more than firms Have Risk Management System

(13 Test Var.& Factors) x (6 Dependent Variable) = 78 Hypotheses
(53 Statement) x (13 Test Var.& Factors) = 689 Tested Statements

Rejected Hypothesis 38
Rejected Statements 62

of Rejected Statement If "Factor=City" 0

of Rejected Statement If "Factor=Number of
Personnel Involved in Export Activities" 18

“Number of Personnel Involved in Export Activities” is the major factor that effects the risk perception and usage level of risk minimization methods. Different perceptions were found in 18 statements for this factor. The firms which have 9 and more specialized employee in export department perceives Ex-Works more risky than others. The firms which have 1-4 specialized employee in export department perceives CPT and CIP more risky than others. The firms which have 4-8 specialized employee in export department Eximbank Insurance, Factoring, Forfaiting, Futures, Guarantee Letter, VOB more than others.

It is found that city is the only factor that does not effect to any perceptions.

The firms founded primarily for export market perceives low risky “geographical distance of countries”. In contrary the firms founded primarily for domestic market perceives geographical distance of countries high risk. The firms (Export Ratio is 76-100%) perceive “Geographical distance of countries” and “not being able to present desired documents” less risky than others.

The firms which don't have Risk Management System perceive “risk of not being able to employee specialists or leaving of specialists” more risky than firms Have Risk Management System. The firms which don't have Risk Management System use Eximbank Insurance more than firms Have Risk Management System.

The firms which have export department use Guarantee Letter, Forward, Factoring, Additional Clauses(Strike, Lockout, civil commotions and war) more than The firms which don't have export department.

The firms have Export Experience 30 Years and more perceives Not being able to present desired documents more risky than others.

Exporter (No Manufacturing) perceives Social, cultural differces and language problem more risky than others.

Medium Sized Firms perceives Cash Against Goods more risky than others. Medium Sized firms use Eximbank Insurance more than others Large Sized firms use Forward and Guarantee Letter more than others. Large Sized Firms perceives Payment Terms and Desired quantity of product at Product Demand more risky than others.

CONCLUSION AND SUGGESTIONS

As the volume of international trade has been increasing enormously because of globalization and liberalization of trade, which created both opportunities and threats, export's static and dynamic benefits have become vital for governments to reach long term sustainable economic growth and companies to better compete in this uncertain global environment. Therefore, export development carries a crucial importance that would enable both governments and companies to reach their governmental and private sector objectives.

On the other hand, political and economic changes, change in consumer demand and market structures, change in product and market life cycles, fierce domestic and foreign competition have created an enormous amount of uncertainty, therefore forcing companies that operate in international arena or intend to carry their business into international markets to implement various dynamic strategies and action plans to compete and survive in this volatile environment.

When decision-makers' risk perception from global market is crucial important factor for domestic firms as to go export market or delay/avoid, also very important factor for already exporting firms to compete in global market.

However, the firms which desire to reap of the benefits of exporting must be aware of the threats coming from global market. Being unaware of global market's threats which are grouped in this study as Country Risk, Financial Risk, Trade Risk and Managerial Risk will cause lots of damage especially when global or domestic fluctuations happen and unexpected behavior is faced from buyers.

The purpose of this study, therefore, is to analyze Trade Risk (Delivery Terms and Payment Terms Risk) which is the major and most manageable risk perceived from international market.

This study aims to be a proper guideline for firms that already operate or intend to operate in the global export market. Hence, Delivery Terms and Payment Terms are analyzed in detail.

The major finding of this study is that when compared to other sector groups, the Leather, Textile and Clothing Group is the most popular sector founded in 1980 and after and also the most popular one for opening to export market. However, despite the attractiveness of this group, there are also some negative findings found as the ratio of present of export department and presence of risk management risk management is lower than others. These findings may explain why this sector is highly affected from the global market volatility when compared other sectors.

A detailed study for Leather, Textile and Clothing Sector is highly recommended. To find out which factors highly affected this sector's failure will present many warnings to interested parties.

Increase in international trade volume and growing uncertainty will not lose importance in the future. On the contrary, the world will become more global, interlinked and more uncertain. Therefore, the companies in the global export market must stay alert all the time and be aware of the numerous risks resulting from operating globally.

The export development is inevitable for sustainable economic growth for governments and for companies in order to increase their competitive power. Due to the volatile nature of global markets, companies are obliged to take market risks into consideration and be able to measure and implement dynamic strategies and effective action plans. Thus, it is highly advised that numerous risk management activities such as education, seminars, consultant programs etc. must be presented to firms and firms must be encouraged by governmental institutions and other related organizations (exporter unions, chamber of commerce etc.) to establish risk management systems and departments. Newly established firms and

also firms located in faraway from central cities must take high portion from this encouragements because of having disadvantage to reach knowledge and experienced specialists.

Establishment of Strategic Management System (including Strategic Marketing Management System) by identifying vision, mission, targets, strategies and tactics through SWOT Analysis based on risk management system will increase firms' awareness on changing market conditions. This will increase firms' adoption speed to volatile market conditions and will decrease effects of risk comes from global market and will increase the competitive power.

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ENCLOSURE: QUESTIONNARIE OF FIELD STUDY

1 Firmanızın ağırlıklı yer aldığı sektörü işaretleyiniz.

- | | |
|--|---|
| <input type="checkbox"/> (1a) Ağaç Mamülleri, Orman Ürünleri | <input type="checkbox"/> (1g) Maden İhracatçıları |
| <input type="checkbox"/> (1b) Demir, Demir Dışı Metaller | <input type="checkbox"/> (1h) Su Ürünleri ve Hayvansal Mam. |
| <input type="checkbox"/> (1c) Deri ve Deri Mamülleri | <input type="checkbox"/> (1j) Tekstil ve Hammaddeleri |
| <input type="checkbox"/> (1d) Hazır Giyim ve Konfeksiyon | <input type="checkbox"/> (1k) Tütün |
| <input type="checkbox"/> (1e) Hub.Bakliyet ve Yağlı Tohumlar | <input type="checkbox"/> (1l) Yaş Meyve ve Sebze |
| <input type="checkbox"/> (1f) Kuru Meyve ve Mamülleri | <input type="checkbox"/> (1m) Zeytin ve Zeytinyağı |
| | <input type="checkbox"/> (1n) Diğer |

2 Firmanızın faaliyetlerinin ağırlıkta olduğu şehir?

- | | | |
|---------------------------------------|---------------------------------------|-------------------------------------|
| <input type="checkbox"/> (2a) Afyon | <input type="checkbox"/> (2d) İzmir | <input type="checkbox"/> (2g) Muğla |
| <input type="checkbox"/> (2b) Aydın | <input type="checkbox"/> (2e) Kütahya | <input type="checkbox"/> (2h) Uşak |
| <input type="checkbox"/> (2c) Denizli | <input type="checkbox"/> (2f) Manisa | |

3 Firmanızda çalışan kişi sayısı (**mavi yaka+beyaz yaka**);.....

4 Firmadaki göreviniz ?

- | | | |
|--|--|--|
| <input type="checkbox"/> (4a) Yönetim Kurulu Başkanı | <input type="checkbox"/> (4c) Genel Müdür | <input type="checkbox"/> (4e) İhracat Müd.Yrd. |
| <input type="checkbox"/> (4b) Yönetim Kurulu Üyesi | <input type="checkbox"/> (4d) İhracat Müdürü | <input type="checkbox"/> (4f) İhracat Uzmanı |
| | | <input type="checkbox"/> (4g) Diğer |

5 Firmanızın faaliyet alanını işaretleyiniz.

- | | |
|--|--|
| <input type="checkbox"/> (5a) İmalatçı ve İhracatçı | <input type="checkbox"/> (5c) Sektörel Dış Ticaret Şirketi |
| <input type="checkbox"/> (5b) İhracatçı (İmalat yok) | <input type="checkbox"/> (5d) Dış Ticaret Sermaye Şirketi |

6 Firmanız kaç yıldır faaliyettedir?

7 Firmanız kaç yıldır ihracat yapmaktadır ?

8 Firmanızda ihracat departmanı var mıdır?

- | | |
|--|---|
| <input type="checkbox"/> (8a) Evet var | <input type="checkbox"/> (8b) Hayır yok |
|--|---|

9 Firmanızda özel olarak ihracat faaliyetleri ile ilgilenen kaç kişi bulunmaktadır? (İhracat departmanı var ise, departmanda çalışan sayısı)

10 Firmanızın ortaklık yapısı nasıldır ?

- | |
|---|
| <input type="checkbox"/> (10a) %100 Türk sermayeli |
| <input type="checkbox"/> (10b) Yabancı Sermaye Oranı %1- %50 arası |
| <input type="checkbox"/> (10c) Yabancı Sermaye Oranı %51- %99 arası |
| <input type="checkbox"/> (10d) Tamamen Yabancı sermayeli |

11 Firmanızın pazarlama süreçleri aşağıdakilerden hangisine uygundur?

- (11a) Önce iç piyasaya çalıştık sonra ihracata başladık
 (11b) İhracat amaçlı kurulduk
 (11c) Hem ihracat ve hem iç piyasa amaçlı kurulduk

12 İhracatınızın toplam satışlar içerisinde oranı hangi aralık içindedir?

- (12a) %0-%25
 (12b) %26-%50
 (12c) %51-%75
 (12d) %76-%100

13 Firmanızda tanımlanmış, kapsamlı ve sistematik verimli bir risk yönetim süreci kullanmakta mıdır?

- (13a) Hayır, kullanılmamaktadır
 (13b) Kısmen Kullanılmaktadır
 (13c) Evet, kullanılmaktadır

14 Firmanız riskleri nasıl algulamaktadır?

- (14a) Tehdit
 (14b) Fırsat
 (14c) Kimi zaman tehdit, kimi zaman fırsat

15 Uluslararası pazarlara açılırken karşılaşılan riskleri ülke riskleri, finansal riskler, yönetim riskler, alıcı-satıcıdan kaynaklanan ticari riskler olarak gruplar isek, sizce önemli olan riskleri artan önem derecesine göre derecelendiriniz?

	Orta		
	Etkisi yok	Derecede Etkili	Çok Etkili
(15a) Alıcı ülkesindeki ekonomik ve politik istikrarsızlık	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(15b) Alıcı ülkesinin sosyal,kültürel farklılıkları ve dil problemi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(15c) Ülkelerin mesafe olarak uzaklıkları	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(15d) Döviz Kuru Riski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(15e) Faiz Riski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(15f) Likidite Riski (Nakit Kaynak Bulamama)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(15g) Alıcının mal bedelini ödememesi riski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(15h) Kontrat şartlarına uyamama (kalite, miktar, yükleme zamanı ve şartlarına uyamama)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(15i) İstenilen ihracat evraklarının hazırlanamaması riski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(15j) Üretim girdi maliyetlerinin beklenenden fazla artması ve zarar etme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(15k) Hedef Pazar, ürün ve fiyatlandırmada yapılan hatalar	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(15l) Uzman kadro istihdam edilememesinin yada firmadan ayrılmasının yaratacağı riskler	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16 En çok kullandığımız 3 teslim şeklini işaretleyiniz.

- (16a) Ex-Works (16d) FOB (16g) CPT (16j) DES (16m) DDP
 (16b) FCA (16e) CFR (16h) CIP (16k) DEQ
 (16c) FAS (16f) CIF (16i) DAF (16l) DDU

17 İhracatçı açısından Teslim Şekillerindeki risk algılamaya uygun gelen seçeneği işaretleyiniz.

	Hiç Risk				Hiç Risk		
	Yok	Az Riskli	Çok Riskli		Yok	Az Riskli	Çok Riskli
(17a) Ex-Works	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(17g) CPT	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(17b) FCA	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(17h) CIP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(17c) FAS	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(17i) DAF	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(17d) FOB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(17j) DES	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(17e) CFR	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(17k) DEQ	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(17f) CIF	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	(17l) DDU	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
				(17m) DDP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18 Kullandığımız teslim şekillerindeki riskleri azaltmak için aşağıdaki enstrümanları ne ölçüde kullanırız?

	Hiç	Bazen	Her Zaman
	Kullanmayız	Kullanırız	Kullanırız
(18a) Dar Teminat Sigorta	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(18b) Geniş Teminat (All Clause) Sigorta	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(18c) EK Klozlar (Grev, lokavt, halk hareketleri vs)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(18d) Yükleme Riskleri Klozu	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(18e) Boşaltma Riskleri Klozu	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

19 Teslim şeklini kim belirliyor ?

- (19a) İhracatçı olarak biz belirliyoruz (19c) Beraber belirliyoruz
 (19b) Alıcımız belirliyor

20 En çok kullandığımız 3 ödeme şeklini işaretleyiniz.

- (20a) Peşin (20c) Müşteri+Banka Avallli Kabul Kre (20e) Vesaik Mukabili
 (20b) Akreditif (20d) Müşteri Avallli Kabul Kredili (20f) Mal Mukabili

21 İhracatçı açısından Ödeme Şekillerindeki risk algılamaya uygun gelen seçeneği işaretleyiniz.

	Hiç Risk		
	Yok	Az Riskli	Çok Riskli
(21a) Peşin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(21b) Akreditif	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(21c) Müşteri+Banka Avallli Kabul Kredili	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(21d) Müşteri Avallli Kabul Kredili	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(21e) Vesaik Mukabili	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(21f) Mal Mukabili	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

22 Kullandığınız ödeme şekillerindeki riskleri azaltmak aşağıdaki enstrümanları ne ölçüde kullanırsınız?

	Hiç	Bazen	Her zaman
	Kullanmayız	Kullanırız	Kullanırız
(22a) Eximbank Sigortası	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(22b) Factoring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(22c) Forfaiting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(22d) Forward	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(22e) Futures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(22f) Leasing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(22g) Teminat Mektubu	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(22h) VOB	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

23 Ödeme şeklini kim belirliyor ?

- (23a) İhracatçı olarak biz belirliyoruz
 (23b) Alıcımız belirliyor

(23c) Beraber belirliyoruz

24 Firmanıza gelen ihracat talebinde (mal alm talebinde), aşağıdaki kriterlerin risk algılamaya ve karar verme süreçlerine etkisini işaretleyiniz.

	Hiç Etkisi	Orta derecede	Çok etkili
	Yok	etkili	etkili
(24a) Ticaret yapılacak ülkenin riski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(24b) Ticaret yapılacak firmanın riski	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(24c) Ticaret yapılacak firmanın referansları	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(24d) Ticaret yapılacak firmanın tanınmışlığı	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(24e) Ticaret yapılacak firmanın ödeme şekli talebi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(24f) Ticaret yapılacak firmanın teslim şekli talebi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(24g) Ticaret yapılacak mal miktarı	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(24h) Ticaret yapılacak ürün kalitesi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(24i) Aracı web sitesi (Ali Baba vb.) güvenilirliği	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
(24j) Diğer (Belirtiniz).....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>