

**T.C.  
MİLLÎ EĞİTİM BAKANLIĞI**

**MUHASEBE FİNANSMAN**

**VOCATIONAL ENGLISH  
FOREIGN TRADE 2  
222YDK139**

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- Bu modül, mesleki ve teknik eğitim okul/kurumlarında uygulanan Çerçeve Öğretim Programlarında yer alan yeterlikleri kazandırmaya yönelik olarak öğrencilere rehberlik etmek amacıyla hazırlanmış bireysel öğrenme materyalidir.
- Millî Eğitim Bakanlığınca ücretsiz olarak verilmiştir.
- **PARA İLE SATILMAZ.**

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# EXPLANATION

<b>MODÜLÜN KODU</b>	<b>222YDK139</b>
<b>ALAN</b>	<b>Muhasebe ve Finansman</b>
<b>MESLEK/DAL</b>	<b>Ortak</b>
<b>MODÜLÜN ADI</b>	<b>Mesleki İngilizce 2 (FOREIGN TRADE 2)</b>
<b>MODÜLÜN TANIMI</b>	Dış Ticaret işlemleri hakkında bilgi ve beceri kazandıran öğretim materyalidir.
<b>SÜRE</b>	40/32
<b>ÖN KOŞUL</b>	Dış Ticaret Mesleki İngilizce 1 modülünü almış olmak.
<b>YETERLİK</b>	Dış ticaretin temel kavramlarını tespit etmek
<b>MODÜLÜN AMACI</b>	<b>Genel Amaç:</b> İhracat, ithalat, gümrük, kambiyo ve sigorta terimlerini yabancı dilde yazılı ve sözlü olarak ifade edebileceksiniz. <b>Amaçlar:</b> <b>1-</b> İhracat terimlerini yabancı dilde yazılı ve sözlü olarak ifade edebileceksiniz. <b>2-</b> İthalat terimlerini yabancı dilde yazılı ve sözlü şekilde ifade edebileceksiniz. <b>3-</b> Gümrük terimlerini yabancı dilde yazılı ve sözlü olarak ifade edebileceksiniz. <b>4-</b> Kambiyo ve sigorta terimlerini yabancı dilde yazılı ve sözlü olarak ifade edebileceksiniz.
<b>ÖĞRENME ORTAMLARI VE DONANIMLAR</b>	<b>Ortam:</b> Sınıf ve/veya işletme. <b>Donanım:</b> Form belgeler, makaleler, bilgisayar, süreli yayınlar, projeksiyon makinası, tanıtım CD leri.
<b>ÖLÇME VE DEĞERLENDİRME</b>	Modülün içerisinde yer alan her faaliyetten sonra verilen ölçme araçları ile kazandığınız bilgileri ölçerek kendi kendinizi değerlendireceksiniz. Öğretmen modül sonunda size ölçme aracı (Test, çoktan seçmeli, doğru yanlış, klasik, uygulama, boşluk doldurma ve örnek olay inceleme) uygulayarak, modül uygulamaları ile kazandığınız bilgileri değerlendirecektir.

# PREFACE

**Dear Student;**

Welcome to this module!

This module is intended for employees who will work at Foreign Trade departments of the companies and who need to improve their Professional English.

Keeping the customer's satisfaction on top, Foreign Trade departments must increase their market share continuously which will help them to venture into new areas. They also follow up the recent technologies in different fields, integrate those to their business. This enables them to get effective and efficient solutions.

The basic objective is to help Foreign Trade department staff improve their foreign language skills in order to communicate with employees and customers who speak English as well as to enable the staff to read all the documents (Foreign Trade books, magazines about their jobs, etc.) which are written in English.

This module is composed of typical explanations, pictures and, of course, some practical tips which must be known to be able to read, understand, write and speak English in your daily lives.

Warm regards.

# LEARNING ACTIVITY-1

## AIM

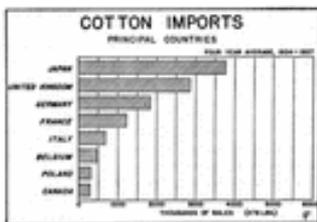
At the end of this learning activity, you will be able to:

- Describe import terms.

## SEARCH

- Go to a foreign trade company and ask the import terms. Prepare a chart to show the terms and their english forms.

## 1. IMPORT TERMS



In economics, an **import** is any good or commodity, brought into one country from another country in a legitimate fashion, typically for use in trade. Import goods or services are provided to domestic consumers by foreign producers. Import of commercial quantities of goods normally requires involvement of the customs authorities in both the country of import and the country of export.

### 1.1. Import Tariff

A **tariff** is a tax on foreign goods upon importation. When a ship arrives in port a customs officer inspects the contents and charges a tax according to the tariff formula. Since the goods cannot be landed until the tax is paid, it is the easiest tax to collect, and the cost of collection is small. Traders seeking to evade tariffs are known as smugglers.

Tariffs have various intended purpose:

- A "**revenue tariff**" is a set of rates designed primarily to raise money for the government. A tariff on coffee imports, for example (imposed by countries where coffee cannot be grown) raises a steady flow of revenue.
- A "**protective tariff**" is intended to artificially inflate prices of imports and "protect" domestic industries from foreign competition. For example, a 50% tax on an imported machine that raises the price from \$100 to \$150. Without a tariff the

local manufacturers could only charge \$100 for the same machine; now they can charge \$149 and make the sale.

- A "**prohibitive tariff**" is one so high that no one imports any of that item.



The distinction between protective and revenue tariffs is subtle: protective tariffs in addition to protecting local producers also raise revenue; revenue tariffs produce revenue but they also offer some protection to local businessmen.

There are two main ways of implementing a tariff:

- An **ad valorem tariff** is a fixed percentage of the value of the good that is being imported. Sometimes these are problematic as when the international price of a good falls, so does the tariff, and domestic industries become more vulnerable to competition. Conversely when the price of a good rises on the international market so does the tariff, but a country is often less interested in protection when the price is higher. They also face the problem of inappropriate transfer pricing where a company declares a value for goods being traded which differs from the market price, aimed at reducing overall taxes due.
- A **specific tariff** is a tariff of a specific amount of money that does not vary with the price of the good. These tariffs may be harder to decide the amount at which to set them, and they may need to be updated due to changes in the market or inflation.

## 1.2. Import License

This licence is a kind of permit that allows an importer to bring in a specified quantity of certain goods during a specified period (usually one year). Import licenses are employed

- (1) as means of restricting outflow of foreign currency to improve a country's balance of payments position;
- (2) to control entry of dangerous items such as explosives, firearms, and certain substances; or
- (3) to protect the domestic industry from foreign competition.

## 1.3. Subsidy

Subsidy is an economic benefit (such as a tax allowance or duty rebate) or financial aid (such as a cash grant or soft loan) provided by a government to

- (1) support a desirable activity (such as exports),
- (2) keep prices of staples low,

- (3) maintain the income of the producers of critical or strategic products,
- (4) maintain employment levels, or
- (5) induce investment to reduce unemployment.

The basic characteristic of all subsidies is to reduce the market price of an item below its cost of production. It is also called subvention.

## 1.4. Import Restrictions

Import restrictions are methods employed in controlling the volume or value of goods coming into a country, usually to maintain the exchange rate of the country's currency. They are also called import controls, the primary import restrictions are:

- (1) Tariffs (import duties) or taxes levied on the imported goods to make them costlier,
- (2) Import licenses or import quotas that limit the total quantity of goods imported, or imported from a certain country,
- (3) Currency restrictions that limit the amount of foreign exchange available for payment of imports, and
- (4) Prohibition that prevents entry of illegal or harmful items. The last three are collectively known as non-tariff barriers.



## 1.5. International Sales Contract

International sales contracts are agreements between buyers and sellers situated in different countries. Because such contracts involve a trans-national or cross-border element, the parties need to state which law will regulate the contract.



## A SAMPLE INDUSTRIAL PRODUCT SALES CONTRACT



Party A: CEEG Nanjing International Trade Co., Ltd.

Party B: CEEG (Nanjing) PV-Tech Co., Ltd

Through friendly consultation, the Parties reached the following common understanding on Party A's provision of solar grade Mono-crystalline silicon ingot to Party B:

### 1. Name, Trademark, Type, Quantity and Value of the Product

No.	Name of the Commodity	Specifications	Unit	Quantity	Unit Price	Total Amount
1	Solar grade Mono-crystalline silicon ingot	6inch	Kg	512	RMB 1980.00	RMB 1,013,760.00
2	Solar grade Mono-crystalline silicon ingot	6inch	Kg	1,096.1	RMB 2,030.00	RMB 2,225,083.00
Total Amount: (in word) RMB Three Million Two hundred and Thirty Eight Thousand Eight hundred and Forty Three Only (17% tax included) (RMB 3,238,843.00)						

2. Quality Standards: Solar grade Mono-crystalline silicon ingot, working life<sup>3</sup>10 $\mu$ s, diameter<sup>3</sup>153cm, type P/boron,, purity>6N, tendency 100 $\pm$ 3 degree, oxygen content $\leq$ 1\*10<sup>14</sup> atm/cm<sup>3</sup>, carbon content $\leq$ 5\*10<sup>17</sup> atm/cm<sup>3</sup>, Dislocation Density  $\leq$ 3000/cm<sup>2</sup>~5000/cm<sup>2</sup>, resistivity 0.5-6.0 ohm.cm, surface clean. Please refer to the Standards of PV industry for other specifications unmentioned hereunder, and calculated according to 23.35mm/kg.

3. Condition and Term for the Product Quality: If there is any problem of quality, Party A shall be responsible for replacing the defect products with qualified ones.

4. Term and Quantity of Delivery: March 2006~April 2006

5. Form and Destination of Delivery: Party B shall bear the freight. The place of delivery is Party B's factory.

6. Reasonable Consumption Standard and Calculation of the Object: subject to the quantity of Products actually received by Party B.

7. Method of Packaging, Supply and Callback of Packing Materials: Standard packaging and no callback.

8. Form and Term of Inspection: Inspecting the Products according to the quality standards stipulated in Article 2.

9. Term of Claim by the Buyer for Inspection Result: Within 10 working days after delivery.

10. Quantity and Method of Supply of the necessity, fittings and tools with the Commodity: N/A

11. Place, Term and Time of Payment: Nanjing

12. If security is needed for this Contract, the Parties may enter into a separate security contract as an attachment to this Contract; or the Parties may agree on the terms and conditions of security as follows: N/A.

13. Default Liabilities: The defaulting Party shall undertake the relevant liabilities according to Contract Law

14. Arbitration: All disputes arising from this Contract shall be settled through consultation by both Parties. In case no settlement can be reached through consultation, the dispute may be filed to Nanjing Arbitration Commission.

15. Conditions of Effectiveness, Modification and Rescission of this Contract Agreed by Both Parties: This Contract shall come into effect after signed and sealed by both parties. As to the modification or rescission of this Contract, both Parties shall confirm such amendment or termination in a written form upon mutual agreement.

16. Miscellaneous: This Contract is made in duplicates, with each Party holding one. The Contract copies executed and delivered through telefax shall be as valid as the original.

Party A: CEEG Nanjing International  
Trade Co., Ltd. (Seal)

Party B: CEEG (Nanjing) PV-Tech  
Co., Ltd. (Seal)

Representative:

Representative:

Execution Date:

Execution Date:

## 1.6. Arbitration

**Arbitration** is a legal technique for the resolution of disputes outside the courts, wherein the parties to a dispute refer it to one or more persons such as (the "arbitrators", "arbiters" or "arbitral tribunal"), by whose decision (the "award") they agree to be bound.



Arbitration is today most commonly used for the resolution of commercial disputes, particularly in the context of international commercial transactions and sometimes used to enforce credit obligations. It is also used in some countries to resolve other types of disputes, such as labour disputes, consumer disputes or family disputes, and for the resolution of certain disputes between states and between investors and states.

### Advantages & disadvantages of arbitration

Parties often seek to resolve their disputes through arbitration because of a number of perceived potential advantages over judicial proceedings:

1. when the subject matter of the dispute is highly technical, arbitrators with an appropriate degree of expertise can be appointed
2. arbitration is often faster than litigation in court
3. arbitration can be cheaper
4. arbitral proceedings and an arbitral award are generally private
5. the arbitral process enjoys a greater degree of flexibility than the courts
6. arbitration awards are generally easier to enforce abroad than court judgments
7. in most legal systems, there are limited avenues for appeal of an arbitral award, which can mean swifter enforcement and less scope for a party to delay matters.



However, some of the disadvantages of arbitration can be that:

1. the parties need to pay for the arbitrators, which adds an additional layer of legal cost
2. although usually thought to be speedier, when there are multiple arbitrators on the panel, juggling their schedules for hearing dates in long cases can lead to delays
3. in some legal systems, arbitral awards have fewer enforcement remedies than judgments
4. arbitrators are generally unable to order interlocutory measures against a party, making it easier for a party to take steps to avoid enforcement of an award, such as the relocation of assets offshore
5. rule of applicable law is not binding, and arbitrators not subject to overturn on appeal may be more likely to rule according to their personal ideals
6. large corporations may exert inappropriate influence in consumer disputes, pressuring mediators to decide in their favor or lose future business

## 1.7. Guarantee

A guarantee is a contract whereby one person agrees with another to pay some debt or perform some act or duty owed by a third person. This third person remains however primarily liable for such payment or performance and the person giving the guarantee will only become liable on the default of the third party.



**The Creditor:** The person receiving the benefit of the guarantee is called the creditor. This is usually the bank, finance company, supplier or lender.

**The Principal Debtor:** The person who is borrowing the money or obtaining the benefit of the contract.

**The Surety or Guarantor:** The person who provides the guarantee is called the surety or the guarantor.

## 1.8. Forfaiting

Forfaiting is a method of trade finance that allows exporters to obtain cash by selling their medium term foreign account receivables at a discount on a “without recourse” basis. A forfaiter is a specialized finance firm or a department in banks that performs non-recourse export financing through the purchase of medium-term trade receivables. Similar to factoring, forfaiting virtually eliminates the risk of nonpayment, once the goods have been delivered to the foreign buyer in accordance with the terms of sale. However, unlike factors, forfaiters typically work with the exporter who sells capital goods, commodities, or large projects and needs to offer periods of credit from 180 days to up to seven years.

In forfaiting, receivables are normally guaranteed by the importer’s bank, allowing the exporter to take the transaction off the balance sheet to enhance its key financial ratios. The current going minimum transaction size for forfaiting is \$100,000.

### Key Points

- Eliminates virtually all risk to the exporter with 100 percent financing of contract value.
- Allows offering open account in markets where the credit risk would otherwise be too high.
- Generally works with bills of exchange, promissory notes, or a letter of credit.
- Normally requires the exporter to obtain a bank guarantee for the foreign buyer.
- Financing can be arranged on a one-shot basis in any of the major currencies, usually on a fixed interest rate, but a floating rate option is also available.

### How Does Forfaiting Work?

The exporter approaches a forfaiter before finalizing a transaction’s structure. Once the forfaiter commits to the deal and sets the discount rate, the exporter can incorporate the discount into the selling price. The exporter then accepts a commitment issued by the forfaiter, signs the contract with the importer, and obtains, if required, a guarantee from the importer’s bank that provides the documents required to complete the forfaiting. The exporter delivers the goods to the importer and delivers the documents to the forfaiter who verifies them and pays for them as agreed in the commitment. Since this payment is without recourse, the exporter has no further interest in the transaction and it is the forfaiter who must collect the future payments due from the importer.

### Three Additional Major Advantages of Forfaiting

**Volume:** Can work on a one-shot deal, without requiring an ongoing volume of business.

**Speed:** Commitments can be issued within hours/days depending on details and country.

**Simplicity:** Documentation is usually simple, concise, and straightforward.

## 1.9. Leasing

Asset finance or leasing is a way of purchasing equipment, machinery or other assets without having to pay the full amount upfront.

There are various different structures that can be used and the attraction of each one will vary according to your requirements and, perhaps, according to tax changes made by the government.

In essence, a lease is an agreement between you (the lessee) and the finance company (the lessor). You will pay a periodic fee, usually monthly, for the use and possibly ownership of equipment.

The range of equipment that can be bought under a lease is expanding rapidly – from the most basic purchase, such as office computers or company cars, to more specialised equipment, such as a forklift truck or a safe.

This is partly due to the fact that the number of companies providing this service has expanded rapidly. Not only do most banks and a number of specialised finance houses offer this service, but there have also been a growing number of equipment manufacturers entering the market. It is now possible to lease your office computer direct from Dell, Compaq and IBM among others.

## 1.10. Factoring

**Factoring** is often used synonymously with accounts receivable financing. Factoring is a form of commercial finance whereby a business sells its accounts receivable (in the form of invoices) at a discount. Effectively, the business is no longer dependent on the conversion of accounts receivable to cash from the actual payment from their customers, which takes place on typical 30-to-90-day terms. Businesses benefit from the acceleration of cash flow by obtaining cash from the factor equal to the face value of the sold accounts receivable, less a factor's fee.

Factoring is considered off balance sheet financing in that it is not a form of debt or a form of equity. This fact makes factoring more attainable than traditional bank and equity financing.

There are usually three parties involved when an invoice is factored:

- Seller of the product or service who originates the invoice.
- Debtor is the customer of the seller (i.e., the recipient of the invoice for services rendered who promises to pay the balance within the agreed payment terms).
- Factor (the factoring company)

## Types of factoring

### a) Notified, or full service factoring

With notified factoring, the debtors are aware of the finance facility as there will be a notice of assignment contained on each invoice and the factoring company normally does the credit control, that is, collects the outstanding debts.

### b) Confidential, or invoice finance

With invoice finance (sometimes called confidential or non-notification factoring), the factoring facility is undisclosed, with the seller usually retaining the credit control function.



### c) Recourse factoring

Recourse factoring is now the most common type of factoring transaction. This factoring transaction allows the factor to go back to the seller if payment is not received (normally after a 90 day period). The credit risk does not transfer to the factor during the recourse factoring process.

Normally, in the event of non-payment by the customer, the seller must buy back the invoice with another invoice (credit worthy). Recourse factoring is typically the lowest cost for the seller because the risk for the factor on the funding transaction is lower.

### d) Non recourse factoring



Non recourse factoring is the traditional method of factoring and puts the risk of non-payment, in the event the debtor becomes insolvent, fully on the factor. If the debtor cannot pay the invoice due to insolvency, it is the factor's problem to deal with and the factor cannot seek payment from the seller. The factor will only purchase solid credit worthy invoices and often turns away average credit quality customers. The cost is typically higher with this factoring process as the factor assumes a greater risk.

With all of the above, the seller of the invoices (factoring client) can take advances against the accounts receivable creating a loan due to the factor (advance factoring), can factor the accounts receivable on a collection basis or factor the accounts receivable on a due date basis.

### e) New Company Factoring

Sometimes, because the seller is a new company, it may find it difficult to secure traditional bank financing. An alternative source of financing in such an instance is to use

factoring by selling accounts to a finance company (the factor) in order to gain immediate access to the cash owed to the seller by its customers. Instead of sending bills directly to the customer, the company sends its invoices to the factor, who immediately pays the company—thereby eliminating the 30, 60, or even 90 days of waiting that normally encompasses a billing cycle.

For example, suppose a manufacturing company secures a contract to sell its widgets to a large retailer. Upon delivery of the merchandise to the retailer, the manufacturer sends the bill through the factoring company for payment. The factor immediately pays the manufacturer the face value of the invoice less a discount fee (2–10%), depending on the nature of the contract and the creditworthiness of the retailer. This immediate access to the cash flow allows the manufacturer to meet its commitments and pay its bills in a timely manner. The retailer pays the factor when the bill comes due for the widgets it purchased from the manufacturer.



Factoring can be a very expensive source of financing and is only recommended to companies that are growing faster than their current financing permits. Because factoring can be expensive, many companies use it only as a financing means of last resort. Factoring allows a company that is growing rapidly or is in financial difficulty to focus attention on the operations of its business as opposed to spending time and resources focused on how it will make payroll, for example. Depending on the state of the firm, factoring can be a useful financial tool.

Factoring has been available to a variety of companies for many years. Some factors specialize only in retail financing, others specialize in freight-bill factoring for trucking companies, and others only factor invoices for manufacturing companies. Factoring may be more expensive than traditional bank financing but often it is the only source of financing that some new or under-capitalized companies can find.

## EVALUATION

### A- QUESTIONS

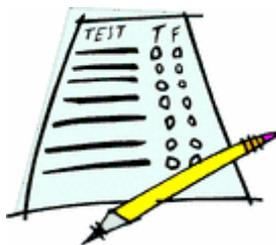
Circle the correct answer

1. **In economics, an ..... is any good or commodity, brought into one country from another country in a legitimate fashion, typically for use in trade.**
  - A) Import
  - B) Export
  - C) Tariff
  - D) Subsidy
  
2. **A ..... is a tax on foreign goods upon importation.**
  - A) Subsidy
  - B) Import
  - C) Export
  - D) Tariff
  
3. **..... is a kind of permit that allows an importer to bring in a specified quantity of certain goods during a specified period (usually one year).**
  - A) Import restriction
  - B) Import license
  - C) International sales contract
  - D) Arbitration
  
4. **..... is a legal technique for the resolution of disputes outside the courts.**
  - A) Guarantee
  - B) Forfaiting
  - C) Arbitration
  - D) Leasing
  
5. **..... are agreements between buyers and sellers situated in different countries.**
  - A) International sales contracts
  - B) Import restrictions
  - C) Import licenses
  - D) Arbitration awards

- 
6. .... is a contract whereby one person agrees with another to pay some debt or perform some act or duty owed by a third person.
- A) Arbitration
  - B) Subsidy
  - C) Export
  - D) A guarantee
7. Which of the following isn't a type of factoring?
- A) Notified factoring
  - B) Non recourse factoring
  - C) Old company factoring
  - D) Recourse factoring
8. .... is a way of purchasing equipment, machinery or other assets without having to pay the full amount upfront.
- A) Financing
  - B) Leasing
  - C) Factoring
  - D) Forfaiting
9. .... is a method of trade finance that allows exporters to obtain cash by selling their medium term foreign account receivables at a discount on a “without recourse” basis.
- A) Forfaiting
  - B) Factoring
  - C) Financing
  - D) Leasing
10. .... are methods employed in controlling the volume or value of goods coming into a country, usually to maintain the exchange rate of the country's currency.
- A) Import licences
  - B) Import restrictions
  - C) International sales contracts
  - D) Non recourse factoring

## B- Write TRUE or FALSE

Learning Process	True	False
1- Import goods or services are provided to domestic consumers by local producers.		
2- Traders seeking to evade tariffs are known as smugglers.		
3- Import licenses are employed to protect the domestic industry from foreign competition.		
4- The basic characteristic of all subsidies is to reduce the market price of an item below its cost of production.		
5- Arbitration can be more expensive than judicial proceedings.		
6- The person receiving the benefit of the guarantee is called the debtor.		
7- A lease is an agreement between you (the lessee) and the finance company (the lessor). You will pay a periodic fee, usually monthly, for the use and possibly ownership of equipment.		
8- Forfaiting is often used synonymously with accounts receivable financing.		
9- Factoring can be a very expensive source of financing and is only recommended to companies that are growing faster than their current financing permits.		
10- Non-recourse factoring is typically the lowest cost for the seller because the risk for the factor on the funding transaction is lower.		



## EVALUATION CRITERIA

Evaluate yourself with a friend of yours. If you need, go to the learning objective and repeat the subject that you believe you couldn't learn.

The Student's		The examination's	
Name-Surname:		Starting Time :	
Class :		Finishing Time :	
Number :		Used Time :	
<b>CRITERIA</b>			
<b>Learning Process</b>		<b>Yes</b>	<b>No</b>
Did you remember what import is?			
Did you remember import tariff?			
Did you remember what import licence is?			
Did you remember what subsidy is?			
Did you remember what import restrictions are?			
Did you remember what an international sales contract is?			
Did you remember what arbitration is?			
Did you remember what a guarantee is?			
Did you remember what forfaiting is?			
Did you remember what leasing is?			
Did you remember what factoring is?			

# LEARNING ACTIVITY-2

## AIM

At the end of this learning activity, students should be able to:

- Learn export terms.

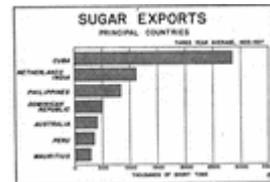
## SEARCH

- Go to a foreign trade company and ask the export terms. If possible, try to have sample documents about export and prepare a chart to show the documents.

## 2. EXPORT TERMS

In economics, Export is an important part of international trade. Its counterpart is import.

Export goods or services are provided to foreign consumers by domestic producers. Export of commercial quantities of goods normally requires involvement of the Customs authorities in both the country of export and the country of import.



### 2.1. Barriers

Trade barriers are generally defined as government laws, regulations, policy, or practices that either protect domestic products from foreign competition or artificially stimulate exports of particular domestic products. While restrictive business practices sometimes have a similar effect, they are not usually regarded as trade barriers. The most common foreign trade barriers are government-imposed measures and policies that restrict, prevent, or impede the international exchange of goods and services.

### 2.2. Tariffs

A tariff is a tax placed on a specific good or set of goods exported from or imported to a country, creating an economic barrier to trade.

Usually the tactic is used when a country's domestic output of the good is falling and imports from foreign competitors are rising, particularly if there exist strategic reasons for retaining a domestic production capability.

Some failing industries receive a protection with an effect similar to a subsidies in that by placing the tariff on the industry, the industry is less enticed to produce goods in a quicker, cheaper, and more productive fashion. The third reason for a tariff involves skirting of what is called **dumping**. Dumping curtails a country producing highly excessive amounts of goods and dumping the goods on another foreign country, producing the effect of prices that are "too low". Too low can refer to either the price of the good on from the foreign market being lower than the domestic market. The other reference refers to the producer selling the product at a price in which there is no profit or a loss. The purpose (and expected outcome) of the tariff is to encourage spending on domestic goods and services.

Protective tariffs protect what are known as infant industries that are in the phase of expansive growth. A tariff is used temporarily to allow the industry to freely grow without the level of competition usually garnered. However, this line of debate is only valid if the resources are more productive in their new use than they would be if the industry had not been started. Also, the industry eventually must incorporate itself into a market without the protection of government subsidies.

### **2.3. Subsidies**

To subsidize an industry or company refers to, in this instance, a governmental providing supplemental financial support to manipulate the price below market value. Subsidies are generally used for failing industries that need a boost in domestic spending. Subsidizing encourages greater demand for a good or service because of the slashed price.

The effect of subsidies deters other countries that are able to produce a specific product or service at a faster, cheaper, and more productive rate. With the lowered price, these efficient producers cannot compete. The life of a subsidy is generally short-lived, but sometimes can be implemented on a more permanent basis.

### **2.4. Export Promotion**

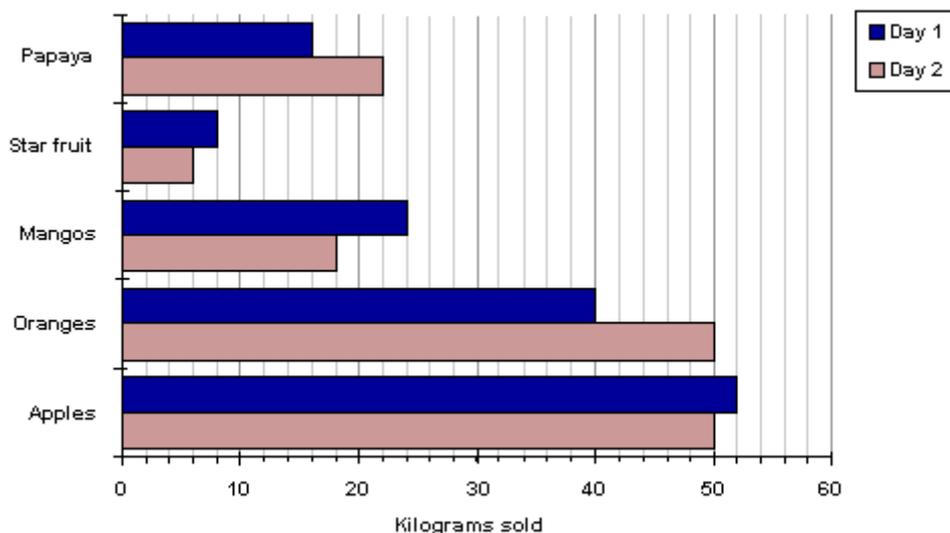
Export Promotion is an international marketing strategy of Business Management. Nowadays every individual and country applying extra ordinary export promotion techniques to increase the volume of exports. For the process of export promotion, marketing communication is the first and foremost thing. To deliver or communicating any kind of information, expertise and specialization media is most important thing. For your product export promotion first analyze cost of promotion and reachability of media. There are a number of medias are available for export promotion.

1. Print Media (Export Directories, Journals, Magazines etc.)
2. Electronic Media (TV. Radio, etc.)
3. Internet (Search Engines, Business Directories)
4. Other Media (Trade Fairs)

## 2.5. Export-Oriented Industrialisation

**Export-Oriented Industrialisation** (EOI) is a trade and economic policy aiming to speed-up the industrialization process of a country through exporting goods for which the nation has a comparative advantage. Export-led growth implies opening domestic markets to foreign competition in exchange for market access in other countries. Reduced tariff barriers, floating exchange rate (devaluation of national currency is often employed to facilitate exports), and government support for exporting sectors are all an example of policies adopted to promote EOI, and ultimately economic development. Export-Oriented Industrialisation was particularly characteristic of the development of the national economies of Japan, South Korea, Taiwan and Singapore in the post World War II period. The purpose of international institutions such as the World Trade Organization, work in favour of such trade strategies and promote multilateral trade policy rules to put every nation on the same playing field.

It has been mostly successful, although it can be sensitive to the market. The 1998 economic crisis hurt the economies of countries who used export-oriented industrialization. It is criticized for its lack of product diversity, which makes the economies potentially unstable.



Export-oriented industrialization is often contrasted with import substitution industrialization. It grew as a reaction to import substitution.

## **2.6. Export Procedures in Turkey**

### **I. WHAT IS EXPORTATION?**

#### **A- ACCORDING TO EXPORT REGULATIONS:**

It means to consign goods in accordance with Export Legislation and Customs Legislation, and to transfer its value in country (except for export without any transfer payment) in accordance with Exchange Legislation.

#### **B- ACCORDING TO CUSTOMS LAW NO.4458:**

The export procedure is defined as follows:

“The export procedure shall allow the goods in free circulation to leave the Customs Territory of Turkey for export purposes.

Exportation shall entail the application of exit formalities including commercial policy measures and, where appropriate, export duties.

The goods to be exported from the Customs Territory of Turkey and the relevant export declaration shall be lodged at the authorized customs administration.

The case in which and the conditions under which the goods leaving the customs territory of Turkey are not subject to an export declaration shall be determined in accordance with the regulation.

Export goods shall be deemed they were actually exported on condition that they were removed from the customs control and leave the Customs Territory of Turkey in the same state when the export declaration was registered. In this case the customs control on the export goods shall be ceased”.

### **II. TYPES OF EXPORTATION IN ACCORDANCE WITH PROVISIONS OF FOREIGN TRADE LEGISLATION**

- (a) Exports having no special nature
- (b) Exports on registration
- (c) Exports on credit
- (d) Exports by means of consignment
- (e) Exportation of imported goods
- (f) Exportation to free zones
- (g) Exportation made through counter purchase or barter trade
- (h) Exports through leasing
- (i) Mode of transport at the border
- (j) Exports without returns
- (k) Exportation through contracting services abroad
- (l) Exportation through direct offset
- (m) Participation in fair and exhibitions abroad.

**THE FOLLOWING DETAILS ARE REQUIRED FOR THE CUSTOMS  
DECLARATION:**

Consignor/Exporter  
Consignee  
Person responsible for financial settlement  
Declarant/his or her representative  
Country of dispatch/export  
Country of origin  
Destination country  
Identity and nationality of means of transport at departure  
Terms of delivery  
Identity and nationality of active means of transport crossing border  
Currency and total amount invoiced  
Mode of transport at the border  
Place of loading  
Office of exit  
Packages and description of goods  
Gross mass (kg)  
Net mass (kg)  
Principal responsible person

**LIST OF DOCUMENTS REQUIRED FOR EXPORT PROCEDURES CUSTOMS**

Invoice of goods  
Certificate of weight, if required  
Certificate of Transport by Forestry/Monopoly (According to Forestry Law No.6831)  
Control Certificate of Goods subject to Control (According to Law for Prevention of Adulteration and Inspection and Protection of Exportation in Trade No.1705)  
Certificate of Transport by Monopoly for the goods subject to monopoly (According to Law for Tobacco and Tobacco Monopoly No.1177)  
Licenses for the goods to be exported by authorization of relevant authorities  
Certificate of Company/Agency  
Other documents required by decrees and notifications for foreign trade policy and protection of Turkish currency (such as license, agency letter, registration declaration, bank letter, commitment declaration, etc)  
List of Supplies (for sea, road and air transport vehicles)  
Conformity Certificate (for some agricultural products to be inspected for standardization, such as nut, cotton, olive oil, etc)  
Exit Declaration and Commitment Letter for people traveling abroad (if the triptyque documents (carnet de passage) are not presented)

**LIST OF COUNTRIES WHERE EXPORTATION IS SUBJECT TO CONTROL IN ACCORDANCE WITH UNITED NATIONS SECURITY COUNCIL RESOLUTION FOR EMBARGOES**

Iraq  
The former Yugoslavia  
Libya

**PROCEDURES FOR EXPORTED GOODS**

- a) Standards
- b) International certificate of origin and health for plants
- c) International certificate of health for animal products
- d) Products requiring analysis:
  - Carpet
  - Gift
  - Meerschaum

**LIST OF DOCUMENTS TO BE ADDED TO SINGLE ADMINISTRATIVE DOCUMENT (SAD) ACCORDING TO TYPE, TRANSPORTATION MODE AND COUNTRY:**

Invoice  
Certificate of weight (if necessary)  
Phyto-sanitary certificate for plants and plant products  
International veterinary certificate of origin and health for exportation of animal products  
Standardized Conformity Certificate for products subject to inspection  
Certificate of transport for forestry products  
Certificate of agency or list of supplies (if necessary)  
Licenses for the goods to be exported by authorization of relevant authorities  
Certificate of Transport by Monopoly for the goods subject to monopoly  
Other documents (ATR Movement Certificate, Euro.1. Certificate, etc)  
Expert report  
Expert report for valuable goods or products with characteristics of historical works

## EVALUATION

### A- QUESTIONS

Circle the correct answer

1. .... is any good or commodity, transported from one country to another country in a legitimate fashion, typically for use in trade.  
A) An export  
B) An import  
C) A subsidy  
D) A tax
  
2. .... are generally defined as government laws, regulations, policy, or practices that either protect domestic products from foreign competition or artificially stimulate exports of particular domestic products.  
A) Export Promotions  
B) Export-Oriented Industrialisation  
C) Trade barriers  
D) Export procedures
  
3. .... is a tax placed on a specific good or set of goods exported from or imported to a country, creating an economic barrier to trade.  
A) A tactic  
B) A tariff  
C) A barrier  
D) A customs
  
4. .... is an international marketing strategy of Business Management.  
A) Export-Oriented Industrialisation  
B) Export procedure  
C) Export promotion  
D) Trade barrier
  
5. There are a number of medias are available for export promotion. Which of the following isn't one of them?  
A) Print Media  
B) Electronic Media  
C) Internet  
D) Subvention

6. .... is a trade and economic policy aiming to speed-up the industrialization process of a country through exporting goods for which the nation has a comparative advantage.
- A) Export-led growth
  - B) Import substitution industrialization
  - C) Export-Oriented Industrialisation
  - D) World Trade Organization
7. Which of the following is an example of print media for export promotion?
- A) Export Directories
  - B) Search Engines
  - C) Business Directories
  - D) Trade Fairs
8. According to export procedures in Turkey, which of the following isn't one of the details which are required for the customs declaration?
- A) Country of origin
  - B) Terms of delivery
  - C) Mode of transport at the border
  - D) Invoice of goods
9. Which of the following country isn't in the list of countries where exportation is subject to control in accordance with united nations security council resolution for embargoes?
- A) Iraq
  - B) Greece
  - C) The former Yugoslavia
  - D) Libya
10. Which of the following *isn't* a procedure for exported goods?
- A) Identity and nationality of means of transport at departure
  - B) International certificate of origin and health for plant
  - C) Products requiring analysis
  - D) International certificate of health for animal products

## B- Write TRUE or FALSE

Learning process	True	False
1- Export goods or services are provided to foreign consumers by domestic producers.		
2- The life of a subsidy is generally long-lived, but sometimes can be implemented on a more permanent basis.		
3- Export-oriented industrialization is often contrasted with import substitution industrialization. It grew as a reaction to import substitution.		
4- To deliver or communicating any kind of information, expertise and specialization media isn' an important thing for export promotion.		
5- For your product export promotion first analyze cost of promotion and reachability of media.		
6- The most common foreign trade barriers are government-imposed measures and policies that restrict, prevent, or impede the international exchange of goods and services.		
7- Carpet, blankets and gifts are products requiring analysis.		
8- The 1998 economic crisis hurt the economies of countries who used import-oriented industrialization.		
9- For the process of export promotion, marketing communication is the first and foremost thing.		
10- The effect of subsidies deters other countries that are able to produce a specific product or service at a faster, cheaper, and more productive rate.		



## EVALUATION CRITERIA

Evaluate yourself with a friend of yours. If you need, go to the learning objective and repeat the subject that you believe you couldn't learn.

<b>The Student's</b>	<b>The examination's</b>	
Name-Surname:	Starting Time :	
Class :	Finishing Time :	
Number :	Used Time :	
<b>CRITERIA</b>		
<b>Learning Process</b>	<b>Yes</b>	<b>No</b>
Did you remember what export is?		
Did you remember trade barriers?		
Did you remember what tariff is?		
Did you remember what subsidy is?		
Did you remember what export promotion is?		
Did you remember what Export-Oriented Industrialisation is?		
Did you remember what export procedures in Turkey are?		



# LEARNING ACTIVITY-3

## AIM

At the end of this learning activity, students should be able to:

- Learn customs terms.

## SEARCH

- Go to a customs office and ask the terms about customs. Discuss your results with your

## 3. CUSTOMS TERMS



**Customs** is an authority or agency in a country responsible for collecting customs duties and for controlling the flow of animals and goods (including personal effects and hazardous items) in and out of a country. Depending on local legislation and regulations, the import or export of some goods may be restricted or forbidden, and the customs agency enforces these rules. The customs agency may be different from the immigration authority, which monitors persons who leave or enter the country, checking for appropriate documentation, apprehending people wanted by international search warrants, and impeding the entry of others deemed dangerous to the country.

A **customs duty** is a tariff or tax on the import of or export of goods.

Commercial goods not yet cleared through customs are held in a customs area until processed.



### 3.1. Red and Green Channels

Customs for arriving passengers at many international airports are separated into Red and Green Channels. Passengers with goods to declare (carrying items above the permitted customs limits and/or carrying prohibited items) should go through the **Red Channel**. Passengers with nothing to declare (carrying goods within the customs limits only and/or not carrying prohibited items) can go through the **Green Channel**. Passengers going through the Green Channel are only subject to spot checks and save time. But, if a passenger going through the Green Channel is found to have goods above the customs limits on them and/or carrying prohibited items, they may be prosecuted for making a false declaration to customs, by virtue of having gone through the Green Channel.

Airports within the EU also have a **Blue Channel**. The EU is a customs union, travellers between EU countries do not have to pay customs duties, so long as the goods they are carrying are for personal use only (will not be sold). Passengers arriving from other EU countries should go through the Blue Channel. Luggage tickets for checked in luggage within the EU are green-edged so they may be identified.

### 3.2. Borders



**Borders** define geographic boundaries of political entities or legal jurisdictions, such as governments, states or subnational administrative divisions. They may foster the setting up of buffer zones.

In the past many borders were not clearly defined lines, but were neutral zones called marchlands. This has been reflected in recent times with the neutral zones that were set up along part of Saudi Arabia's borders with Kuwait and Iraq (however, these zones no longer exist). In modern times the concept of a marchland has been replaced by that of the clearly defined and demarcated border.

For the purposes of border control, airports and seaports also class as borders. Most countries have some form of border control to restrict or limit the movement of people, animals and goods into or out of the country. In order to cross borders people need passports and visas or other appropriate forms of identity document. To stay or work within a country's borders aliens (foreign persons) may need special immigration documents or permits that authorise them to do so.



 Borders are rarely as stable as the Latvian–Lithuanian or the Polish–Slovakian (Hungarian until 1918) borders, or partly the borders of Lithuania–Prussia and Transnistria–Moldavia, shown on this map, where the coloured areas show borders as at 1618

Kingdom of Poland    Duchy of Prussia    Grand Duchy of Lithuania    Duchy of Courland    Duchy of Livonia    Swedish and Danish Livonia

Moving goods across a border often requires the payment of excise tax, often collected by customs officials. Animals (and occasionally humans) moving across borders may need to go into quarantine to prevent the spread of exotic or infectious diseases. Most countries prohibit carrying illegal drugs or endangered animals across their borders. Moving goods, animals or people illegally across a border, without declaring them, seeking permission, or deliberately evading official inspection counts as smuggling.

### 3.3. Customs Area



A **customs area** is an area designated for storage of commercial goods that have not yet cleared customs. It is surrounded by a **customs border**. Most international airports and harbours have designated customs areas, sometimes covering the whole facility and including extensive storage warehouses.

While territorially part of the country of the customs authorities, goods within the customs area have not technically entered the country yet, and may be subject to customs duties. The goods within the area are also subject to checks regarding their compliance with local rules (for example drug laws and biosecurity regulations), and thus may be impounded or turned back. For this reason, the customs areas are usually carefully controlled and fenced.

The fact that goods are still technically outside the country of the customs area also allows easy transshipment to a third country without the need for customs checks.

### 3.4. Customs Union

A **customs union** is a free trade area with a common external tariff. The participant countries set up common external trade policy, but in some cases they use different import quotas. Common competition policy is also helpful to avoid competition deficiency.

Purposes for establishing a customs union normally include increasing economic efficiency and establishing closer political and cultural ties between the member countries.

It is the third stage of economic integration.

Customs union is established through trade pact.

### 3.5. The World Customs Organization

The **World Customs Organization (WCO)** is an intergovernmental organization that helps Members (Governments usually represented by Customs administrations from 170 countries) communicate and co-operate on customs issues. It was established in 1952 as the **Customs Co-operation Council**; it adopted its current name in 1994.

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Headquartered in Brussels, Belgium, it develops agreed rules on customs procedures and provides advice and assistance to customs services. It has established an international standard classification of commodities called the Harmonized Commodity Description and Coding System, which is used to classify goods for tariff purposes the application of tariffs. The WCO has 170 members. The current Secretary General is Michel Danet (1999-present) from France.

The WCO fulfils its mission by:

**Developing and administering various international instruments** for the harmonization and uniform application of simplified and effective Customs systems and procedures governing the cross-border movement of commodities, people and goods.

**The Harmonized Commodity Description and Coding System** contributes to the facilitation of international trade by providing a common basis for the classification of goods and the collection of Customs duties.

**The revised Kyoto Convention**, a key instrument covering Customs procedures, provides customs administrations with a modern set of uniform principles for simple, effective and predictable Customs procedures that facilitate effective Customs control.

**The Istanbul Convention** on temporary admission combines in one legal instrument all existing agreements covering temporary admission of goods exempted from the payment of duties and taxes in a state or customs union.

The WCO ensures the interpretation and uniform application of the **WTO Valuation Agreement**, and has developed **Harmonized Rules of Origin** which are currently being examined by the WTO (Geneva) with a view to their implementation by its Members.

**Developing international standards to secure the movement of goods:** The SAFE Framework of Standards lists the minimum level of measures that WCO Members and economic operators should implement in order to secure the international trade supply chain. Its application is enhanced through sustainable customs capacity building conducted under the guise of the “WCO Columbus programme”.

**Assisting its Members** in their effort to modernise via its capacity building programme. In this regard, the WCO has developed various tools that will assist Customs in their modernisation efforts (for example: the WCO Diagnostic Framework, a guide to the organisation and functioning of a 21st century Customs administration, training to facilitate the implementation of strategies imposed by the new international Customs environment, the Arusha Declaration on Customs Integrity, etc.). It also provides a forum for international cooperation at global and regional levels, delivers technical assistance, and designs new learning and training methods.

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**Encouraging cooperation** between Customs administrations and between Customs administrations and the trading community to improve communication and facilitation notably with respect to trade security and the fight against fraud.

**Training the private sector:** the World Customs Centre of Learning organises training sessions that empower participants to deal with technical and operational problems generated by current and new strategies that must be implemented to respond to the many challenges raised by the international customs environment.

### 3.6. Free Trade Zone

A **free trade zone (FTZ)** or **Export processing zone (EPZ)** is one or more areas of a country where tariffs and quotas are eliminated and bureaucratic requirements are lowered in hopes of attracting new business and foreign investments. Free trade zones can be defined as labor intensive manufacturing centers that involve the import of raw materials or components and the export of factory products.

Most FTZs are located in developing countries. They are special zones where some normal trade barriers such as import or export tariffs do not apply, bureaucracy is typically minimized by outsourcing it to the FTZ operator and corporations setting up in the zone may be given tax breaks as an additional incentive. Usually, these zones are set up in underdeveloped parts of the host country, the rationale being that the zones will attract employers and thus reduce poverty and unemployment and stimulate the area's economy. These zones are often used by multinational corporations to set up factories to produce goods (such as clothing or shoes).

### 3.7. Free Trade Area

A **free trade area** is a designated group of countries that have agreed to eliminate tariffs, quotas and preferences on most (if not all) goods between them.

It can be considered the second stage of economic integration.

Countries choose this kind of economic integration form, if their economical structures are complementary. If they are competitive, they will choose customs union.

Unlike a customs union, members of a free trade area do not have the same policies with respect to non-members, meaning different quotas and customs. To avoid evasion (through re-exportation) the countries use the system of certification of origin most commonly called rules of origin, where there is a requirement for the minimum extent of local material inputs and local transformations adding value to the goods. Goods that don't cover these minimum requirements are not entitled for the special treatment envisioned in the free trade area provisions.

Cumulation is the relationship between different FTAs regarding the rules of origin - sometimes different FTAs supplement each other, in other cases there is no cross-cumulation between the FTAs.

The free trade area is a result of a free trade agreement (a form of trade pact) between two or more countries. Free trade areas and agreements (FTAs) are cascadable to some degree - if some countries sign agreement to form free trade area and choose to negotiate together (either as a trade bloc or as a forum of individual members of their FTA) another free trade agreement with some external country (or countries) - then the new FTA will consist of the old FTA plus the new country (or countries).

Within an industrialized country there are usually few if any significant barriers to the easy exchange of goods and services between parts of that country. For example, there are usually no trade tariffs or import quotas; there are usually no delays as goods pass from one part of the country to another (other than those that distance imposes); there are usually no differences of taxation and regulation.

Between countries on the other hand, many of these barriers to the easy exchange of goods can and often do occur. It is commonplace for there to be import duties of one kind or another (as goods enter a country) and the levels of sales tax and regulation often vary by country.

### **3.8. Trade Pact**

A **trade pact** is a wide ranging tax, tariff and trade pact that often includes investment guarantees. Trade pacts are frequently politically contentious since they may change economic customs and deepen interdependence with trade partners. Increasing efficiency through "free trade" is a common goal. The anti-globalization movement opposes such agreements almost by definition, but some groups normally allied within that movement, e.g. green parties, seek fair trade or safe trade provisions that moderate what they perceive to be the ill effects of globalization.

The resulting level of economic integration depends on the specific type of trade pact:

- Trade and Investment Framework Agreement (TIFA)
- Bilateral Investment Treaty (BIT)
- Preferential Trade Arrangement (PTA)
- Free Trade Area, established through a Free Trade Agreement (FTA)
- Customs union, Common market, Currency union or Economic and monetary union
- Trade bloc (consisting of multiple of the above policies)
- Special agreements (World Trade Organization treaty, the now defunct Multilateral Agreement on Investment, the Textile Agreement in the WTO framework, etc.)

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### 3.9. Trade Bloc

A **trade bloc** is a large free trade area formed by one or more tax, tariff and trade agreements. Typically trade pacts that define such a bloc specify formal adjudication bodies, e.g. NAFTA trade panels. This may include even a more democratic and participative system, as the EU and its parliament.

Particularly since the demise of most of the world's empires, a number of international - generally regionally based - economic blocs have been developed to promote trade between member states.

Several blocs also have stated or implicit political goals - notably the EU. Varieties of economic blocs include free trade areas, customs unions, single markets, and economic and monetary unions.

A trade bloc is established through a trade pact (or pacts) covering different issues of the economic integration.

## EVALUATION

### A- QUESTIONS

Circle the correct answer

1. .... is an authority or agency in a country responsible for collecting customs duties and for controlling the flow of animals and goods in and out of a country.  
A) Tariff  
B) Customs  
C) Customs duty  
D) Border
2. Passengers with goods to declare should go through the..... Passengers with nothing to declare can go through the.....  
A) Red Channel- Green Channel  
B) Green Channel- Red Channel  
C) Red Channel-Grey Channel  
D) Grey Channel- Red Channel
3. .... define geographic boundaries of political entities or legal jurisdictions, such as governments, states or subnational administrative divisions.  
A) Customs areas  
B) Free trade zone  
C) Trade pact  
D) Borders
4. A ..... is an area designated for storage of commercial goods that have not yet cleared customs.  
A) Free trade area  
B) Trade pact  
C) Customs area  
D) Customs duty
5. .... is a free trade area with a common external tariff.  
A) A customs union  
B) A free trade area  
C) The Istanbul Convention  
D) A free trade zone

- 6. .... is one or more areas of a country where tariffs and quotas are eliminated and bureaucratic requirements are lowered in hopes of attracting new business and foreign investments.**
- A) A free trade area
  - B) A free trade zone
  - C) A customs union
  - D) A customs area
- 7. .... is a designated group of countries that have agreed to eliminate tariffs, quotas and preferences on most (if not all) goods between them.**
- A) A customs union
  - B) A customs area
  - C) A free trade area\*
  - D) A free trade zone
- 8. A ..... is a wide ranging tax, tariff and trade pact that often includes investment guarantees.**
- A) Trade bloc
  - B) Free trade area
  - C) Trade pact
  - D) Customs area
- 9. A ..... is a large free trade area formed by one or more tax, tariff and trade agreements.**
- A) Trade pact
  - B) Trade bloc
  - C) Trade barriers
  - D) Trade borders
- 10. .... is an intergovernmental organization that helps Members communicate and co-operate on customs issues.**
- A) The World Trade Organization
  - B) European Free Trade Association
  - C) International Monetary Fund
  - D) The World Customs Organization

## B- Write TRUE or FALSE

Learning process	True	False
1- A customs duty is a tariff or tax on the import of or export of goods.		
2- Customs for arriving passengers at many international airports are separated into Red and Blue Channels.		
3- Airports within the EU also have a <b>Blue Channel</b> .		
4- Moving goods, animals or people illegally across a border, without declaring them, seeking permission, or deliberately evading official inspection counts as smuggling.		
5- The fact that goods are still technically outside the country of the customs area also allows easy transshipment to a third country without the need for customs checks		
6- Customs union is established through European Union.		
7- Most countries don't prohibit carrying illegal drugs or endangered animals across their borders.		
8- Purposes for establishing a customs union normally include increasing economic efficiency and establishing closer political and cultural ties between the member countries		
9-The World Customs Organization develops agreed rules on customs procedures and provides advice and assistance to customs services.		
10- Countries choose customs union if their economical structures are complementary. If they are competitive, they will choose a free trade area.		

## EVALUATION CRITERIA

Evaluate yourself with a friend of yours. If you need, go to the learning objective and repeat the subject that you believe you couldn't learn.

The Student's		The examination's	
Name-Surname:		Starting Time :	
Class :		Finishing Time :	
Number :		Used Time :	
CRITERIA			
Learning process		Yes	No
Did you remember what customs is?			
Did you remember Red and Green Channels?			
Did you remember what a border is?			
Did you remember customs areas?			
Did you remember what customs union is?			
Did you remember what the World Customs Organization is?			
Did you remember what free trade zone is?			
Did you remember what free trade area is?			
Did you remember what trade pact is?			
Did you remember what trade bloc is?			



# LEARNING ACTIVITY-4

## AIM

At the end of this learning activity, students should be able to:

- Learn insurance terms.
- Learn foreign exchange terms.

## SEARCH

- Go to an insurance agency and ask the types of insurance. Then discuss your result with your friends.
- Find an insurance contract and examine it. Prepare a chart to show parts of an insurance contract.

## 4. INSURANCE AND FOREIGN EXCHANGE TERMS

### 4.1. Insurance Terms



**Insurance**, in law and economics, is a form of risk management primarily used to hedge against the risk of a contingent loss. Insurance is defined as the equitable transfer of the risk of a potential loss, from one entity to another, in exchange for a premium.

**Insurer**, in economics, is the company that sells the insurance.

**Insurance rate** is a factor used to determine the amount, called the **premium**, to be charged for a certain amount of insurance coverage. Risk management, the practice of appraising and controlling risk, has evolved as a discrete field of study and practice.

**An insurable risk** is a risk that meets the ideal criteria for efficient insurance. The concept of insurable risk underlies nearly all insurance decisions.

For a risk to be insurable, several things need to be true:

- The insurer must be able to charge a premium high enough to cover not only claims expenses, but also to cover the insurer's expenses. In other words, the risk cannot be catastrophic, or so large that no insurer could hope to pay for the loss.

- The nature of the loss must be definite and financially measurable. That is, there should not be room for argument as to whether or not payment is due, nor as to what amount the payment should be.
- The loss should be random in nature, else the insured may engage in adverse selection (antiselection).

Insurance is not effective for risks that are not insurable risks. For example, risks that are too large cannot be insured, or the premiums would be so high as to make purchasing the insurance infeasible. Also, risks that are not measurable, if insured, will be difficult if not impossible for the insurer to quantify, and thus they cannot charge the correct premium. They will need to charge a conservatively high premium in order to mitigate the risk of paying too large a claim. The premium will thus be higher than ideal, and inefficient.

#### 4.1.1. Types of Insurance

Any risk that can be quantified can potentially be insured. Specific kinds of risk that may give rise to claims are known as "perils". An insurance policy will set out in detail which perils are covered by the policy and which are not.

Below is a (non-exhaustive) list of the many different types of insurance that exist. A single policy may cover risks in one or more of the categories set forth below. For example, auto insurance would typically cover both property risk (covering the risk of theft or damage to the car) and liability risk (covering legal claims from causing an accident). A homeowner's insurance policy in the U.S. typically includes property insurance covering damage to the home and the owner's belongings, liability insurance covering certain legal claims against the owner, and even a small amount of health insurance for medical expenses of guests who are injured on the owner's property.

- **Automobile insurance** is probably the most common form of insurance and may cover both legal liability claims against the driver and loss of or damage to the insured's vehicle itself.
- **Aviation insurance** insures against hull, spares, deductible, hull war and liability risks.
- **Boiler insurance** (also known as boiler and machinery insurance or equipment breakdown insurance) insures against accidental physical damage to equipment or machinery.
- **Builder's risk insurance** insures against the risk of physical loss or damage to property during construction. Builder's risk insurance is typically written on an "all risk" basis covering damage due to any cause (including the negligence of the insured) not otherwise expressly excluded.
- **Business insurance** can be any kind of insurance that protects businesses against risks. Some principal subtypes of business insurance are (a) the various kinds of professional liability insurance, also called professional indemnity insurance, which are discussed below under that name; and (b) the businessowners policy (BOP), which bundles into one policy many of the kinds of coverage that a

businessowner needs, in a way analogous to how homeowners insurance bundles the coverages that a homeowner needs.

- **Casualty insurance** insures against accidents, not necessarily tied to any specific property.
- **Credit insurance** repays some or all of a loan back when certain things happen to the borrower such as unemployment, disability, or death. Mortgage insurance is a form of credit insurance, although the name credit insurance more often is used to refer to policies that cover other kinds of debt.
- **Crime insurance** insures the policyholder against losses arising from the criminal acts of third parties. For example, a company can obtain crime insurance to cover losses arising from theft or embezzlement.
- **Crop insurance** : Farmers use crop insurance to reduce or manage various risks associated with growing crops. Such risks include crop loss or damage caused by weather, hail, drought, frost damage, insects, or disease, for instance.
- **Defense Base Act Workers' compensation** or **DBA Insurance** provides coverage for civilian workers hired by the government to perform contracts outside the US and Canada. DBA is required for all US citizens, US residents, US Green Card holders, and all employees or subcontractors hired on overseas government contracts. Depending on the country, Foreign Nationals must also be covered under DBA. This coverage typically includes expenses related to medical treatment and loss of wages, as well as disability and death benefits.
- **Directors and officers liability** insurance protects an organization (usually a corporation) from costs associated with litigation resulting from mistakes incurred by directors and officers for which they are liable. In the industry, it is usually called "D&O" for short.
- **Disability insurance** policies provide financial support in the event the policyholder is unable to work because of disabling illness or injury. It provides monthly support to help pay such obligations as mortgages and credit cards.

Total permanent disability insurance insurance provides benefits when a person is permanently disabled and can no longer work in their profession, often taken as an adjunct to life insurance.

- **Errors and omissions insurance**: See "Professional liability insurance" under "Liability insurance".
- **Expatriate insurance** provides individuals and organizations operating outside of their home country with protection for automobiles, property, health, liability and business pursuits.
- **Financial loss insurance** protects individuals and companies against various financial risks. For example, a business might purchase cover to protect it from loss of sales if a fire in a factory prevented it from carrying out its business for a time. Insurance might also cover the failure of a creditor to pay money it owes to the insured. This type of insurance is frequently referred to as "business interruption insurance." Fidelity bonds and surety bonds are included in this category, although these products provide a benefit to a third party (the "obligee") in the event the insured party (usually referred to as the "obligor") fails to perform its obligations under a contract with the obligee.
- **Fire insurance**: See "Property insurance".

- **Hazard insurance:** See "Property insurance".
- **Health insurance** policies will often cover the cost of private medical treatments if the National Health Service in the UK (NHS) or other publicly-funded health programs do not pay for them. It will often result in quicker health care where better facilities are available.
- **Home insurance** or **homeowners insurance:** See "Property insurance".
- **Liability insurance** is a very broad superset that covers legal claims against the insured. Many types of insurance include an aspect of liability coverage. For example, a homeowner's insurance policy will normally include liability coverage which protects the insured in the event of a claim brought by someone who slips and falls on the property; automobile insurance also includes an aspect of liability insurance that indemnifies against the harm that a crashing car can cause to others' lives, health, or property. The protection offered by a liability insurance policy is twofold: a legal defense in the event of a lawsuit commenced against the policyholder and indemnification (payment on behalf of the insured) with respect to a settlement or court verdict. Liability policies typically cover only the negligence of the insured, and will not apply to results of willful or intentional acts by the insured.
  - Environmental liability insurance protects the insured from bodily injury, property damage and cleanup costs as a result of the dispersal, release or escape of pollutants.
  - Professional liability insurance, also called professional indemnity insurance, is normally a mandatory requirement for professional practitioners such as architects, lawyers, doctors, and accountants to provide insurance coverage against potential negligence claims. Especially in reference to the medical profession, it may be called malpractice insurance. Other professionals besides those listed above may purchase professional liability insurance, in which case it is commonly called errors and omissions insurance (E&O) and covers a service provider for claims made against him that arise out of the performance of his services. For instance, a web site designer can obtain E&O insurance to cover her for certain claims made by third parties that arise out of negligent performance of web site development services. Other potential E&O policyholders are real estate brokers, home inspectors, and appraisers.
- **Life insurance** provides a monetary benefit to a decedent's family or other designated beneficiary, and may specifically provide for burial, funeral and other final expenses. Life insurance policies often allow the option of having the proceeds paid to the beneficiary either in a lump sum cash payment or an annuity.
  - Annuities provide a stream of payments and are generally classified as insurance because they are issued by insurance companies and regulated as insurance and require the same kinds of actuarial and investment management expertise that life insurance requires. Annuities and pensions that pay a benefit for life are sometimes regarded as insurance against the possibility that a retiree will outlive his or her financial resources. In that sense, they are the complement of life insurance and, from an underwriting perspective, are the mirror image of life insurance.

- **Locked funds insurance** is a little-known hybrid insurance policy jointly issued by governments and banks. It is used to protect public funds from tamper by unauthorised parties. In special cases, a government may authorise its use in protecting semi-private funds which are liable to tamper. The terms of this type of insurance are usually very strict. Therefore it is used only in extreme cases where maximum security of funds is required.
- **Marine insurance** and marine cargo insurance cover the loss or damage of ships at sea or on inland waterways, and of the cargo that may be on them. When the owner of the cargo and the carrier are separate corporations, marine cargo insurance typically compensates the owner of cargo for losses sustained from fire, shipwreck, etc., but excludes losses that can be recovered from the carrier or the carrier's insurance. Many marine insurance underwriters will include "time element" coverage in such policies, which extends the indemnity to cover loss of profit and other business expenses attributable to the delay caused by a covered loss.
- **Mortgage insurance** insures the lender against default by the borrower.
- **National Insurance** is the UK's version of social insurance (which see below).
- **No-fault insurance** is a type of insurance policy (typically automobile insurance) where insureds are indemnified by their own insurer regardless of fault in the incident.
- **Nuclear incident** insurance covers damages resulting from an incident involving radioactive materials and is generally arranged at the national level.
- **Pet insurance** insures pets against accidents and illnesses - some companies cover routine/wellness care and burial, as well.
- **Political risk** insurance can be taken out by businesses with operations in countries in which there is a risk that revolution or other political conditions will result in a loss.
- **Property insurance** provides protection against risks to property, such as fire, theft or weather damage. This includes specialized forms of insurance such as fire insurance, flood insurance, earthquake insurance, home insurance, inland marine insurance or boiler insurance.
- **Purchase insurance** is aimed at providing protection on the products people purchase. Purchase insurance can cover individual purchase protection, warranties, guarantees, care plans and even mobile phone insurance. Such insurance is normally very limited in the scope of problems that are covered by the policy.
- **Social insurance** can be many things to many people in many countries. But a summary of its essence is that it is a collection of insurance coverages (including components of life insurance, disability income insurance, unemployment insurance, health insurance, and others), plus retirement savings, that mandates participation by all citizens. By forcing everyone in society to be a policyholder and pay premiums, it ensures that everyone can become a claimant when or if he/she needs to. Along the way this inevitably becomes related to other concepts such as the justice system and the welfare state. This is a large, complicated topic that engenders tremendous debate, which can be further studied in the following articles (and others):

- Social welfare provision
  - Social security
  - Social safety net
  - National Insurance
  - Social Security (United States)
  - Social Security debate (United States)
- **Terrorism insurance** provides protection against any loss or damage caused by terrorist activities.
  - **Title insurance** provides a guarantee that title to real property is vested in the purchaser and/or mortgagee, free and clear of liens or encumbrances. It is usually issued in conjunction with a search of the public records performed at the time of a real estate transaction.
  - **Travel insurance** is an insurance cover taken by those who travel abroad, which covers certain losses such as medical expenses, loss of personal belongings, travel delay, personal liabilities, etc.
  - **Workers' compensation insurance** replaces all or part of a worker's wages lost and accompanying medical expense incurred because of a job-related injury.

#### 4.1.2. Insurance Contract

An **Insurance contract** determines the legal framework under which the features of an insurance policy are enforced. Insurance contracts are designed to meet very specific needs and thus have many features not found in many other types of contracts. Many features are similar across a wide variety of different types of insurance policies.

##### General Features

The insurance contract is a contract whereby the insurer will pay the insured (the person whom benefits would be paid to, or on the behalf of), if certain defined events occur. Subject to the "fortuity principle", the event must be uncertain. The uncertainty can be either as to when the event will happen (i.e. in a life insurance policy, the time of the insured's death is uncertain) or as to if it will happen at all (i.e. a fire insurance policy).

- Insurance contracts are generally considered **contracts of adhesion** because the insurer draws up the contract and the insured has little or no ability to make material changes to it. This is interpreted to mean that the insurer bears the burden if there is any ambiguity in any terms of the contract.
- Insurance contracts are **aleatory** in that the amounts exchanged by the insured and insurer are unequal and depend upon uncertain future events.
- Insurance contracts are **unilateral**, meaning that only the insurer makes legally enforceable promises in the contract. The insured is not required to pay the premiums, but the insurer is required to pay the benefits under the contract if the insured has paid the premiums and met certain other basic provisions.
- Insurance contracts are governed by the principle of **utmost good faith** (uberrima fides) which requires both parties of the insurance contract to deal in good faith and in particular it imparts on the insured a duty to disclose all material facts which relate to the risk to be covered. This contrasts with the legal doctrine that covers most other types of contracts, caveat emptor (let the buyer beware).

## Parts of an insurance contract

- **Definitions** - define important terms used in the policy language.
- **Insuring Agreement** - describes the covered perils, or risks assumed, or nature of coverage, or makes some reference to the contractual agreement between insurer and insured. It summarizes the major promises of the insurance company, as well as stating what is covered.
- **Declarations** - identifies who is an insured, the insured's address, the insuring company, what risks or property are covered, the policy limits (amount of insurance), any applicable deductibles, the policy period and premium amount.
- **Exclusions** - take coverage away from the Insuring Agreement by describing property, perils, hazards or losses arising from specific causes which are not covered by the policy.
- **Conditions** - provisions, rules of conduct, duties and obligations required for coverage. If policy conditions are not met, the insurer can deny the claim.

## 4.2. Foreign Exchange Terms

The foreign exchange (also known as "forex" or "FX") market is the place where currencies are traded. The overall forex market is the largest, most liquid market in the world with an average traded value that exceeds \$1.9 trillion per day and includes all of the currencies in the world.

### 4.2.1. The Exchange Rate

In finance, the **exchange rate** (also known as the **foreign-exchange rate**, **forex rate** or **FX rate**) between two currencies specifies how much one currency is worth in terms of the other. The price of one country's currency expressed in another country's currency. In other words, the rate at which one currency can be exchanged for another. For example an exchange rate of 123 Japanese yen (JPY, ¥) to the United States dollar (USD, \$) means that JPY 123 is worth the same as USD 1. The foreign exchange market is one of the largest markets in the world.

The **spot exchange rate** refers to the current exchange rate. The **forward exchange rate** refers to an exchange rate that is quoted and traded today but for delivery and payment on a specific future date.

### 4.2.2. Factors Effecting Currency Trading

Although exchange rates are affected by many factors, in the end, currency prices are a result of supply and demand forces. The world's currency markets can be viewed as a huge melting pot: in a large and ever-changing mix of current events, supply and demand factors are constantly shifting, and the price of one currency in relation to another shifts accordingly. No other market encompasses (and distills) as much of what is going on in the world at any given time as foreign exchange.

Supply and demand for any given currency, and thus its value, are not influenced by any single element, but rather by several. These elements generally fall into three categories: economic factors, political conditions and market psychology.

### 4.2.2.1. Economic Factors

These include economic policy, disseminated by government agencies and central banks, economic conditions, generally revealed through economic reports, and other economic indicators.

Economic policy comprises government fiscal policy (budget/spending practices) and monetary policy (the means by which a government's central bank influences the supply and "cost" of money, which is reflected by the level of interest rates).

Economic conditions include:

**Government budget deficits or surpluses:** The market usually reacts negatively to widening government budget deficits, and positively to narrowing budget deficits. The impact is reflected in the value of a country's currency.

**Balance of trade levels and trends:** The trade flow between countries illustrates the demand for goods and services, which in turn indicates demand for a country's currency to conduct trade. Surpluses and deficits in trade of goods and services reflect the competitiveness of a nation's economy. For example, trade deficits may have a negative impact on a nation's currency.

**Inflation levels and trends:** Typically, a currency will lose value if there is a high level of inflation in the country or if inflation levels are perceived to be rising. This is because inflation erodes purchasing power, thus demand, for that particular currency.

**Economic growth and health:** Reports such as gross domestic product (GDP), employment levels, retail sales, capacity utilization and others, detail the levels of a country's economic growth and health. Generally, the more healthy and robust a country's economy, the better its currency will perform, and the more demand for it there will be.

### 4.2.2.2. Political conditions

Internal, regional, and international political conditions and events can have a profound effect on currency markets.

For instance, political upheaval and instability can have a negative impact on a nation's economy. The rise of a political faction that is perceived to be fiscally responsible can have the opposite effect. Also, events in one country in a region may spur positive or negative interest in a neighboring country and, in the process, affect its currency.

### 4.2.2.3. Market Psychology

Market psychology and trader perceptions influence the foreign exchange market in a variety of ways:

**Flights to quality:** Unsettling international events can lead to a "flight to quality," with investors seeking a "safe haven". There will be a greater demand, thus a higher price, for currencies perceived as stronger over their relatively weaker counterparts.

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**Long-term trends:** Currency markets often move in visible long-term trends. Although currencies do not have an annual growing season like physical commodities, business cycles do make themselves felt. Cycle analysis looks at longer-term price trends that may rise from economic or political trends.

**"Buy the rumor, sell the fact:"** This market truism can apply to many currency situations. It is the tendency for the price of a currency to reflect the impact of a particular action before it occurs and, when the anticipated event comes to pass, react in exactly the opposite direction. This may also be referred to as a market being "oversold" or "overbought". To buy the rumor or sell the fact can also be an example of the cognitive bias known as anchoring, when investors focus too much on the relevance of outside events to currency prices.

**Economic numbers:** While economic numbers can certainly reflect economic policy, some reports and numbers take on a talisman-like effect: the number itself becomes important to market psychology and may have an immediate impact on short-term market moves. "What to watch" can change over time. In recent years, for example, money supply, employment, trade balance figures and inflation numbers have all taken turns in the spotlight.

**Technical trading considerations:** As in other markets, the accumulated price movements in a currency pair such as EUR/USD can form apparent patterns that traders may attempt to use. Many traders study price charts in order to identify such patterns.

#### 4.2.3. Authorized Forex Dealer

Any type of financial institution that has received authorization from a relevant regulatory body to act as a dealer involved with the trading of foreign currencies. Dealing with authorized forex dealers ensure that your transactions are being executed in a legal and just way.

There is no central marketplace for currency exchange, rather, trade is conducted over-the-counter. The forex market is open 24 hours a day, five days a week, with currencies being traded worldwide among the major financial centers of London, New York, Tokyo, Zürich, Frankfurt, Hong Kong, Singapore, Paris and Sydney - spanning most time zones

The forex is the largest market in the world in terms of the total cash value traded, and any person, firm, or country may participate in this market.

#### 4.2.4. Financial Instruments

There are several types of financial instruments commonly used.

##### Spot

A spot transaction is a two-day delivery transaction, as opposed to the futures contracts, which are usually three months. This trade represents a "direct exchange" between two currencies, has the shortest time frame, involves cash rather than a contract; and interest is not included in the agreed-upon transaction. The data for this study come from the spot market. Spot has the largest share by volume in FX transactions among all instruments.

## **Forward**

One way to deal with the Forex risk is to engage in a forward transaction. In this transaction, money does not actually change hands until some agreed upon future date. A buyer and seller agree on an exchange rate for any date in the future, and the transaction occurs on that date, regardless of what the market rates are then. The duration of the trade can be a few days, months or years.

## **Future**

Foreign currency futures are forward transactions with standard contract sizes and maturity dates. Futures are standardized and are usually traded on an exchange created for this purpose. The average contract length is roughly 3 months. Futures contracts are usually inclusive of any interest amounts.

## **Swap**

The most common type of forward transaction is the currency swap. In a swap, two parties exchange currencies for a certain length of time and agree to reverse the transaction at a later date. These are not standardized contracts and are not traded through an exchange.

## **Option**

A contract that grants the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time. For this right, a premium is paid to the broker, which will vary depending on the number of contracts purchased. Currency options are one of the best ways for corporations or individuals to hedge against adverse movements in exchange rates.

A foreign exchange option (commonly shortened to just FX option) is a derivative where the owner has the right but not the obligation to exchange money denominated in one currency into another currency at a pre-agreed exchange rate on a specified date. The FX options market is the deepest, largest and most liquid market for options of any kind in the world.

## **Exchange Traded Fund**

Exchange-traded funds (or ETFs) are Open Ended investment companies that can be traded at any time throughout the course of the day. Typically, ETFs try to replicate a stock market index such as the S&P 500 (e.g. SPY), but recently they are now replicating investments in the currency markets with the ETF increasing in value when the US Dollar weakens versus a specific Currency, such as the Euro. Certain of these funds track the price movements of world currencies versus the US Dollar, and increase in value directly counter to the US Dollar, allowing for speculation in the US Dollar for US and US Dollar denominated investors and speculators.

### **4.2.5. Currency Pair**

The quotation and pricing structure of the currencies traded in the forex market: the value of a currency is determined by its comparison to another currency. The first currency of a currency pair is called the "base currency", and the second currency is called the "quote currency". The currency pair shows how much of the quote currency is needed to purchase one unit of the base currency.

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All forex trades involve the simultaneous buying of one currency and selling of another, but the currency pair itself can be thought of as a single unit, an instrument that is bought or sold. If you buy a currency pair, you buy the base currency and sell the quote currency. The bid (buy price) represents how much of the quote currency is needed for you to get one unit of the base currency. Conversely, when you sell the currency pair, you sell the base currency and receive the quote currency. The ask (sell price) for the currency pair represents how much you will get in the quote currency for selling one unit of base currency.

#### **4.2.6. Speculation**

Controversy about currency speculators and their effect on currency devaluations and national economies recurs regularly. Nevertheless, many economists have argued that speculators perform the important function of providing a market for hedgers and transferring risk from those people who don't wish to bear it, to those who do. Other economists however, may consider this argument to be based more on politics and a free market philosophy than on economics.

Large hedge funds and other well capitalized "position traders" are the main professional speculators.

Currency speculation is considered a highly suspect activity in many countries. While investment in traditional financial instruments like bonds or stocks often is considered to contribute positively to economic growth by providing capital, currency speculation does not, according to this view; it is simply gambling, that often interferes with economic policy.

## EVALUATION

### A- QUESTIONS

Circle the correct answer

1. .... in law and economics, is a form of risk management primarily used to hedge against the risk of a contingent loss.  
A) Insurer  
B) Insurance rate  
C) An insurable risk  
D) Insurance
2. .... in economics, is the company that sells the insurance.  
A) Insurance  
B) An insurable risk  
C) Insurer  
D) Insurance rate
3. .... determines the legal framework under which the features of an insurance policy are enforced.  
A) Insurance rate  
B) An Insurance contract  
C) An insurable risk  
D) Insurance
4. Which of the following isn't a part of an insurance contract?  
A) Definitions  
B) Declarations  
C) Exclusions  
D) Conclusion
5. .... is the place where currencies are traded.  
A) The stock market  
B) The foreign exchange market  
C) The bond market  
D) The money market

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6. **In finance, ..... between two currencies specifies how much one currency is worth in terms of the other.**
- A) The exchange rate
  - B) The currency pair
  - C) The exchange-traded funds
  - D) The economic indicators
7. **Which of the following isn't a factor that economic conditions include?**
- A) Government budget deficits or surpluses
  - B) Balance of trade levels and trends
  - C) Market psychology
  - D) Inflation levels and trends
8. **..... is a two-day delivery transaction, as opposed to the futures contracts, which are usually three months.**
- A) A spot transaction
  - B) A forward transaction
  - C) A currency swap
  - D) A foreign exchange option
9. **In..... two parties exchange currencies for a certain length of time and agree to reverse the transaction at a later date. These are not standardized contracts and are not traded through an exchange.**
- A) Foreign currency futures
  - B) A swap
  - C) A foreign exchange option
  - D) A forward transaction
10. **It is a contract that grants the holder the right, but not the obligation, to buy or sell currency at a specified exchange rate during a specified period of time.**
- A) Option
  - B) Swap
  - C) Future
  - D) Forward

## B- Write TRUE or FALSE

Learning process	True	False
1- Currency speculation is considered a highly suspect activity in many countries.		
2- Large hedge funds and other well capitalized "position traders" are the main professional speculators.		
3- The first currency of a currency pair is called the " quote currency ", and the second currency is called the " base currency ".		
4- Swaps are standardized and are usually traded on an exchange created for this purpose. The average contract length is roughly 3 months.		
5- Spot has the largest share by volume in FX transactions among all instruments.		
6- The spot exchange rate refers to the current exchange rate. The forward exchange rate refers to an exchange rate that is quoted and traded today but for delivery and payment on a specific future date.		
7- Health insurance provides a monetary benefit to a decedent's family or other designated beneficiary, and may specifically provide for burial, funeral and other final expenses.		
8- The forex is the largest market in the world in terms of the total cash value traded, and any person, firm, or country may participate in this market.		
9- The FX options market is the deepest, largest and most liquid market for options of any kind in the world.		
10- In spot transaction, money does not actually change hands until some agreed upon future date.		



## EVALUATION CRITERIA

Evaluate yourself with a friend of yours. If you need, go to the learning objective and repeat the subject that you believe you couldn't learn.

The Student's		The examination's	
Name-Surname:		Starting Time :	
Class :		Finishing Time :	
Number :		Used Time :	
<b>CRITERIA</b>			
<b>Learning Process</b>		<b>Yes</b>	<b>No</b>
Did you remember what insurance is?			
Did you remember types of insurance?			
Did you remember what an insurance contract is?			
Did you remember parts of an insurance contract?			
Did you remember what foreign Exchange market is?			
Did you remember what the exchange rate is?			
Did you remember factors affecting currency trading?			
Did you remember what authorized forex dealer is?			
Did you remember financial instruments?			
Did you remember what currency pair is?			
Did you remember what speculation is ?			



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## **APPENDIX:**

### **Trade Abbreviations**

**APC: African, Caribbean and Pacific**

**ACT: Australian Capital Territory**

**ADB: African Development Bank**

**Asian: Development Bank**

**AID: (US) Agency for International Development**

**ASEAN: Association of South East Asian Nations**

**ASSR: Autonomous Soviet Socialist Republic**

**APEDA: Agriculture & Processed Food Products Export Development Authority**

**ASSOCHAM: Associated Chambers of Commerce and Industry**

**AEPC: Apparel Export Promotion Council**

**AIMO: All India Manufacturers Organisation**

**CACM: Central American Common Market**

**CARICOM : Caribbean Community and Common Market**

**CIS: Commonwealth of Independent States**

**COMESA: Common Market for Eastern and Southern Africa**

**CPSU: Communist Part of the Soviet Union**

**C/F: Cost, Insurance & Freight**

**C & F: Cost and Freight**

**CLE: Council for Leather Exports**

**CAPEXIL: Chemicals & Allied Products Export Promotion Council**

**CEPC: Carpet Export Promotion Council**

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**TEXPROCIL: Cotton Textile Export Promotion Council**

**CSB: Central Silk Board**

**CCIC: Central Cottage Industries Corporation**

**CEPC: Cashew Export Promotion Council**

**CII: Confederation of Indian Industry**

**D/A: Documents against acceptance**

**D/P: Documents against payment**

**DDP: Delivered Duty Paid (Name, place of destination)**

**DDU: Delivered Duty Unpaid**

**DAF: Delivered at Frontier (named place)**

**DGCI&S: Directorate-General of Commercial Intelligence & Statistics**

**EBRD: European Bank for Reconstruction and Development**

**EC: European Community**

**ECE: (United Nations) Economic Commission for Europe**

**ECLAC: (United Nations) Economic Commission for Latin**

**ECOSOC: (United Nations) Economic and Social Council**

**ECOWAS: Economic Community of West African States**

**ECU: European Currency Unit**

**EFTA: European Free Trade Association**

**ESCAP: Economic and Social Commission for Asia and the Pacific (United Nations)**

**ESCWA: Economic and Social Commission for Western Asia (United Nations)**

**EIC: Export Inspection Council**

**ECGC: Export Credit Guarantee Corporation of India Ltd.**

**EEPC: Engineering Export Promotion Council**

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**ECSEPC: Electronics & Computer Software Export Promotion Council**

**FOB: Free on Board**

**FCA: Free Carrier (named place)**

**FAS: Free alongside Ship (name port of shipment)**

**FAO: Food and Agriculture Organization**

**FASII: Federation of Associations of Small Industries in India**

**FICCI: Federation of Indian Chamber of Commerce & Industry**

**FIEO: Federation of Indian Export Organisations**

**GATT: General Agreement on Tariffs and Trade**

**GDP : Gross Domestic Product**

**GMT: Greenwich Mean Time**

**GNP: Gross National Product**

**G&JEPC: Gem & Jewellery Export Promotion Council**

**HEPC: Handloom Export Promotion Council**

**IEC: Import, Export Code Number**

**IBRD: International Bank for Reconstruction and Development (World Bank)**

**ICC: International Chamber of Commerce**

**IDB: Inter-American Development Bank**

**IMF: International Monetary Fund**

**IIP: Indian Institute of Packaging**

**IIC: Indian Investment Centre**

**IIFT: Indian Institute of Foreign Trade**

**JCI: Jute Corporation of India Limited**

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**JMCD: Jute Manufacturers Development Council**

**MPEDA: Marine Products Export Development Authority**

**MDA: Market development assistance**

**MAI: Market assistance initiative**

**MTC: Mica Trading Corporation**

**NAFTA: North American Free Trade Agreement**

**NATO: North Atlantic Treaty Organization**

**NTC: National Textile Corporation of India Ltd.**

**OECD: Organisation for Economic Cooperation and Development**

**OPEC: Organization of the Petroleum Exporting Countries**

**OCCI: Overseas Construction Council of India**

**PEC: Project and Equipment Corporation of India Limited**

**PLEXCOUNCIL: Plastic & Linoleum Export Promotion Council**

**RCMC: Registration-cum-Membership Certificate form for Registered Exporters**

**RSFSR: Russian Soviet Federative Socialist Republic**

**SIL: Special Imprest Licence**

**SAARC: South Asian Association for Regional Cooperation**

**SMEs: Small and Medium-Sized Enterprises**

**SGEPC: Sport Goods Export Promotion Council**

**SOPA: Soyabean Processor Association of India**

**SEPC: Shellac Export Promotion Council**

**STC: The State Trading Corporation of India Limited**

**ISEPC: The Indian Silk Export Promotion Council**

**SREPC: The Synthetic and Rayon Textiles Export Promotion Council**

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**HHEPC: The Handicrafts & Handloom Export Corporation of India Ltd.**

**MMTC: The Minerals & Metals Trade Corporation of India Ltd.**

**UNCTAD: United Nations Conference on Trade and Development**

**UNDP: United Nations Development Programme**

**UNEP: United Nations Environment Programme**

**UNESCO: United Nations Educational, Scientific and Cultural Organization**

**UNICEF: United Nations Children's Fund**

**USAID: United States Agency for International Development**

**USSR: Union of Soviet Socialist Republics**

**VAT: Value-added Tax**

**WEU: Western European Union**

**WHO: World Health Organization**

**WWEPC: Wool & Woollen Export Promotion Council**

# ANSWER KEYS

## LEARNING ACTIVITY- 1 ANSWER KEY

### A- QUESTIONS ANSWER KEY

<b>1</b>	<b>A</b>
<b>2</b>	<b>D</b>
<b>3</b>	<b>B</b>
<b>4</b>	<b>C</b>
<b>5</b>	<b>A</b>
<b>6</b>	<b>D</b>
<b>7</b>	<b>C</b>
<b>8</b>	<b>B</b>
<b>9</b>	<b>A</b>
<b>10</b>	<b>B</b>

### B- TRUE or FALSE ANSWER KEY

<b>1</b>	<b>F</b>
<b>2</b>	<b>T</b>
<b>3</b>	<b>T</b>
<b>4</b>	<b>T</b>
<b>5</b>	<b>F</b>
<b>6</b>	<b>F</b>
<b>7</b>	<b>T</b>
<b>8</b>	<b>F</b>
<b>9</b>	<b>T</b>
<b>10</b>	<b>F</b>

## LEARNING ACTIVITY- 2 ANSWER KEY

### A- QUESTIONS ANSWER KEY

<b>1</b>	<b>A</b>
<b>2</b>	<b>C</b>
<b>3</b>	<b>B</b>
<b>4</b>	<b>C</b>
<b>5</b>	<b>D</b>
<b>6</b>	<b>C</b>
<b>7</b>	<b>A</b>
<b>8</b>	<b>D</b>
<b>9</b>	<b>B</b>
<b>10</b>	<b>A</b>

### B- TRUE or FALSE ANSWER KEY

<b>1</b>	<b>T</b>
<b>2</b>	<b>F</b>
<b>3</b>	<b>T</b>
<b>4</b>	<b>F</b>
<b>5</b>	<b>T</b>
<b>6</b>	<b>T</b>
<b>7</b>	<b>F</b>
<b>8</b>	<b>F</b>
<b>9</b>	<b>T</b>
<b>10</b>	<b>T</b>

## LEARNING ACTIVITY- 3 ANSWER KEY

### A- QUESTIONS ANSWER KEY

<b>1</b>	<b>B</b>
<b>2</b>	<b>A</b>
<b>3</b>	<b>D</b>
<b>4</b>	<b>C</b>
<b>5</b>	<b>A</b>
<b>6</b>	<b>B</b>
<b>7</b>	<b>C</b>
<b>8</b>	<b>C</b>
<b>9</b>	<b>B</b>
<b>10</b>	<b>D</b>

### B- TRUE or FALSE ANSWER KEY

<b>1</b>	<b>T</b>
<b>2</b>	<b>F</b>
<b>3</b>	<b>T</b>
<b>4</b>	<b>T</b>
<b>5</b>	<b>T</b>
<b>6</b>	<b>F</b>
<b>7</b>	<b>F</b>
<b>8</b>	<b>T</b>
<b>9</b>	<b>T</b>
<b>10</b>	<b>F</b>

## LEARNING ACTIVITY- 4 ANSWER KEY

### A- QUESTIONS ANSWER KEY

<b>1</b>	<b>D</b>
<b>2</b>	<b>C</b>
<b>3</b>	<b>B</b>
<b>4</b>	<b>D</b>
<b>5</b>	<b>B</b>
<b>6</b>	<b>A</b>
<b>7</b>	<b>C</b>
<b>8</b>	<b>A</b>
<b>9</b>	<b>B</b>
<b>10</b>	<b>A</b>

### B- TRUE or FALSE ANSWER KEY

<b>1</b>	<b>T</b>
<b>2</b>	<b>T</b>
<b>3</b>	<b>F</b>
<b>4</b>	<b>F</b>
<b>5</b>	<b>T</b>
<b>6</b>	<b>T</b>
<b>7</b>	<b>F</b>
<b>8</b>	<b>T</b>
<b>9</b>	<b>T</b>
<b>10</b>	<b>F</b>

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