YOUNG TRADE AMBASSADORS

LEARNING MODULES OF YOUNG TRADE AMBASSADORS

OUTPUT 4

Edited and prepared by;

Output Leader

Bursa Technical University

Doç. Dr. Hilal Yıldırır Keser

Doç. Dr. Gökçe Çiçek Ceyhun

Governorship of Bursa

Dr.Arzu Erdi

İpek Hacer Topuz

Bursa Chamber of Commerce and Industry

Dr.Murat Bayizit

Salih Akyıldız

Vojvodina Chamber of Commerce and Industry

Milan Stojanov

Jelena Sarkanovic

Polish Chamber of Commerce

Maria Nowakowska

Monika Sasiak

Musiad Hessen

Rafet Turgut

Greater Birmingham Chambers of Commerce

Sunny Claire

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Output Introduction

Trade—defined as the range of activities that ensure the transfer of goods and services from producers to consumers—has become increasingly international owing to the effects of globalisation. Businesses engaging in international trade must now act on a global scale. In determining their targets, businesses must consider global markets and the needs of global customers. International trade provides countries with both production and consumption advantages. While some countries can consume certain goods and services more cheaply as a result of differences in production costs, others can convert their unused resources into production by turning to foreign sales. Such international contributions also help to ensure efficiency (Parasız, 1999:626). No country can entirely satisfy its own requirements with respect to goods, services or factors using its own internal resources. Countries' tendencies to produce only the goods that they are actively exporting while importing those goods that they lack from elsewhere constitutes a division of labour. This system also plays a key role in ensuring the effective and efficient use of resources.

World trade volume has increased considerably in recent years. Since the end of the Second World War, in particular, the increase in international trade has been among the most important trends of the global economy. Developments that are considered revolutio nary in the field of information and informatics have had a considerable impact on the globalisation of trade. Meanwhile, the impact of the dynamics of international trade on the development and productivity of the global economy cannot be ignored. These developments are likely to accelerate in the future as a result of technology, population and workforce growth, natural resources, demand changes, costs and other commercial and geographical reasons.

In this context, the Young Trade Ambassadors Erasmus+ Project, which aims to increase export knowledge and efficiency by creating a bridge between universities and the business world, aims to employ university students who meet the necessary qualifications as representatives of companies abroad. In line with the aims of the project, which received a grant within the scope of Erasmus+ Vocational Education Strategic Partnerships activities, a training module entitled 'Handbook for Young Trade Ambassadors' is planned and is expected to be beneficial to all wishing to improve their engagement in the field of international trade.

The 'Handbook for Young Trade Ambassadors' aims to help those interested in international trade to acquire basic international trade knowledge, learn how to use this information and understand how to manage processes. In this context, the 'Handbook for Young Trade Ambassadors' methodology can be schematised as follows

Module 1	Module 2	Module 3	Module 4
Discover	**Explore**	**Practise**	**Manage**
1.1.Introduction To International Trade And Basic Concepts	2.1.Market Research In International Trade And Target Market Analysis	3.1.International Entrepreneurship	4.1.Stress Management for Young Traders
1.2.Incoterms – International Commercial Terms	2.2.Pricing In International Trade	3.2.Commercial Diplomacy	4.2.Leadership And Management
1.3.Terms of Payment In International Trade	2.3.Logistics in International Trade	3.3.The Effects Of Brexit	4.3.Time Management
1.4.Documents Used In International Trade	2.4.Cross-border E-Commerce	3.4.The Potential Effects of Green Deal Targets on International Trade	4.4.Customer Relationship And Communication Competencies

Module 1, entitled 'Discover', discusses basic information on international trade and includes a discovery pertaining to the topic. In this context, the basics of international trade, Incoterms, payment methods, documents used in international trade and logistics are discussed. Module 2, entitled 'Explore', aims to provide information on applied subjects, such as market research, determination of pricing strategies for entering international markets, logistics services in international trade and cross-border e-commerce. Module 3, entitled 'Practise', examines international entrepreneurship to indicate how the information obtained in international trade can be used most efficiently in real life. However, the topics that commercial diplomacy, the effects of Brexit and the potential effects of Green Deal Targets on international trade are discussed. Finally, Module 4, entitled 'Manage', discusses personal development issues for the management of processes related to international trade. In this context, stress management, leadership, time management and custom relationship are discussed.

MODULE 1 : DISCOVER!

Module 1 covers the following topics;
- Introduction to International Trade and BasicConcepts,
- Incoterms – International Commercial Terms
- Terms of Payment in International Trade
- Documents Used In International Trade

Upon completing this module, students may expect to

- Recognise the theories that examine the causes and effects, benefits, composition and formation of international trade prices of international trade transactions under certain assumptions.
- Recognise the theories and the basic concept of Incoterms (International Commercial Terms) in different situations

- Recognise the the payment methods used in international trade and understand the commercial, national and currency risksinherent in the methods of cash payment, cash against goods, cash against documents and letters of credit
- Learn which institutions will approve the documents used in international trade.
- Define the types of documents used in international trade: commercial documents, official documents and transport documents

CHAPTER 1 : Introduction To International Trade And Basic Concepts

- Definition of International Trade
- Why do countries need international trade?
- The development process of international trade in the world and the factors affecting this process
- Basic concepts in international trade: export, import, transit trade, customs union, free zone, tariff, origin, damping, Incoterms and freight forwarder
- Transaction flow in international trade

1.1. Definition of International Trade

The world's countries all rely on the limited global resources. Although each country has different resources (land, labour, capital, mining, infrastructure, technology, etc.), all countries struggle to fully meet their own needs with their own resources because these resources differ in terms of quality, quantity and costs. This has led to the establishment of economic, social and political relations between countries, of which economic relations are of particular interest here. The most prominent economic relationship is the trade in goods and services between countries, that is, international trade. International trade affects countries' economies by promoting efficiency and increased productivity, reducing unemployment, facilitating greater consumption at a lower cost, enhancing specialisation and knowledge transfer and driving competition.

International trade offers countries and companies opportunities to use the country's resources more effectively and efficiently, meet the country's needs more cheaply and gain competitive power in world markets by selling goods and services to foreign markets (i.e, to other countries) and buying goods and services from foreign markets. Since the increase in national welfare requires adaptation to international markets, countries must inevitably adapt. Transactions between countries that involve the purchase and sale of services and goods that meet human needs constitute international trade.

1.2. Why Do Countries Need International Trade?

Numerous theories have been developed to address the question of why countries engage in international trade. These theories examine the causes and effects, benefits, composition and formation of international trade prices under certain assumptions.

In the context of international trade theories, reasons for engagement international trade may be briefly summarised as follows:

1. Insufficiency of economic goods and services: One of the main determinants of international trade is that certain goods and services are not produced in some countries or that the domestic production level is insufficient to meet national needs. The main factors that lead to this situation and direct countries to international trade are listed as follows:

- Different natural resources, climatic conditions and geographical locations
- Uneven distribution of production factors (such as land, technology, capital, labor, etc.) among countries
- Knowledgeable, qualified and entrepreneurial workforce insufficiency
- Economic development difference
- Inability to switch to a production structure based on large-scale production and intensive specialization
- Inability to benefit from economies of scale

2. Price differences: A situation in which each country meets all its own needs (autarchy) does not appear to be economically meaningful. If a good or service is produced domestically at a higher cost than in other countries, it is also against economic logic to continue this production. Rather, the country will abandon the production of expensive goods and services and import them from abroad, which will enable the efficient use of scarce resources and higher welfare levels. Therefore, price (cost) differences emerge among the main reasons for international trade. The key reasons for price differences between countries are as follows:

- Goods or services suitable for consumer preference and income level are not available within the country or are cheaper in foreign countries
- Consumer preferences are directed towards a specific goods and service group of a country
- Different countries benefit at different levels from economies of scale
- Some countries experience convenience in procuring investment-capital goods
- New business areas open and public support varies among countries
- Failure to produce standard quality goods with low added value (such as food, textile and textile products)
- Large firms prevent new competitors from entering the market or exclude existing competitors from the market,
- Production of complementary goods that must be used with the final goods (e.g., printers and ink cartridges)
- Production of lower-priced by-products (such as crude oil-oil refinery-plastic-asphalt) together with the final product
- Selling a good with the same cost at different prices at home and abroad, depending on demand elasticities.

3. Differentiated goods and services: According to classical international trade theories, the main reason for international trade is price/cost differences. This situation shows that different goods are traded in developed and developing countries whose factor equipment is not alike because they have different prices. Within the scope of different goods trades, for example, a developing country will export labour-intensive textile products (fabric) and in return import the developed country’s capital-intensive industrial product (automobile).

In today’s world, trade based on goods differentiation is recognised as equally important as price differences in certain sectors. Although differentiated goods and services provide the same services to the consumer, they differ in terms of performance, durability, quality, size, design, style and brand definition or pre or post-sales service, personnel, image and marketing strategies. Incomplete competition conditions, increasing returns to scale and large-scale production processes have highlighted intra-industry trade (trade between countries with similar factor equipment). Intra-industry trade, which can be explained within the scope of modern (new) theories, is based on the differentiation of services and goods.

1.3. Historical Development of international Trade

international trade has a long history, and the silk road trade in the medieval period occupies an important place in its historical development. Later, changes in the trade route with geographical discoveries and the spread of colonialism with the discovery of new continents constituted further developments that differentiated international trade relations.

Mercantilism was adopted as a doctrine that guided international trade, and many countries worldwide were influenced by this doctrine up to the end of the 16th century. Mercantilism may be defined as an approach that requires intensive state intervention on domestic and international economic activities to create international payment surplus and increase gold stocks. This approach's main features include the state's intensive intervention in the economy, implementation of economic programmes that will create international payment surplus, increased financial resources for the country, prioritisation of export incentives and the release of only intermediate goods imports against the restrictions on imports of finished goods. In the next period, trade encountered intense pressure and restrictive obstacles of the state. At the beginning of the eighteenth century, the state's role in international trade relations changed as classical liberalism prevailed over mercantilism. The rooting of liberalism in the industrial revolution and large-scale production depending on the application of steam power in industry triggered the development of international trade.

Nowadays, it is difficult to say that any country is completely inward-looking. After the Second World War, in particular, with the globalisation trend that emerged due to the rapid developments in communication and subsequent transportation technology, economic, social, political and cultural relations between states have gradually intensified, and the world has almost become a village. The real changes in international trade began with the globalisation process and developments in information communication technologies during the 1980s. International trade progresses in two dimensions—universal and regional—in response to the transition to a single world order, the development of new goods–services and production technologies and the start of e-commerce, etc. These changes have made international trade increasingly important for all countries worldwide.

The factors that are effective in the rapid development of trade between countries in the world can be listed as follows:

- Growing demand in new markets: Several of the world's regions have undergone economic transformation and entered a rapid growth trend. This situation has also increased the amount of goods consumed. With its population of more than 1.8 billion, China in particular is always on the agenda as part of the new market.
- Producers targeting economies of scale: The compelling pressure of production costs in competition has induced enterprises to intensify their efforts to reach economies of scale by targeting new markets.
- Rapid spread of capital among countries: Increasing foreign capital movements, projects undertaken in different countries and intra-company trade of multinational companies have accelerated the development of international trade.
- Specialised support activities: Organisations' orientation to their main fields of activity, procurement of other activities from experts and outsourcing are widely discussed with their reflections on the development of international trade.
- Greater demand for suppliers: Depending on the market expansion, we work with more suppliers from different countries and commercial relations continue to spread.
- Removal of trade barriers: The General Agreement on Tariffs and Trade (GATT) Agreement, a major development in global free trade, and the subsequent WTO played a key role in this rapid development. In addition, the fact that many countries come together to accelerate trade regionally (EU, EFTA, NAFTA, OPEC etc.) and take measures to facilitate trade between them (customs tariff reductions and facilities, removal of non-tariff barriers, etc.) has been determinant in the differentiation of world trade.
- Integration of supply chains: The new management approach adopted for the smooth transfer of products from the first supplier to the end consumer is also regarded as important in accelerating this development.
- Developments in transportation infrastructure: The increased flow of goods between countries is an important development, as the development of the transportation infrastructure has facilitated the mobility of peoples worldwide along with their habits and preferences.
- Revolution in information and communication technology: Revolutionary developments in information systems have essentially differentiated the way organisations work and enabled more flexible work to be accepted. In addition, this situation was effective in facilitating rapid adaptation to variable demand and supporting the development of trade.
- Improving communication between customers: As the twenty-first century is the information and communication age, television, internet and other developing communication channels have made it easier for customers to learn about products from outside their local regions.
- Payment facilities and development of banking systems: Considering that the essence of trade consists of the flow of goods and money, the facilitation of payment transactions with a strong banking infrastructure has been a crucial element in the evolution of international trade transactions, which are particularly risky.

1.4. Basic Concepts of International Trade Procedures

International trade, one of the most important activities carried out in the globalising world economy, helps to ensure the world supply–demand balance by bringing together the countries with excess production (supply) and consumption (demand). In other words, world resources can be used effectively thanks to export and import. At this point, various concepts relating to export and import will be defined.

Export: The transfer of a good to another country by taking it outside the borders of the country in accordance with the current export and customs regulations.

Exporters: Companies with real and legal personalities that export in accordance with the provisions of the current legislation.

Import: The process by which a good is purchased from a foreign country in accordance with the applicable import and customs regulations.

Importers: Firms with real and legal personalities that import goods in accordance with the provisions of the current legislation.

E-Export: The sale of goods and services within the scope of e-commerce abroad through transactions made over the Internet (subject to the provisions of international trade and customs legislation).

E-Import: The purchase of services and goods within the scope of e-commerce from abroad through transactions made over the Internet.

Free Export: Exports in the form of goods exported abroad (such as gifts, advertising and promotional products) without having to be brought back to the country.

Free Import: The entry into the country of a good (after paying customs taxes, if any) purchased with the income earned abroad, with no foreign exchange transfer made abroad for the cost of the goods.

Transit Trade: The sale of goods purchased from real/legal persons or warehouses abroad or in free zones, in transit through the local country or directly to real/legal persons or warehouses located abroad or in the free zone.

Customs Tariffs: Taxes collected during the transit of goods across country borders.

Return to Origin: The return of imported goods that arrive at customs, without paying the customs duties, to their country of origin.

Customs Union: A type of economic integration whereby different countries come together and apply common customs tariffs to other countries.

Free Zone: The regions within the political borders of a country and considered to be outside the customs borders.

Dumping: Selling goods exported from a country at a price lower than their domestic market price.

1.5. Main Stages of the International Trade Process

International trade primarily includes exports and imports. Economic actors involved in international trade activities should be familiary every stage of the process regarding export and import practices and should exercise caution in their commercial activities. Otherwise, both investments and scarce country resources may be wasted unnecessarily. The key stages of the export process are detailed below.

Stage I: Pre-export preparation process

- Obtaining information on international trade: It is important that the business realise and evaluate its own potential with respect to international sales. In this regard, the enterprise's internal competence and capacity should be investigated in detail.
- Export subject product selection and required preparations: When entering the foreign market and before starting commercial transactions, an enterprise must have information about which markets they can enter and access to necessary economic, political and technological data (competition environment and conditions, trade channels, legislation and regulations that differ by product and country, technical standards and principles, commercial habits of countries, trade barriers of countries etc.).
- Market research and finding customers: Market research is one of the key tools that support businesses in gathering the necessary information and resources to sell and market any product in any market. Every successful import and export plan begins with carefully executed market research that plays an active role from export planning to determining market entry strategies, from analysing consumer behaviour and demands to establishing price policies. Along with virtual applications, such as Trade Map, Export Potential Map and Market Access Map, methods such as participation in international fairs, working with intermediary companies and opening offices and stores abroad can be used in market research.
- Proposal preparation and proforma invoice submission: This is the process of preparing a written offer regarding the export transaction reached and for which preliminary negotiations have been completed and samples sent. The proforma invoice sent by the exporter is in the nature of a letter of offer. Before a proforma invoice is issued, it is necessary to review the conditions relating to the product, finalise the other conditions and resolve the issues that were expressed in previous interviews and considered to be problems. The proforma invoice prepared to clarify these issues should then be sent to the importer for approval. It has no financial sanctions against the exporter company. It is a document that contains the phrase 'proforma invoice' and is similar in shape to a commercial invoice, containing only the issues agreed between the exporting and importing enterprises.
- Achieving agreement: This represents the start of preparations for export transactions after the final negotiations on export terms, presented to the importer by the exporter or the person acting on their behalf and authorised, are completed.
- Preparation of a written foreign sale contract and signing by the parties: Perhaps the most important benefit of writing down the mutual wishes of the parties in the commercial relationship emerges with its legal aspect. Here, the problem of proof regarding the commitments of the parties and the details of the agreement is resolved and the limits of the obligations are drawn.

Stage II: Actual export process

- Meeting with the intermediary bank: The exporter contacts the bank to discuss the details of the financial aspect of the export transaction and determines the working conditions due to the fact that the banks must be in charge of the payment method specified in the written purchase-sale contract made with the importer.
- Selection of logistics service providers: To complete the international trade processes in the most accurate way, the logistics companies that will be supported are investigated and the logistics company that will provide services such as transportation, customs clearance and storage is determined.
- Preparation of different documents according to the exported product and the importer country: Documents relating to the export, delivery and loading of the goods to the delivery vehicle are usually prepared simultaneously. At this stage of the export process, it is necessary to prepare the documents that differ according to the product subject to export, the importing country and the importer's request, and the approval and permission procedures must be completed.
- Preparation of customs declaration: The customs declaration, which is the main document to complete the actual export process, is issued electronically. This declaration is one of the most important documents used in international trade and is used in export and import transactions to present the details of the commercial transaction that are relevant to the customs administrations along with information on customs clearance.
- Application to institutions and organisations requiring permission and approval in export: After the preparation of the customs declaration, the exporter applies the relevant documents to the institutions that require permission and approval and performs the approval process.
- Completion of customs clearance procedures: Following approval of the customs declaration, the goods are loaded onto the carrier vehicle and the vehicle is sealed under the supervision of the customs inspection officer at the Customs Directorate. Transport documents are then prepared.
- Payment by the importer and fulfilling the foreign exchange obligation: After the exporter has prepared the goods in accordance with the terms of the contract, fulfilled the export procedures and delivered them to the importer, the export costs are collected within the framework of the rules specified in the sales contract and international commercial practices.

The key stages of the import process are detailed below.

Stage I: Pre-import preparation process

- Completion of the preliminary research on import: The most significant differences between imports and exports are the taxes taken during customs entry, international trade policy measures and protection measures. Therefore, the importer's first investigation prior to import should be to evaluate the product subject to import according to its definition in the customs tariff schedule and the country in which the import will take place. The importer should check whether the product subject to import is included in the prohibited goods, examine the customs tax rates, check whether specific documents must be prepared for the product, take the product as a criterion for a protection measure and investigate whether any preventive policy is in place regarding the importing country.
- Market research and finding exporters: Virtual applications, such as Trade Map, Export Potential Map and Market Access Map, are used. In addition, by using methods such as participation in international fairs, working with intermediary companies, opening offices

abroad or mining the experiences of different businesses, it is possible to determine from which country the product will be imported. Given exporters' efforts to reach importers, it is easier to conduct market research for imports than for exports.

- Clarification of the terms of the agreement with the exporter: The importer enterprise, taking into account the reason for the import according to the activity type (production, wholesale, retail sales etc.) in the execution of the transactions related to the import and the opinions of the relevant units within the enterprise (supply, production, sales, marketing, etc.), transfers to the exporter. At this point, before the contract is drawn up between the parties, a decision is made on the technical details, price and quantity of the imported goods, compliance with the required quality and standards, packaging and protection type, delivery method and place, payment method, after-sales guarantees, solution method and details in case of disputes.
- Preparation of the written outsourcing contract and signing by the parties: As in the export workflow, after the parties agree on the main principles and details of the commercial relationship, they prepare a written contract to provide legal coercion in the fulfillment of all these conditions and sign it for its acceptance.

Stage II: The actual import process

- Meeting with the intermediary bank: The importer contacts the bank to discuss the details of the financial aspect of the import transaction and determines the working conditions, since the banks must be in charge of the payment method specified in the written purchase-sale contract made with the exporter.
- Arrival of documents and goods related to import: This is the process of delivering the necessary documents to the importer so that the imported product's production and export procedures are completed in accordance with the principles of the contract, for the customs entry procedures and receipt. The documents' arrival indicates that the export good is on its way.
- Completion of customs entry procedures: After the goods' customs entry procedures are completed, the importer assumes ownership of the goods.
- Receiving the goods: After the goods' customs entry procedures are completed, the importer assumes ownership of the goods.
- Fulfillment of the foreign exchange obligation relating to import: The import transaction ends with the fulfilment of the exchange obligation regarding the payment of goods cost to the exporter.

CHAPTER 2: Incoterms – International Commercial Terms

1. Definition and the importance of Incoterms
2. The Scope of Incoterms 2020: EXW, FAS, FOB, FCA, CF, CIF, CPT, CIP, DAP, DPU, DDU

2.1. Definition and the importance of Incoterms

Incoterms is the abbreviated name of 'International Commercial Terms' for the first concepts created by the International Chamber of Commerce (ICC) on import and export delivery methods. Incoterms, the rules of which were determined by the ICC for the first time in 1936, are updated periodically, adapted to the conditions of the age, and arranged in a way that best benefits the parties. Finally, the delivery methods appeared with the 2020 version. Although Incoterms 2020 and previous versions, which entered into force as of January 1, 2020, indicate rules that should be followed, these rules are not law.

The parties can determine the terms of the trade to be made among themselves independently of the ICC or may make changes to the existing rules and conduct business within the framework of their own agreement. The ICC's purpose in creating these delivery forms is to provide an attributable basis in banking transactions, contracts, etc. In this way, the two parties who will carry out the trade can protect their rights within the framework of these rules by determining one of the standard delivery methods that suit them in their contracts and banking procedures, such as letters of credit, and will resolve any future disputes with ease.

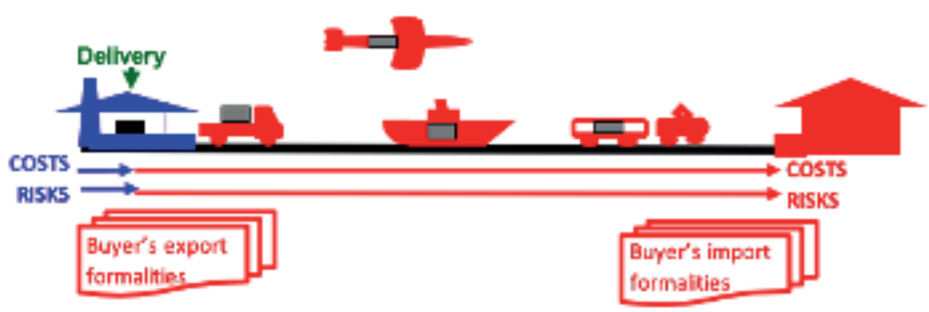
2.2.The Scope of Incoterms 2020

2.2.1. EXW (Ex Works)

The is the delivery method that poses the least risk to the seller. In the EXW delivery method, it is sufficient for the exporter to keep the goods ready in packaged form at the place at which the goods to be exported will be loaded (factory, warehouse, etc.). Here, the importer bears all the responsibility. Through its own agency, it sends the transport vehicle to pick up the goods in the exporter's country, loads the goods, passes them through customs (loads them to the main carrier if the intermediate carrier is used), brings them to their own country and sends them to the place where the goods will be unloaded by passing them through customs in their own country. Customs, transportation, shipment, loading, unloading and their associated costs in both countries are the importer's responsibility.

- The seller delivers the goods by placing them at the buyer's disposal at the named place at the agreed delivery time.
- The seller pays the costs and bears the risk of loss of or damage to the goods until he has delivered them.
- The buyer takes delivery when the seller has placed the goods at his disposal at the named place at the agreed time.
- The buyer pays the costs and bears the risk of loss of or damage to the goods after the delivery.
- The buyer carries out export and import formalities.

Figure 1. EXW (ExWorks)



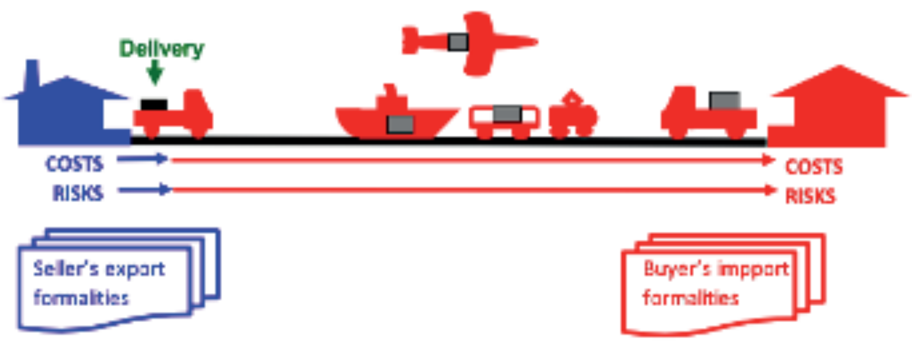
Source: https://www.logistiikanmaailma.fi/

Transportation: The seller has no obligation to make a contract of carriage. It can be determined according to the agreement.
Insurance: Insurance transactions are left to the parties' mutual agreement. Insurance need not be provided or, according to the agreement, both the buyer and the seller can insure.
Transport mode: Can be used in all transport modes.

2.2.2. FCA (Free Carrier)

In FCA term, the seller performs the customs clearance by loading the goods from their place to the intermediate carrier, delivering via the main carrier to the carrier at the designated location and the seller's responsibility ends here. If the loading takes place at the seller's site, the responsibility lies with the seller; elsewhere, it belongs to the buyer. For example, the seller loads the goods to the intermediate carrier, and after it has passed through the airport customs, it leaves the loading on the plane to the buyer. If the main carrier is a truck, it is also possible to carry out the loading at the workplace according to mutual agreement and without any need for an intermediate carrier for the seller. The seller loads the goods to the main carrier and their responsibility ends there. The update provided an on-board bill of lading to the seller.

Figure 2. FCA (Free Carrier)



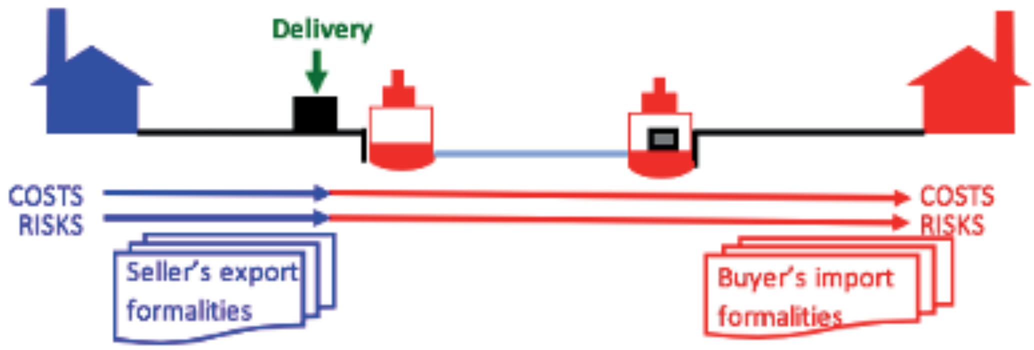
Source: https://www.logistiikanmaailma.fi/

Transportation: The cost and responsibility of the main carrier belongs to the buyer.
Insurance: There is no obligation to take out insurance. Insurance transactions are left to the mutual agreement of the parties.
Transport mode: Can be used in all transport modes.

2.2.3. FAS (Freew Alongside Ship)

The FAS delivery term is valid for sea shipping. The seller brings the goods loaded to the intermediate carrier in his place to the port, performs the customs clearance and leaves the goods in the port before proceeding to the loading phase. If the ship is offshore and an intermediate carrier is required for loading from the port to the ship, then the intermediary carrier is also responsible for the seller. After that, the responsibility passes to the buyer, who bears the costs of loading, unloading, transportation and insurance.

Figure 3. FAS (Free Alongside Ship)



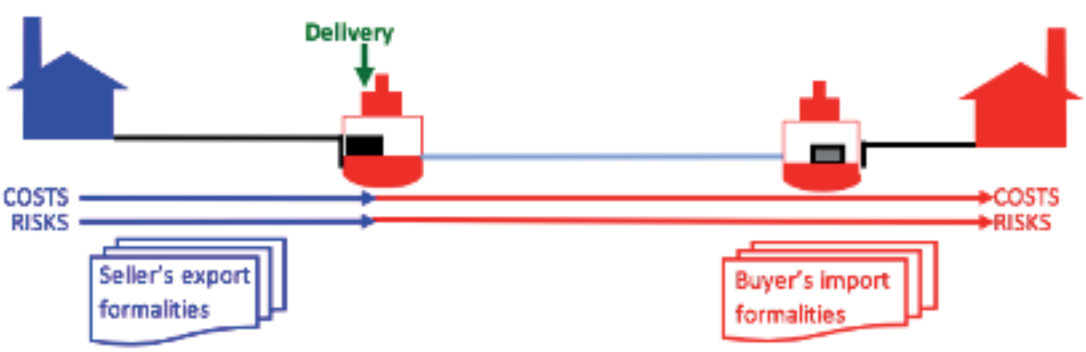
Source: https://www.logistiikanmaailma.fi/

Transportation: The cost and responsibility of the main carrier belongs to the buyer.
Insurance: There is no obligation to take out insurance. Insurance transactions are left to the mutual agreement of the parties.
Transport mode: Sea transport mode.

2.2.4. FOB (Free on Board)

In FOB delivery term, the seller applies the FAS delivery procedure but loads the shipped goods onto the ship and transfers the responsibility to the buyer.

Figure 4. FOB (Free On Board)



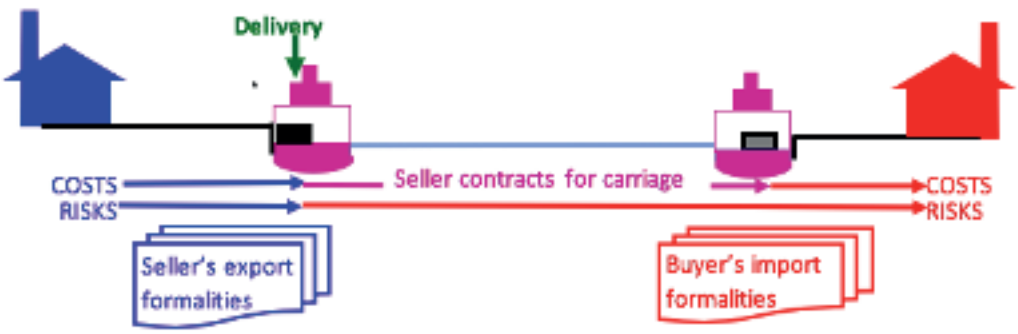
Source: https://www.logistiikanmaailma.fi/

Transportation: The cost and responsibility of the main carrier belongs to the buyer.
Insurance: There is no obligation to take out insurance. Insurance transactions are left to mutual agreement of the parties.
Transport mode: Sea transport mode.

2.2.5. CFR (Cost and Freight)

CFR or C&F is used only for maritime transport. The exporter loads the goods onto the transport vehicle, oversees the goods' entry into the port through customs clearance, loads them onto the ship and pays all expenses and freight until they are unloaded at the designated destination port. Although the reponisbility for transportation here rests with the seller, all risks (loss, damage, etc.) during the transportation belong to the buyer. The seller thus bears only the freight cost.

2.2.5. CFR (Cost and Freight)



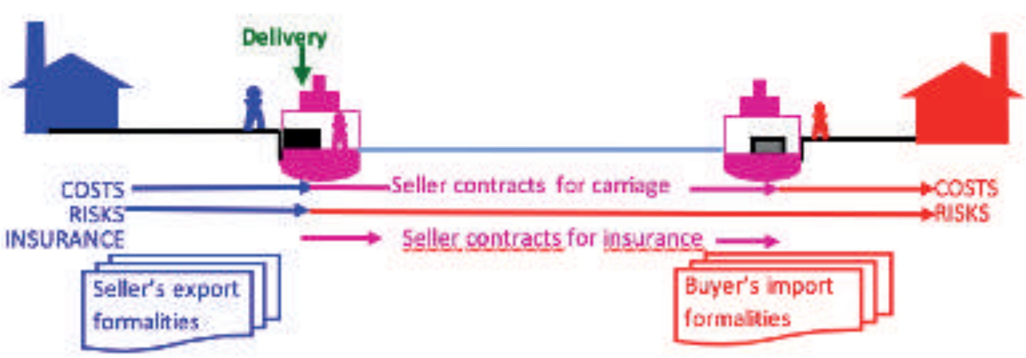
Source: https://www.logistiikanmaailma.fi/

Transportation: The cost of the main carrier lies with the seller.
Insurance: There is no obligation to take out insurance. Insurance transactions are left to mutual agreement of the parties.
Transport mode: Sea transport mode.

2.2.6. CIF (Cost, Insurance and Freight)

In CIF delivery, the exporter takes out marine insurance in addition to the CFR conditions. Transportation costs belong to the seller, but the risks are borne by the buyer.

Figure 6. CIF (Cost, Insurance, Freight)



Source: https://www.logistiikanmaailma.fi/

Transportation: The cost of the main carrier rests with the seller.
Insurance: Insurance rests with the seller. Unless otherwise stated, insurance is taken out according to Clause C, whose coverage is narrow.
Transport mode: Sea transport mode.

2.2.7. CPT (Carriage Paid to)

In CPT delivery, the exporter assumes the responsibility for paying the freight up to the pre-agreed destination. This delivery mode is used in all modes of transport, particularly multi-vehicle transport. From the moment the seller transfers the goods to the custody of the first carrier, all risks relating to the goods, excluding freight, pass to the buyer

Figure 7. CPT (Carriage Paid to)

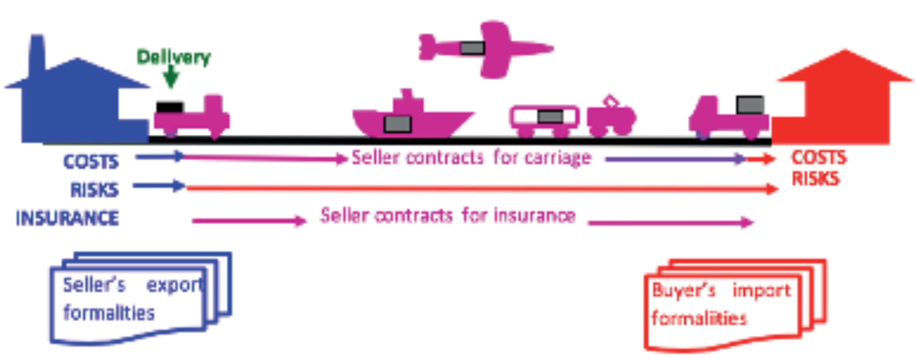
Source: https://www.logistiikanmaailma.fi/

Transportation: The cost of the main carrier belongs to the seller.
Insurance: There is no obligation to take out insurance. Insurance transactions are left to the mutual agreement of the parties.
Transport mode: Can be used in all transport modes.

2.2.8. CIP (Carriage and Insurance Paid to)

In CIP delivery term, the exporter also undertakes the transportation insurance in addition to the conditions in CPT delivery.

Figure 8. CIP (Carriage and Insurance Paid to)



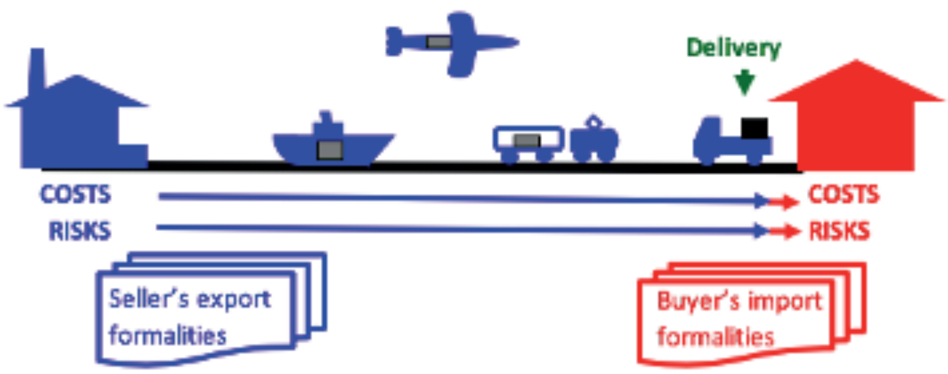
Source: https://www.logistiikanmaailma.fi/

Transportation: The cost of the main carrier rests with the seller.
Insurance: Insurance belongs to the seller. Unless otherwise stated, insurance is made according to Clause A, whose coverage is wide.
Transport mode: Can be used in all transport modes.

2.2.9. DAP (Delivered at Place)

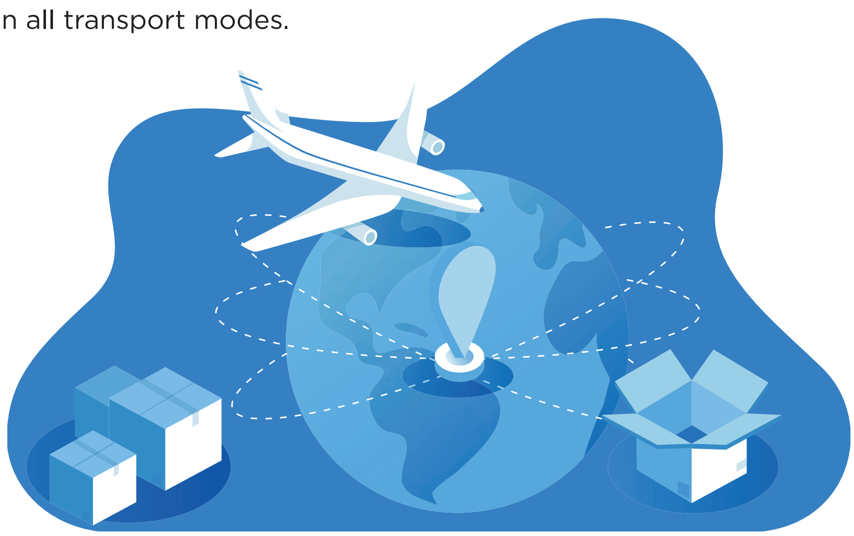
This undertakes the delivery tasks of DEQ, DAF, DES and DDU, which were included in and removed from Incoterms 2000. It can be used in all modes of transport. In this delivery method, after the exporter loads the goods and passes them through the customs of their own country—if the land carrier has used it—they load them to the main carrier, who transfers them to the agreed destination (port, warehouse, logistics terminal or importer's warehouse) and leaves the unloading to the buyer. Customs clearance, customs tax and other costs in the importer's country lie with the importer.

Figure 9. DAP (Delivered At Place)



Source: https://www.logistiikanmaailma.fi/

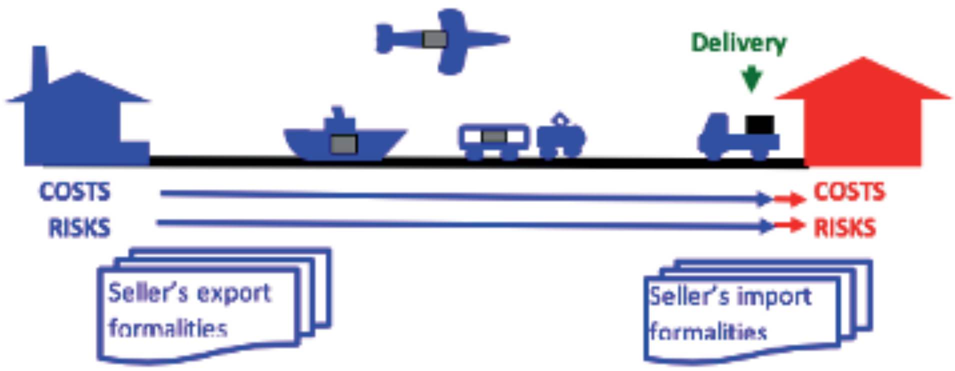
Transport: The costs rest with the seller.
Insurance: There is no obligation to take out insurance. Insurance transactions are left to the mutual agreement of the parties.
Transport mode: Can be used in all transport modes.



2.2.10. DPU (Delivered at Place Unloaded)

In this delivery method, which has replaced the DAT, the exporter loads the goods and passes them through the customs of their own country—if the bus has used it—and unloads them at the agreed destination (port, warehouse, logistics terminal or importer's warehouse). However, customs clearance, customs tax and other costs in the importer's country belong to the importer.

Figure 10. DPU (Delivered At Place Unloaded)



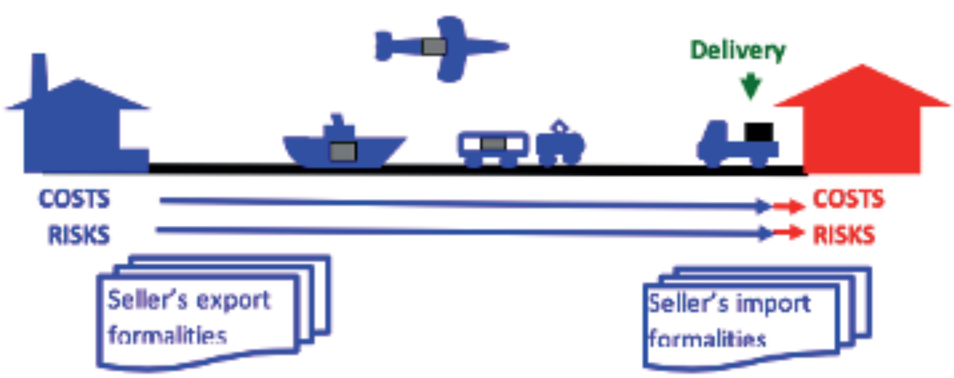
Source: https://www.logistiikanmaailma.fi/

Transport: The costs belong to the seller.
Insurance: There is no obligation to take out insurance. Insurance transactions are left to the mutual agreement of the parties.
Transport mode: Can be used in all transport modes.

2.2.11. DDP (Delivered Duty Paid)

Unloading is the buyer's responsibility. Taxes and expenses, freight, intermediate carrier organisation and expenses in both customs rest with the exporter. The responsibility imposed by the importer in EXW passes to the exporter in DDP.

Figure 11. DDP (Delivered Duty Paid)



Source: https://www.logistiikanmaailma.fi/

Transport: The costs belong to the seller.
Insurance: There is no obligation to take out insurance. Insurance transactions are left to the mutual agreement of the parties.
Transport mode: Can be used in all transport modes.

CHAPTER 3: PAYMENT METHODS IN INTERNATIONAL TRADE

- Importance of Payment Methods in International Ttrade
- Payment Methods in International Trade

To ensure that international trade transactions to be carried out, a payment system must be present in every transaction owing to the nature of the trade. While payment transactions are easier in domestic trade, when it comes to international trade, it becomes more comprehensive due to the internationalisation of transactions. In this section on 'Payment methods in international trade', first, the importance of the payment method will be emphasised, then the risks that may be encountered in payment will be briefly mentioned, and the payment methods frequently used in the international arena will be explained.

3.1. Importance of Payment Methods in International Trade

The most important and sensitive issue of international trade for both the importer and the exporter is the 'payment' issue. The exporter always requires payment for goods sent on time and without any problems. The importer, meanwhile, expects that the goods he has ordered will arrive on time as he wishes in return for his payment. However, the exporter and importer face various risks in terms of payment for reasons such as the fact that international trade takes place between different countries with different languages and legislation practices, and the parties may not have sufficient information about one another, giving rise to difficult situations.

Risks that the parties may face as a result to international payments may be eliminated by choosing a payment method suited to both parties' conditions. Therefore, the chosen payment method is of great significance in international trade. Before mentioning the types of payment in international trade, it will be useful to mention what kind of risks there are regarding payments. The risks faced by the parties regarding payment can be basically grouped under three main headings: 'commercial risk', 'country risk' and 'currency risk'.

Commercial risk: Commercial risk may be expressed as the type of risk arising from the parties in international trade transactions. Such risks arise in various ways, such as the failure or death of the importer, failure to pay the goods' cost due to the company's declaration of liquidation or the importing company's failure to fulfill its debt obligation due to bad faith. Commercial risk may also arise if the exporter does not send the desired product at all or does not send it in accordance with the desired quality or properties in return for the payment made by the importer.

Since the importer and exporter are located in different countries, it is difficult for them to collect information about one another during international trade. However, the parties must be sure of one another's honesty and ability to fulfill their obligations. In this context, the parties face a commercial risk. For example, suppose the importer orders a product. In this case, the exporter will supply the raw materials, initiate production and prepare the goods for shipment. During this process, the importer can notify the exporter that he does not want the goods, as he can procure the same product more cheaply from another seller. In such a case, if the payment method requires the importer to pay after receiving the goods, the exporter will face a great risk. The exporter may not be able to evaluate the product it produces with respect to model or size or may have to sell it

very cheaply. In particular, if the exporter states that they no longer want the goods after the goods have been shipped or after the importer has reached his customs, the exporter will experience greater problems. As a solution, the exporter may resort to other means, such as bringing the goods back to their country, selling the goods by finding new customers or selling at the expense of the old customer. All of these will place the exporter in a difficult economic situation.

Another type of commercial risk to be encountered is due to the financial problems of companies. Although the importer orders and wishes to buy the goods, they may not be able to cover the cost owing to financial difficulties. In such cases, the exporter will face the risk of not being able to collect the cost of the goods. For this reason, the parties should know each other well before entering into a contract. If the financial status of the counter firm is in doubt, selection of the appropriate payment methods will protect the exporter.

The greatest commercial risk that the importer may face is the late or non arrival of the goods for which he has paid. If the importer determines a payment method whereby the payment will be made after the goods have arrived, this risk will be minimized.

To avoid commercial risk, the parties should first research one another thoroughly. For this, one can benefit from the counterparty bank, trade associations or international trade consultancies and attachments and the Eximbank Insurance Programme in export transactions. Apart from this, the parties should execute the agreement between them within the framework of a binding contract.

Country Risk: Country risk is associated with events such as war, civil war, revolution, strike, etc., which develop outside the exporter and the importer and arise from the political situation of the countries where the parties are located. Each country's laws and policies differ owing to their needs and conditions. This exposes the parties to several risks in terms of payment. Consequently, when legal disputes occur, the legal rules to be applied for resolution also differ. For example, although the exporter prepares the goods for shipment on the importer's orders, import may be restricted due to political events such as war, revolution, strikes or import prohibitions in the importer's country. In such cases, the goods will remain in the exporter's hands and the cost will not be collected. Although the importer orders and wishes to buy the goods, they may be unable to cover the cost of the goods owing to foreign exchange shortages in their country, or their overseas payments may be stopped with a decision taken by the government. In such cases, the exporter will be unable to collect the cost of the goods.

As country risk develops outside of the parties, there are few options to mitigate such risks. One means of reducing the country risk is for the parties to mutually consider the political and geographical positions of the countries they are located in. It is also expressed as another measure to be taken in my Eximbank Insurance Program in terms of export transactions.
Currency Risk: Currency risk can be expressed as the type of risk faced by the firm as a result of unexpected changes in foreign exchange rates. Although the currency risk is encountered in deferred payment methods, the possibility of encountering it increases, particularly if the currency preferred for purchase and the currency preferred for sale are different. The biggest precaution that the parties can take in this type of risk is not to include the maturity in the determined payment form. However, since a maturity is typically included in payments, the parties can minimise their risks by applying international financial techniques such as foreign exchange options, future contracts, foreign exchange forward, foreign currency swap and spot transactions in order to avoid the negative effects of exchange rate risk.

3.2. Payment methods in international trade

In foreign trade, four basic payment methods are accepted in the international arena. These can be listed as 'cash payment', 'cash against goods', 'cash against documents' and 'letter of credit' (www.ijceas.com)

3.2.1. Cash payment

Cash payment requires the importer to pay the goods' cost to the exporter prior to delivery. The exporter has to send the documents related to the product directly to the importer in return for the payment made by the importer. Prepayment is not a common method of payment, as the importer faces the risk of not being able to receive the goods in return for payment. It is generally used in the international trade of goods produced on special order.

In advance payment, the importer gives credit to the exporter in a sense. For this reason, advance payment occupies an important place in foreign exchange legislation. In other international payment methods, international banking practices are valid and foreign exchange tracking is not carried out. In advance payment, commitments must be closed by respecting the required periods.

When the parties conduct risk assessment for the advance payment method, no risk is evident for the exporter, while it is the payment method with the highest risk for the importer. The exporter avoids all risks by paying in advance. In addition, the exporter provides financing and creates solutions to its problems in this regard. The importer, meanwhile, faces an intense commercial risk. Owing to various production problems, the exporter may send the goods late or not at all, despite the importer having paid for the goods. In such cases, the importer cannot claim rights on the goods, and if the exporter does not return the money, the cost of the goods will be forfeit.

The importer also faces country risk. The importer who pays the cost of the goods may be unable to receive the goods on time owing to political problems, such as war, civil war, strike, revolution or uprising in the exporter's country. If the importer must obtain the goods within a certain timefram, the situation will be unpleasant for them, and if the exporter cannot return the price, they will be unable to cancel the order because they have paid the price of the goods.

Since cash payment includes no maturity, it incurs no currency risk. Since the cost of goods is paid in advance, the payment process is concluded for both the importer and exporter. However, if the exporter sends the goods late, the importer will be deprived of the chance to earn interest income by using the money they have paid during this delay period.

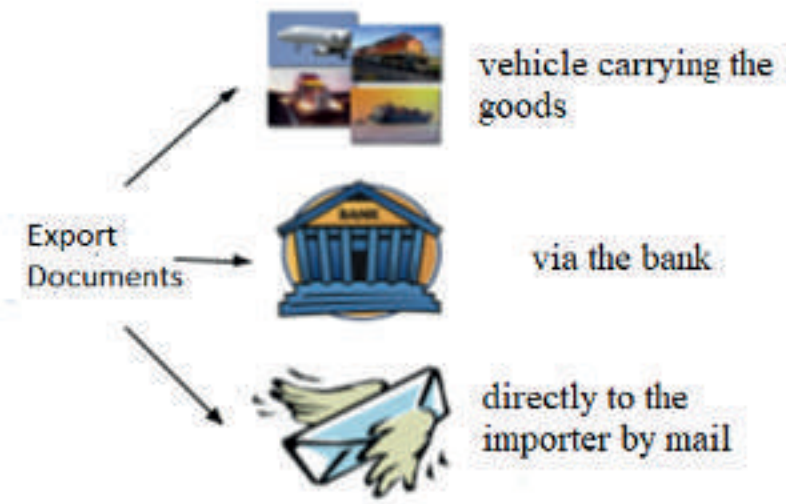
For the exporter, the cash payment method is preferred in cases where the importer does not provide sufficient confidence in payment, where the importer is located in a country that is afflicted with political or economic instability and where the product cannot be produced specifically for the importer and sold to someone else.

For the importer, cash payment is preferable in cases where the goods subject to international trade are scarce, there is an obligation to buy the goods under all circumstances and the environment of trust among the exporters is strong. In addition, if the importer wishes to take advantage of the advance payment discount, advance payment can be attractive for the importer.

3.2.2. Cash Against Goods

Payment against goods is the payment made after the goods sent by the exporter arrive at their destination and are received by the importer. In the payment against goods, the exporter sends the goods to the importer without prepayment or without preparing a policy, and the importer pays the price of the goods to the exporter on the date they receive the documents relating to the goods by mail or on a predetermined date. In payment against goods, documents can be sent directly to the importer by mail or may be sent with the vehicle carrying the goods or via the bank.

Figure1: Delivery of Export Documents as Payment Against Goods



When sent via the bank, a free delivery order is given to the bank and a service fee is paid. In practice, it is generally preferred to send the documents directly to the importer or with the transport vehicle. Sending it with the transport vehicle, especially in partial loads, may rarely cause confusion, since there are more than one company in the vehicle. Therefore, the exporter should consider this possibility.

The transaction stages in payment against goods are as follows (Kumar et.al, 2021):

1. First, the parties draw up a contract.

2. The goods and documents subject to the order are sent to the importer.

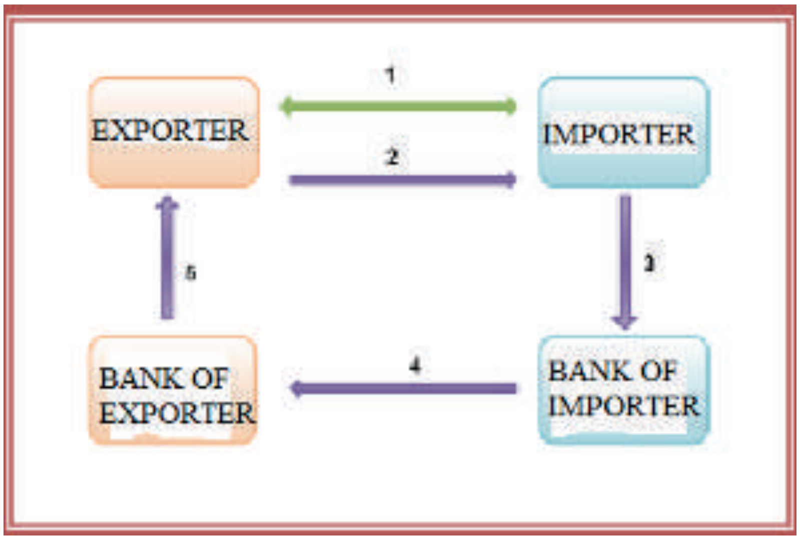
3. After the goods have reached the importer and cleared customs, the importer gives instructions to the bank for the transfer of the cost of the goods.

4. The importer's bank transfers the cost of the goods to the exporter's bank.

5. The fee arrives in the exporter's bank is paid to the exporter.

Figure 2 summarises the transaction flow in the cash against goods payment method.

Figure 2: Transaction Flow in Payment Against Goods



If the exporter wishes, he can request the acceptance of the policies to be issued to the importer and thus have an opportunity to collect the price within a certain period of time or to provide legal assurance. However, the exporter may also request a bank's bill. These transactions are called 'Against Goods with Acceptance Credit' transactions. However, because payment against goods is a risky payment method for the exporter, banks abstain from giving valuations. The payment against goods method is considered to be riskiest for the exporter since the importer bears the risk of importing the goods and not paying the price, whereas it is the least risky payment method for the importer as they obtain the goods and related documents.

In the payment against goods method, the exporter sends the goods to the importer without guaranteeing that they will collect the cost of the goods as well as sending the documents representing the goods to the buyer. In this case, ownership of the goods passes to the importer without collecting the cost of the exporter. In other words, if the exporter cannot collect the cost of the goods, they will lose both the goods they have sent and their money. The exporter's inability to collect the cost of the goods arises from commercial risk and country risk, and the exporter undertakes all the risks in this payment method.

When the exporter company completes the production of the goods subject to the order and prepares them for shipment or after sending the goods, the importing company may refrain from purchasing the goods. In this case, the exporter company faces a commercial risk. The produced goods will either remain in their possession and they will have to find new customers, or they may have to sell the goods at a cheaper price, depending on the nature of the goods. In addition, if the importer cancels his order after the goods have been shipped, the exporter will have to bear the shipping cost if he withdraws his goods. However, the exporter may also encounter a situation whereby the importer receives the goods and pays the cost late or does not pay at all.

The exporter company may fail to collect the cost of the goods as a result of political events, such as war, civil war, revolution and import bans in the importing company's country. Again, after the goods have been prepared for shipment or shipped, the importer may be unable to receive the goods they have ordered as a result of import bans in their country. In this case, the exporter will not be able to collect the cost of the goods.

In the payment against goods method, the importer has the opportunity to pay the price of the goods at any time within the payment period allowed by the country's legislation, after assuming ownership of the goods. In addition, they can pay the price of the goods in question with the funds they will obtain after selling the goods in their country. In other words, the importer is indirectly credited by the exporter.

This payment method also involves a currency risk for both the exporter and the importer. Negative exchange rate changes between the date of the agreement between the exporter and the importer on which they determined the price and the date when the importer pays the price of the goods may put the exporter or importer in a difficult situation.

Since the exporter faces the greatest risk in the payment against goods method, they should exercise caution. The exporter should seek out information about the economy, legal system and political situation of the importing country, particularly with respect to political risks, such as civil war and natural disasters. Meanwhile, the importer must obtain information about the exporter's financial situation and the commercial situation in their country against commercial risks, such as bankruptcy of the importer firm, death of the firm owner, strike and lockout. In addition, in cases of dispute between the parties regarding the collection of the exporter price, a sales contract must be made so that the exporter can legally claim their right. This contract must specify the date on which the payment can be made.

In cases where the exporter makes a transaction against 'Goods with Acceptance Credit' and requests the bank's bill, it ensures that the cost of the goods is collected within the specified period or provides legal assurance. The exporter thus takes measures against commercial risk. In terms of foreign exchange legislation, there is no foreign exchange follow-up in the payment against goods method. The exporter has the right to free disposal regarding the cost of the goods exported. In other words, it does not have to bring the cost of the goods to the country and can use it abroad as it wishes.

As of 08.02.2008, the obligation to bring the exported amount to the country within 180 days, the obligation to sell the export price brought to the country to the banks and the free use of only 30% of the goods brought to the country within 90 days have ended.

3.2.3. Cash against documents

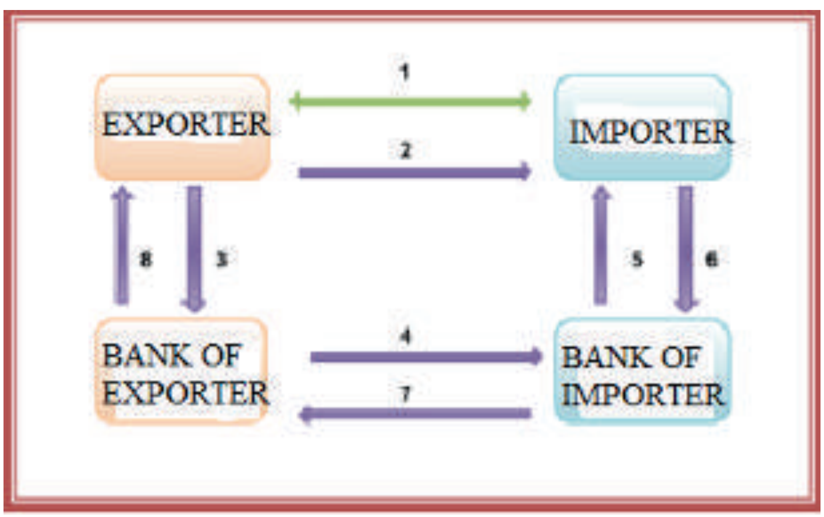
Payment against documents is a payment method in which the importer assumes ownership of the goods by receiving it from the bank of documents that represent the goods after the importer has paid the cost of the goods to their bank. That is, it is a form of payment wherein the bank delivers the document to the importer after collecting the export price (Meral, 2019)

The cash against documents payment method includes a ‘Uniform Rules for Collections’ brochure (numbered 522) published by the ICC regarding the responsibilities of importers, exporters, intermediaries and correspondent banks and is still valid (Wieser, 2019)

In the payment against documents method, the exporter initiates the transaction by giving the documents relating to the goods and the necessary instructions. The bank is obliged to deliver the documents to the importer on the exporter’s instruction. Aside from this, it is not responsible for the non-payment of the cost of the goods. In other words, banks act as representatives of their customers and do not bear any responsibility in payments against documents.
The process steps in the payment against documents method are as follows (Trivedi, Bhogal, 2008).:

1. A contract is made between the parties.
2. The goods are sent to the importer.
3. After loading, the exporter sends the documents pertaining to the goods to their bank with a collection instruction.
4. These documents are sent by the exporter’s bank to the importer’s bank.
5. The documents are submitted by the importer’s bank to the importer in return for the payment of the cost (unless otherwise specified in the collection order).
6. The importer pays the price and the documents are received from the bank by the importer.
7. The goods’ cost is delivered by the importer’s bank to the exporter’s bank.
8. The goods’ cost is paid by the exporter’s bank to the exporter.
Figure 3 summarises the transaction flow in the form of payment against documents.

Figure 3: Transaction Flow as Payment Against Documents



The most important stage in the payment against documents method is the delivery of the documents to the importer by their bank. Documents representing the goods are delivered to the importer in two ways (Kim, 2021, Lee, 2012, www.irei-assoc.org):

- Delivery of documents against payment: In this case, the importer bank, which will make the collection, delivers the documents to the importer only against payment. In other words, the importer receives the documents by making a payment to the bank, and the bank transfers the cost of the goods to the shipping bank. Such payments are specified as ‘payment against documents’.
- Delivery of documents against policy acceptance: If the exporter and importer have agreed on a certain term between them—in other words, if the importer will pay the cost of the goods at the end of a certain period of time after they have received the goods—it is not possible for the bank to deliver documents against payment to the importer. In this case, the exporter draws up a policy on behalf of the importer and submits it to the bank together with the documents for collection. It also stipulates that the documents must be delivered to the importer in return for policy acceptance in the letter of instruction. If the exporter does not know the importer very well or there is a trust problem, it may be possible for the importer's bank to waive the policy. Such payments are called ‘acceptance credit against documents’.

Although the payment against documents method is more secure than the advance payment and cash against goods payment methods examined above, the importer and exporter still face risks. However, it is preferable because its cost is lower than letters of credit. In the form of payment against documents, as in other payment methods, primarily the trust of the parties is in question. In general terms, according to the verbal or written agreement made in the transactions against the documents, the exporter company delivers its goods and sends the relevant documents to the bank to be delivered to the importer. The importer's bank first collects the cost of the goods from the importer and then gives the document to the importer. The importer can take the documents he has paid for and clear his goods from the customs (Kumar et.al, 2021).

In transactions against documents, banks become a party to the payment transaction, albeit in a limited capacity. However, in cases of risk, banks do not interfere in lawsuits between the importer and the exporter. Banks do not have any responsibilities regarding the content and characteristics of the documents and the implementation of the contract provisions between the parties. Their responsibility is to fulfill the instructions given to them, and they are obliged to collect documents by sending them to the sending bank and collection bank. In this context, the problem of trust between the parties in transactions against documents is resolved to some extent.

Both the importer and exporter may face some risks in the payment against documents method. The importer may face a commercial risk whereby the exporter may not send the goods subject to the order with the properties and quality suitable for the agreement. When the importer pays the cost of the goods based on the documents sent to the importer's bank and goes to the customs to withdraw the goods, they may encounter goods that do not comply with the agreement. In such cases, the importer is obliged to attract the goods. If a written contract has been drawn up between the importer and the exporter, the minutes are kept and the importer can sue the exporter. However, where no written contract exists, nothing can be done and the importer must bear all material and moral risks. Since the importer does not have the chance to see and control the goods before paying the document price and receiving the documents, they are faced with the risk of losing the cost of the goods.

The commercial risk that the exporter will face is the importer's refusal to buy the goods despite the goods' having been shipped in accordance with the terms of the agreement and the relevant documents are sent to the bank. In such a situation, what the exporter can do is limited and usually has to withdraw the goods. However, this solution is a costly solution for the exporter due to the transportation costs. Apart from this, the exporter company will have to sell the goods more cheaply by discounting them, resulting in a financial loss to the exporter (Triverdi, Bhogal, 2008, Jones, 2018).

Country risk assessment reveals that this risk is largely minimized for the importer. If the exporter does not send the goods or sends them late owing to political reasons in the exporter country, the importer will pay the document price after the goods are shipped, thus minimizing the country risk in terms of payment. Although the country risk is not particularly intense for exporters, it exists nonetheless. After the exporter realizes the shipment of the goods, they may not be able to pay the price of the documents and may withdraw the goods for political reasons, such as war in the importer's country and import prohibition. In such cases, the exporter applies to withdraw the goods or seeks new customers (Goede, 2015, www.hdl.handle.net).

As with other payment methods, currency risk is inevitable in transactions against documents. The importer or exporter will suffer a loss in their own national currency owing to the change in exchange rates between the date of contract and the day when the price of the goods is paid.
One issue that should not be overlooked in transactions against documents is that when bills of lading are issued in maritime transport, they are issued on behalf of the importer's bank. In other words, the importer's bank and details should be written in the 'consignee' section of the bill of lading, and the importer company and its details should be recorded in the 'notify' section. In this way, the bank does not endorse the bill of lading on the importing bank without the importer paying the cost of the goods.

As stated above, the brochure numbered 522 (Uniform Rules for Collections) published by the ICC determines all the authorities and responsibilities of importers, exporters, intermediaries and correspondent banks in transactions against documents. If it is clearly stated in the written contract between the importer and the exporter that the collection transactions are subject to the brochure numbered 522, it is binding for the parties and the solutions to the problems are detailed in the brochure (Wieser, 2012).

When the method of payment against documents is evaluated in terms of foreign exchange legislation, no foreign exchange follow-up takes place as it takes the form of payment against goods. The exporter has the right of free disposition regarding the cost of the goods exported, does not have to bring the cost of the goods to the country and can use it abroad as they wish (Jones, 2018).

3.2.4. Letter of credit/Documentary credit

A letter of credit can be defined as a conditional commitment to a specified exporter to be paid in return for the submission of documents relating to the goods or services, given by a bank and specified in detail by the importer, upon the importer's request.

'Payment by letter of credit' is preferred in cases where the mutual expectations of the buyers and sellers of the goods or services subject to commercial activity, namely exporters and importers, must be realized and the parties are equally protected from risks. Thus, payment is made against the submission of documents representing the good or service.

Under the letter of credit payment method,
-International commercial activity is regulated by banks
-Great security elements are provided for the parties
-Payment is guaranteed when the conditions for the letter of credit are fulfilled
-Payment is based on documents rather than on the relevant good or service.

The main pillar of the letter of credit payment system is the banks that function as a bridge between the importer and the exporter. In transactions with letters of credit, banks enter into obligations in writing and mediate the payment transaction. All conditions in the sales contract made between the importer and the exporter constitute the necessary conditions for the payment to be made. These primarily include issues such as technical specifications regarding the quality of tradable goods, quantity in a certain unit, unit price, delivery method, package weight, shipping method and method of payment. The submission of documents such as invoices, quality control certificates, bills of lading and certificates of origin confirming that these matters have been fulfilled by the exporter to the bank within the specified period indicates that the conditions have been fulfilled. Subsequently, the exporter is paid (Meral, 2019).

Payment by letter of credit is a process that protects both the exporter and the importer. When the exporter ships the goods in accordance with the terms of the letter of credit, he is sure that he will collect the cost of the goods. On the other hand, the importer makes sure that the payment will not be made before the documents showing that the shipment has been made and that the goods have been sent in accordance with the terms of the letter of credit are presented to the bank by the exporter. In this context, the reasons for the widespread use of letter of credit payment can be summarized as follows (Lee, 2012).

From the exporter's perspective (Meral, 2019):

1. The bank's payment is guaranteed (in the confirmed letters of credit method, the second bank's payment is also guaranteed).
2. Country risk is minimal.
3. Export credit can be obtained by showing the letter of credit link.
4. By entering new markets, sales can be increased.

From the importer's perspective

1. First of all, the importer has the assurance that no payment will be made to an exporter who does not fulfill the letter of credit conditions.
2. Banks examine whether the letter of credit conditions are fulfilled on behalf of the importer.
3. The 'last shipment date' has been finalized, allowing the importer to obtain the goods on time.

4. It can generate financing from various sources until it markets its goods by showing them as security.
5. In cases of agreement with the exporter, it can be ensured that the cost of the goods is paid at the end of a certain maturity, not at the time of submitting the documents. This may give the importer the opportunity to provide low-cost credit.

The ICC published the brochure 'Uniform Customs and Practices for Documentary Loans' to prevent disputes that may arise between the parties in letter of credit payments and to eliminate the differences in writing and implementation, since there are no agreements between the states regarding the letter of credit and the letter of credit is not regulated by law in the vast majority of countries. Following brochures 400 and 500, the brochure numbered 600 entered into force on 1 July 2007. Currently, transactions with letter of credit are carried out according to the brochure numbered 600 (UCP 600) (Kim, 2021).

Parties in payment by letter of credit;
In the letter of credit method, banks undertake various duties according to the type of letter of credit. For example, the exporter's bank may be a notification bank, a payment bank and a confirmation bank. In some cases, the duties may be undertaken by different banks. In this case, the notification bank, the payment bank and the confirmation bank are separate banks. As such, the parties to the letter of credit also increase (Jones, 2018).
Ten sides can be basically mentioned in the form of payment by letter of credit (Trivedi, Bhogal, 2008, Lee, 2012, www.globalnegotiator.com, www.managementparadise.com)

- Applicant–Importer: The buyer (importer) initiates the transaction by instructing their bank to open a letter of credit.
- Beneficiary of letter of credit–Exporter: The exporter in whose favor the letter of credit is opened.
- Opening or issuing bank (importer's bank): The supervisory bank is the bank that issues a letter of credit on the importer's order.
- Intermediary bank: The bank that notifies or confirms the letter of credit to the beneficiary, makes the payment to the beneficiary, accepts the submitted policy or accepts the policy according to the terms of the letter of credit.
- Notification bank (advising bank): The bank that notifies the exporter or its bank as a result of the task assigned to it in the text of the letter of credit received from the supreme bank.
- Payment bank (paying bank): The bank authorized to pay in the letter of credit. This is the bank that will pay the cost of the documents.
- Accepting bank: The bank that is authorized to issue a term policy in the letter of credit or is authorized to accept the policies.
- Participation bank (negotiating bank): This is the bank to which the exporter submits the documents specified in the letter of credit conditions. If the affiliate bank decides on the conformity of the letter of credit as a result of the document review, it will participate in the document. That is, they buy it and send it to the supervisory bank or payment bank.
- Confirming bank: This is the bank that confirms the letter of credit based on the request of the supreme bank. In other words, in addition to the supervisory bank's obligation, this bank undertakes to make a payment or to accept a policy when the documents in accordance with the terms of the letter of credit are presented to it within the specified period.
- Reimbursing bank: This bank will transfer the payment or acceptance bank and the

subsidiary bank according to the instructions received from the superior bank. In other words, this bank will pay the price that these banks must pay to the beneficiary. The reimbursing bank is an intermediary authorized by the issuing bank to reimburse the specified payment or the participating bank and is not a direct party to the letter of credit. The interest, commission and all other expenses of the reimbursing bank are covered by the chief bank.

An important issue arises in relation to the banks that are parties to the letter of credit. The banks that are parties to the letter of credit do not assume any liability or responsibility for accuracy of the documents submitted to them, whether they are real or fake, their legal consequences, and the general or special conditions contained in the documents. In addition, they have no responsibilities regarding the availability of the goods subject to documents or their value, description, quantity, weight, quality, condition, packaging or delivery or the goodwill, actions, negligence, financial status and commercial reputation of the shipper (www.intofinanceoil.com).

Types of letters of credit;
Letter of credit types can be examined in two groups according to their payment methods and features. According to payment methods, letter of credit types differ with respect to payment terms and payment status. According to their features, letters of credit are determined according to the application methods and characteristics of the letters of credit. The parties choose the most suitable letter of credit type for their purposes, taking into account the conditions they are in, the situation of the counter firm and the country.

I. According to Payment Type
a) Letter of credit against submission of documents (at sight L/C): This letter of credit type involves the preparation of documents relating to the letter of credit within the terms of the letter of credit and its submission to the issuing bank (Trivedi, Bhogal, 2008).

b) Post-payment letter of credit (deferred payment L/C): This credit type stipulates the payment of the amount to the exporter at the end of the period specified in the letter of credit after the documents are submitted in accordance with the letter of credit's conditions. With this form of letter of credit, the importer (manager) has the opportunity to pay the cost of the goods after the goods have arrived at customs or after the import has been completed (Branch, 1994).

c) Letter of credit with acceptance credit (acceptance L/C): During the submission of documents prepared in accordance with the terms of the letter of credit, according to the situation of the exporter (beneficiary), a term policy is issued on the head bank or correspondent bank and this policy is accepted and paid on time. The exporter (beneficiary) can wait until the policy matures and may submit it to the bank at maturity or have it discounted before maturity. In this way, the exporter can provide early financing.

d) Negotiable L/C: This letter of credit type requires that the value of the policy or documents by the bank be designated and authorized for the surrender transaction. In other words, the subsidiary bank must buy a policy or documents.

II. According to Characteristics
a) Revocable letter of credit (revocable L/C): A reversible letter of credit is defined as a letter of credit type that can be changed or canceled by the issuing bank at any time without prior notice

to the exporter (beneficiary). The right to amend a reversible letter of credit belongs to the issuing bank, and the bank can exercise this right without consulting the importer. While rotatable letters of credit are also accepted in both brochures 400 and 500, this letter of credit type is not included in the Rules (number 600) owing to the exceptional nature of the application of revolvable letters of credit (Trivedi, Bhogal, 2008)

b) Irrevocable L/C: This letter of credit type cannot be canceled or changed without the mutual approval of the parties. In a non-reversible letter of credit, the issuing bank's obligation is certain. If the issuing bank submits documents that comply with the terms of the letter of credit, it is obliged to make payments on the due dates and to accept or subscribe the policies drawn on it. In irrevocable letters of credit, the exporter (beneficiary) ensures that they will receive their money when they ship the goods in accordance with the letter of credit's terms. In summary, irrevocable letters of credit provide two guarantees. The first is that even if the importer (supervisor) does not pay the price of the documents, the issuing bank will make the payment; the other is that the form and terms of the letter of credit or the entire accredited can be changed without the exporter's consent (Trivedi, Bhogal, 2008, Lee, 2012).

c) Unconfirmed L/C: In unconfirmed letters of credit, the issuing bank undertakes payment, acceptance or participation against the exporter (beneficiary). In other words, under an unconfirmed letter of credit, the correspondent bank has no payment obligations to the exporter and is only responsible for notifying the incoming accredited and checking its accuracy (Trivedi, Bhogal, 2008, Lee, 2012).

d) Confirmed L/C: A confirmed letter of credit is a type of letter of credit to which an opened letter of credit adds the confirmation of a bank in the exporter's country. In this case, if the documents that comply with the terms of the letter of credit are submitted within the specified period, the cost of the goods can be received immediately or at the end of the term if the price is due, if the acceptance credit is accepted, or if the participant can collect the value of the document. The fact that a bank adds confirmation to the letter of credit shows that it has the same degree of responsibility as the issuing bank. In other words, the bank that adds its confirmation acts as the governing bank against the exporter. If the letter includes no information about the confirmation, the letter of credit is accepted as unconfirmed. Therefore, if a confirmation is attached, this should be clearly stated in the text of the letter of credit (Trivedi, Bhogal, 2008, Lee, 2012).

e) Revolving L/C: In a revolving letter of credit, the whole or a certain amount of a letter of credit is renewed within the old amount without any changes, as required by the conditions. This letter of credit type is generally preferred by importers who import the same type of goods in batches from a single exporter. With the said renewal, the exporter can produce and export without waiting for the letter of credit for each batch of goods. Meanwhile, the importer can dispense with the formalities of opening a letter of credit each time and the obligation to fix the total import price during the first stage Trivedi, Bhogal, 2008, Lee, 2012).
A revolving letter of credit can be encountered in two ways;

- Revolving letter of credit limited by value: This rotary letter of credit type allows reuse for the same amount and in the same way, and the transaction is limited to the maximum amount that can be reached by specifying the total amount in the letter of credit conditions.
- Time-limited revolving letter of credit: This revolving letter of credit type is renewed by the beneficiary periodically withdrawing a certain amount in a certain period. It is encountered

in two ways as 'cumulative and non-cumulative'. In the cumulative rotary letter of credit type, the amounts not used in the first periods are added to the following periods. In the non-cumulative revolving letter of credit type, the amount not used within the specified period loses its validity and the letter of credit is realized for less than these amounts.

f) Transferable L/C: The transferable letter of credit allows the exporter (beneficiary) to transfer the rights and responsibilities to one or more beneficiaries (second beneficiaries). Transfer transactions are carried out under the terms of the main letter of credit, except for changes in the letter of credit amount, unit price of the goods, insurance rate, letter of credit and loading terms. In transferable letters of credit, the transfer process is made only once, unless otherwise stated. In other words, after the letter of credit has been transferred to the second beneficiary, no transfer to a third beneficiary takes place upon the request of the second beneficiary or beneficiaries. However, at the second beneficiary's request, transfer can be made to the first beneficiary again. If there is a re-transfer from the first beneficiary, this issue should be clearly stated in the letter of credit (Trivedi, Bhogal, 2008, Lee, 2012).

g) Mutual letter of credit (back-to-back L/C): This letter of credit consists of two independent letter of credit transactions and the first letter of credit beneficiary is the supervisor of the second letter of credit. These letters of credit types are generally used in cases wherein the first beneficiary to whom a letter of credit is opened is not a manufacturer and acts as an intermediary. In transit trade, since the intermediary firm is both an importer and an exporter, it can open a letter of credit in favour of the firm in the country from which it will purchase the goods by showing the letter of credit opened in favour of the country in which it will sell goods. The first is an export letter of credit, and the second is an import letter of credit. Since the opened second letter of credit is opened by showing a response, it is called a mutual letter of credit, and the documents in question must be identical with the exporter accreditation with few differences (Trivedi, Bhogal, 2008, Lee, 2012).

h) Red clause L/C: A red conditional letter of credit allows an advance payment to be made to the exporter before the goods are shipped and the documents submitted to the bank. Advance payment is made by the notification or confirmation bank, without seeking a guarantee, against receipt or similar documents. The advance payment is deducted from the payment to be made by the notification or confirmation bank that made the payment after the goods were shipped. If the exporter fails to perform the loading and does not pay the advance, the notification or confirmation bank requests the reimbursement of the amount from the issuing bank with interest, and the master bank requests the importer in the same way. This letter of credit is called 'red conditional' because the advance payment requirement is written in red ink to attract attention in the text of the letter of credit on the dates it is first applied (Trivedi, Bhogal, 2008, Lee, 2012).

ı) Green clause L/C: Green conditional letters of credit are used in favor of the issuing bank to minimize the risk that red conditional letters of credit pose to firms when no guarantee is provided by the letter of credit user. The main purpose of red conditional and green conditional letters of credit is to allow the exporter to be financed by the importer. In some cases, loan rates in the country of the exporter may be higher than in the country of the importer. In such cases, low-cost fund transfers can be made to exporters with this type of letter of credit (Trivedi, Bhogal, 2008, Lee, 2012).


Instant Exection
-0.01
-0.1
0.27
+0.01
+0.1
Stop Loss
not set
not set
not set
1.2765
Buy
700.14
700.13
700.12
700.11
Stoch(5.77) 65.04 77.71
Stoch(5.77) 65.04 AA-01
11 Jan 00.00
11 Jan 02.00
About
Size
Symbol
Price
S/L

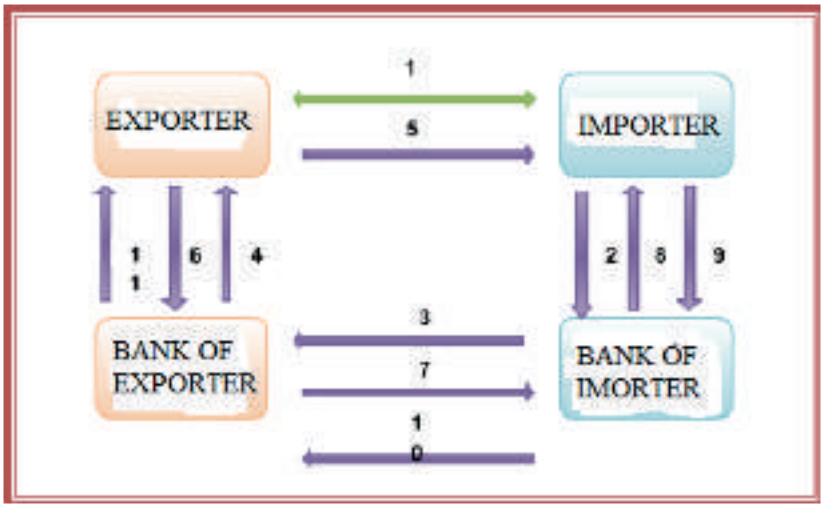
i) Stand-by L/C: This type of letter of credit is a means of providing a guarantee, and if the importer (supervisor) does not fulfill its obligations in the contract to the exporter (beneficiary), it is a guarantee that the letter of credit will be paid to the beneficiary by the issuing bank. The exporter (beneficiary) submits a document proving that a certain obligation has not been fulfilled by the exporter (beneficiary) to the issuing bank, and then the issuing bank requests the amount paid by the superior (Trivedi, Bhogal, 2008; Lee, 2012).

Work flow in letter of credit transactions

In the form of payment by letter of credit, the transaction flow becomes more comprehensive than other payment methods. Figure 4 shows the transaction flow in the form of a standard letter of credit payment (non-reversible, non-confirmed and paid on sight). The transaction flow in a standard letter of credit payment can be summarized as follows (Jones, 2018, Kasi, 2021, Jones, 2018, Goede, 2015):

1. First, a contract is signed between the parties.
2. The importer informs the issuing bank of the content of the letter of credit determined based on the contract or the proforma received from the exporter and gives an order to open a letter of credit in favor of the exporter.
3. The issuing bank contacts a bank in the exporter's country so that the exporter is informed of the loan to be opened. It sends the text of the letter of credit to the denunciation bank via letter, telex, tele-fax or SWIFT.
4. The correspondent bank notifies the exporter that the letter of credit has been opened.
5. The exporter examines the letter of credit conditions and, after ensuring that the letter of credit conditions will be met, loads the goods and sends them to the importer. Where there is a condition that he cannot fulfill, he requests the supervisor to make a change.
6. The exporter submits the documents relating to the shipment to the correspondent bank where the letter of credit is located.
7. The correspondent bank examines the documents submitted by the exporter in terms of compliance with the requirements. If the bank examining the documents is also a confirmation and payment bank, it makes the payment to the exporter or accepts or endorses the policy.
8. If the correspondent bank examining the documents does not have a confirmation or payment bank, the documents are sent to the superior bank for the collection of the cost of the goods.
9. After examining the conformity of the documents to the letter of credit, the supervisory bank makes the payment to the relevant correspondent bank.
10. The head bank, which determines the full compliance with the conditions, presents the documents to the importer against the payment of the amount within the framework of the agreement.
11. The importer receives the goods with the documents received in return for payment.
The text of the letter of credit sent by the superior bank to the beneficiary and the intermediary bank is called the 'cover letter'. The text details the letter of credit type, number, place and date of issuance, the date of expiry, the name and address of the supervisor, the name and address of the beneficiary, the name and address of the denunciation bank, the currency amount of the letter of credit, the delivery method, types of payment, whether or not partial loading is allowed, the place

Figure 4: Transaction Flow in the Form of Payment with Letter of Credit



of shipment, the type of shipment, the destination, the loading term, the description of the goods, the required documents, the description of the policy required for the letter of credit with deferred policy, additional conditions, the form of reimbursement and the notification/confirmation of bank charges. It also details which party it belongs to, the submission period of the document, whether the letter of credit is unconfirmed or confirmed, and whether the letter of credit has been notified to the beneficiary. The letter of credit is issued subject to the publication 'UCP 600 - Certified Loans, Uniform Credits and Applications'. (Jones, 2018, Sarcevic, Volken, 2009, Lee, 2012).

1.Risks to parties in transactions with letter of credit

The letter of credit is qualified as a conditional bank loan. Payment by letter of credit guarantees that if the parties comply with the terms, the goods of the specified nature will be delivered to the importer on time and the exporter will collect the cost of the goods on time. Therefore, the letter of credit is seen as the safest form of payment for the importer and exporter. Since bank charges are higher than other forms of payment, most companies are turning to cash against documents, which has lower costs but is less secure than transactions with letters of credit. Although the letter of credit is the safest form of payment for both parties, it involves more transactions and details than other payment methods. Under normal conditions, the letter of credit minimizes the risks in payment methods, while the parties may be placed in a difficult situation if certain details in the text of the letter of credit are overlooked. In other words, the commercial risk, country risk and exchange rate risk encountered in transactions with letters of credit may be minimized in other forms of payment, whereas the details in the letter of credit can leave companies in a difficult position. Since it is the importer that opens the letter of credit, the exporter must evaluate and examine the text of the letter of credit thoroughly (Kasi, 2021; Meral, 2019; Goede, 2015).

Letter of credit transactions are safer for both parties than other forms of payment because of the intermediary role played by banks. All transactions in a letter of credit payment are carried out through banks. In this way, the bank guarantees the exporter that the documents will not be given to the importer before the cost of the goods sent is collected, and the importer will not be paid to the exporter until the goods documents suitable for the letter of credit reach the bank (Kim, 2021).

The problems most frequently encountered in letter of credit transactions are as follows (Lee, 2012; Trivedi & Bhogal, 2008; www.irei-assoc.org):

- If the letter of credit cannot be submitted within the specified period with the requested documents, it is deemed invalid. While making a contract between the parties, the exporter must know exactly the documents requested. However, the exporter must be certain that they can meet the letter of credit conditions within the specified term. If they consider the period to be too short, they should notify their request to extend the time allowed within the given inspection period.
- If the name of the exporter is not specified correctly in the text of the letter of credit, the letter of credit may not be credited. The exporter must verify that their name and address are written correctly in all transactions and in the text of the letter of credit.
- If a letter of credit does not allow partial shipment and partial shipment is made, then the letter of credit is not accepted. In such cases, all of the goods must be shipped. The exporter can request that this requirement be changed by reviewing the production status.
- If the loading conditions in the letter of credit are not complied with, the letter of credit is deemed invalid. The place to which the goods are sent, the date of shipment and the manner of loading must be as agreed by the parties on the letter of credit.
- Transfers in letter of credit may not be allowed. In such cases, if the transfer is made, the letter of credit is deemed invalid. The exporter should evaluate this condition thoroughly, since the shipments can be transferred in general. Sometimes it is not clear in advance whether a transfer will take place in the uploads. Therefore, it is in the exporter’s interest to allow the transfer of the letter of credit.
- If the documents requested in the letter of credit do not comply with the specified conditions, delays and extra costs may occur. The exporter should consider this issue carefully and take into account which documents are requested and in which time period. If the exporter thinks that they cannot prepare the documents within the given time, they request an extension.

In terms of foreign exchange legislation, there is no foreign exchange follow-up as in cash against goods and against documents in the form of payment by letter of credit. Export costs are left to the free disposal of the exporter. In the same way, foreign exchange tracking is not carried out in imports.

CHAPTER 4: DOCUMENTS USED IN INTERNATIONAL TRADE

- Commercial Documents: Contract, Proforma Invoice, Commercial Invoice, Check List, Policy, Analysis Document, Certificate of Inspection, Ship Measurement Report, Insurance Policy
- Official Documents: Customs Declaration, ATR, EUR.1, EUR.MED, FORM A, ATA Carnet, TIR Carnet, Halal Certificate, Veterinary Certificate, Phytosanitary Certificate
- Transport Documents: CMR, Bill of Lading, Airwaybill, Railwaybill

Because parties in international trade transactions are in different countries, often overseas, the risks increase. The seller does not want to deliver the goods before they have received the price, and the buyer does not want to pay before they have seen the goods. It is important that the relevant documents are arranged regularly, in connection with one another and in accordance with the rules for the commercial transactions to be reliable and to be able to operate without causing controversy. **www.ijceas.com)**

According to the Exporters Encyclopedia, the number of documents used in export transactions is greater than 50. In addition, many individual countries use various specific documents. Documents used in international trade can be examined under five main headings: commercial documents, official documents, transport documents, insurance documents and financing documents (www.harisglobal.com).

4.1. Commercial Documents

4.1.1. Proforma invoice

A proforma invoice is a temporary invoice that functions as a commercial offer. The proforma invoice has no legal or commercial value and does not create any financial obligations. In other words, the importer receives no payment in return for this invoice given by the exporter. The buyer can use a proforma invoice to obtain an import permit. The proforma invoice also contains the terms of sale of the goods. If the offer and conditions are approved by the buyer, a commercial invoice is prepared according to the information in the proforma invoice (Kim, 2021).

4.1.2. Commercial invoice

The commercial invoice is the first document to be issued after the goods have been prepared for export and is a valuable document with a receipt feature. In other words, a commercial invoice is a valuable document that is prepared by the exporter based on the proforma invoice, order or purchase and sale contract, containing the type, quantity, unit price and total amount of the goods and verifying that the sale has been made (Kallianiotis, I. (2013). .

The commercial invoice is the basis for other documents—for example, documents such as a bill of lading, export declaration, insurance policy, certificate of origin and circulation certificate will be prepared on the basis of the commercial invoice and in full compliance with the information in the commercial invoice. To prevent problems when issuing a commercial invoice, basic information must be specified on the invoice, as follows:

1. Exporter-importer title addresses
2. The loading port of the goods subject to international trade

3. Origin of the goods
4. Name of the final destination port or city where the loaded goods will be unloaded
5. The unit price of the good and the total price
6. Incoterms

The values of the export products included in the invoice should be presented separately. Such applications facilitate the correct calculation of taxes in the importing country's customs, the customer's control of the invoice and the determination of the sales price of the product. The FOB value must be shown separately on an invoice, regardless of the delivery method. Otherwise, the importer may pay more import customs duty than is required. Each original invoice and its copy should be signed and checked separately to avoid the emergence of problems at the importing country's customs.

4.1.3. Freight Invoice

In CF or CIF sales, the freight is paid by the seller. In the commercial invoice, the freight amount can be shown as included in the cost of the goods or separately. When companies wishing to transport freight make the freight payment prior to transportation, the phrase 'Freight Prepaid' is added to the invoice. Thus, the freight invoice proves that the goods to be transported are loaded and received and that there is no freight debt.

4.1.4. Packing List

The packing list details the quantity and dimensions in each parcel and the number of parcels of goods shipped in parcels and not in bulk without the need to open the packages. Thus, the packing list provides convenience for the customs administration and the carrier company in terms of counting, loading and transportation during customs procedures. Since the packing list shows the type, size and colour of the goods in packages, boxes, crates and bales, the importer can distribute the parcels without opening them.

4.1.5. Weight List

The weight list shows the breakdown of the net and gross weights and volumes of the goods declared in the export declaration, customs declaration and bill of lading, how many goods are loaded on which vehicle and the weight each package contains. In other words, this is a separate document in which the gross and/or net weight of the goods shipped for export is declared by the exporter or a neutral third-party/organisation. This document is important if the goods are damaged in transit. The extent to which the insured goods are damaged and the amount of the damage will be determined by the insurance company on the basis of the weight list.

4.1.6. Specification List

If the information specified in the packing list includes the goods' prices and values, the new document obtained is called the 'specification list'. This document facilitates the distribution of goods after import.

4.1.7. Third-party Certificate of Inspection

This document shows whether the goods to be exported are suitable for the importer's order before or during shipment. The surveillance firm that will issue this document upon the request of the importer may be determined by the importer or left to the choice of the exporter. The inspection company determines whether the parties have complied with the issues specified in the sales contract during the international trade activity, based on inspections carried out before the shipment or during the acceptance of the goods and the reports it has compiled. For the written result in a surveillance document to be binding for the importer and exporter, it must be stated in the purchase and sale contract and/or other official documents (such as letters of credit). Surveillance companies are generally respected, internationally recognised organisations with offices in various countries.

4.1.8. Manufacturer's Analysis Certificate

This document shows the moisture content and melting points of the goods that require analysis, including chemicals such as paint, cement and acid, and the names and proportions of the elements or compounds that comprise the goods' formulas. This document is typically requested to determine whether the loaded goods match the order's characteristics through checks conducted by an independent person and organisation before the package is closed. This document can be issued by the manufacturer or by an independent laboratory or related organisations.

4.1.9. Appraisal Report

The appraisal report is given to the customs administrations in case of hesitation about the price, quantity, quality, composition additive ratio, commercial custom of the exported or imported goods. Customs laws and other related legislation state which institutions and organisations will be respected for the expertise report to be submitted. Generally, such reports are given by organisations such as exporters' associations, chambers of commerce and industries.

4.1.10. Inspection Certificate

Certificate of Inspection is a document prepared on the request of seller when he wants the consignment to be checked by a third party at the port of shipment before the goods are sealed for final transportation. In this process seller submit a valid Inspection Certificate along with the other trade documents like invoice, packing list, shipping bill, bill of lading etc to the bank for negotiation. On demand, inspection can be done by various world-renowned inspection agencies on nominal charges (www.eximguide.in).

4.2. Official Documents

4.2.1. Movement Certificates

These are official documents used in trade between the Member States of the European Union, which provide some discounts, particularly in the calculation of customs duties. Movement certificates can only be issued for goods originating in Turkey or in the European Union member countries or goods originating in third countries that are in free circulation in these countries. These documents are issued by the exporters, approved by the chambers of commerce and visaed by the customs administration (http://aei.pitt.edu).

4.2.1.1. ATR Certificate of Movement

Within the scope of the Customs Union, this is a document issued by the customs administrations or organisations authorised by these administrations, provided that the necessary conditions for the implementation of the provisions on free movement of industrial products, including processed agricultural products, are fulfilled. The ATR certificate is issued upon the request of the exporter or their legal representative authorised to sign the customs declaration (http://aei.pitt.edu).

ATR circulation document shows that the goods to which it is related are in free circulation in the customs union. In this respect, tax rates applied to third countries are applied to goods that come from a country within the scope of the customs union but do not have an ATR circulation certificate.

Countries that issue ATR: Germany, Austria, Belgium, Bulgaria, Czech Republic, Denmark, Estonia, Finland, France, Croatia, Netherlands, England, Ireland, Spain, Sweden, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Turkey, Greece (www.mafiadoc.com).

4.2.1.2. EUR–1 Certificate

This is a goods transport certificate and proof of preference for export in countries and regions associated with the European Union through free trade agreements and association of preferential agreements, as long as the goods concerned are included in the tariffs preferences.

It is a proof of origin document with EUR–1 content, which shows that the goods have originated within the framework of the agreement rules, which is determined by the chambers of commerce and industry after the necessary checks are made after it has been filled in by the exporter and is valid following the visa by the customs administration (www.globalnegotiator.com).

4.2.1.3. FORM A

This is a type of certificate of origin that is necessary for some countries (particularly industrialised countries) to provide preferences for goods subject to certain concessionary customs rates within the framework of the Generalized System of Preferences (GSP) to contribute to the industrialisation of industrial goods from developing countries. The countries that give preference to developing countries are USA, Japan, New Zealand, Norway, Switzerland, Canada, Australia, Russia, Poland, Czech and Slovak Republics. Special certificates of origin required for products exported from Turkey are issued by companies and approved by chambers of commerce and provincial units of the Undersecretariat of International Trade. Special certificates of origin can also be issued after the delivery of goods.

Issued Countries include Belarus (Belarus), Japan, Canada, Russian Federation, Ukraine and New Zealand. Although Australia also implements the GSP, Form A is not required to use the system.

4.2.1.4. Certifcate of Origin

The certificate of origin states that the exported goods originate in the country in which it was issued and approved or that they should be considered as having originated in that country owing to the changes and transactions it details. Since the customs procedures are carried out according to the provisions of the existing trade agreement between the countries, the origin of the goods arriving at the customs must be identified to determine whether the goods can benefit from the preferential customs regime in the country to which they are sent or whether the quota limitation has been fulfilled. (www.hdl.handle.net).

The certificate of origin is issued by exporters or their legally authorised representatives. It is approved (visited) by the chamber of commerce or industry, of which the exporting company is a member, and for some countries (usually Arab and African Continent countries) as well as by the consulates of the importing country.

Goods that must be issued with a certificate of origin include the following: minerals extracted from the territory of a country, agricultural products produced, live animals born and raised in that country and products obtained from them, game animals and fish caught or hunted in that country, fish and other products removed by ships carrying the flag of that country and registered or registered there, and the goods obtained from these factory ships from the products, the materials extracted from the bottom of the seas or under the ground outside the territorial waters by that country with the exclusive right of operation, the residues obtained from the manufacturing process or usage residues, the above-mentioned goods or their derivatives at any stage. All goods returned shall be deemed to have originated in the specified country.

For the goods to be considered as having originated in that country owing to changes and transactions in another country, their value must have increased by one hundred percent as a result of these changes and transactions, the customs tariff positions must have changed or they must have been subjected to significant workmanship and processes in that country that may be considered a fundamental change.

In accordance with these agreements, the certificate of origin is required for goods to be shipped to countries other than the countries where ATR, EUR–1 and Form A are issued and with which trade and payment agreements are in place. In addition, although they are special proof-of-origin documents, besides the ATR and EUR–1 certificates, a certificate of origin may be requested by the importing companies.

4.2.2. ATA Carnet

The ATA Carnet is an international customs document that permits duty-free and tax-free temporary import of goods for up to one year. It contains pre-prepared unified customs declaration forms to be used at each customs border office and serves as a guarantee to customs duties and taxes. The initials "ATA" are an acronym of the French and English words "Admission Temporaire/Temporary Admission".

Established under the ATA Convention and the Istanbul Convention as a trade facilitation tool, ATA Carnets cut red tape by simplifying and unifying customs border crossing regulations for temporary import and export (www.iccwbo.org).

With the ATA Carnet, exhibitors, salesmen, artists, athletes, TV crews, technicians, event participants and business travellers may

1.travel through customs without paying import duties, taxes at each customs border office
2.use one unified document for all declarations at home and abroad
3.use one document for multiple destinations and trips throughout its one-year validity
4.make advanced customs arrangements at predetermined costs

ATA Carnets cover almost everything, as defined in 11 annexes to the Istanbul Convention. ATA Carnets are mainly issued to cover;

1.goods for use at trade fairs, shows, exhibitions
2.professional equipment
3.commercial samples
4.personal effects and goods for sports purposes

Customs authorities accept ATA Carnets in accordance with the scope of application that they ratify. The goods must not undergo any changes while locateed in the country of temporary importation. ATA Carnets do not cover perishable or consumable items, goods for processing or repair or certain means of transportation defined under Annex C of the Istanbul Convention. ATA Carnets are widely welcomed by countries wishing to boost international cooperation and take full advantage of the global economy. ATA Carnets are accepted in approximately 80 countries/customs territories (www.iccwbo.org).

4.2.3. Halal Certificate

Halal certificates are issued during the export of animal products to Islamic countries by the Provincial Directorates of Agriculture in the city where the exporter is located, to certify that these products have been slaughtered according to Islamic rules.

4.2.4. Radiation Certificate

This document that proves that the agricultural products to be exported do not contain any radiation or that it does not contain more radiation than the acceptable rate and is issued by an official institution of the exporting country authorised to measure in this regard and given to the exporter to be delivered to the importer. The buyer declares the degree of radiation (bekerel) contained in the amount of a certain weight in the agricultural product that they require and does not accept any more. The exporter proves the result with this document. Owing to the Chernobyl nuclear accident (1986), this document is required from EU countries and Turkish export companies, particularly for wet nature mushrooms. If this document is requested by the importing companies, the exporting companies will apply to the Ankara Nuclear Research and Training Center or Çekmece Nuclear Research and Training Center affiliated to the Turkish Atomic Energy Authority and obtain the said document.

4.2.5. Boycott/Blacklist Certificate

These documents or declarations are requested by blacklisted countries that have severed relations with one another, for goods that are subject to a commercial relationship or where the parties do not have a relationship with the countries on this list.

This information may be requested to indicate that the parties, the goods, the captain or the means of transport are not related to the country in question or that the means of transport cannot pass through the territorial waters or borders of the same country. This declaration can be made by the exporter or may be documented by an authority to be notified by the importer.

4.3. Insurance Documents

Insurance documents are issued by insurance companies or their agents or made by the buyer or seller to cover the risks that may arise from the workplace to the place at which the buyer will receive the goods. They are among the most important factors to be considered in the export or import of goods. Delay in insuring the goods and loss in the interim may result in damage.

4.3.1. Insurance policy

Documents showing that the goods are insured against the risks they may encounter while waiting in customs, if they are included, are called insurance policies. Where insurance policies are ordered, the rights included in the insurance may be transferred to another person by endorsement. Therefore, insurance policies are issued to bank orders. Goods are insured with 10% more than the CIF/CIP value (Jones, 2018).

Information that should be included in an insurance policy includes:

- Trade names and addresses of the insurant and the beneficiary
- Signature of the insurance company or agency
- Scope and subject of insurance (type of guarantee requested)
- Insured value and premium amount
- Date of issue
- Loading-unloading place
- Upload date
- The type and amount of the goods
- Type of transportation vehicle (if it is a truck, the plate number; if it is a ship, its name; if it is an airplane; if it is a train, the wagon number)
- Place of payment in case of damage

In forms of delivery where the insurance belongs to the importer, following the export of the goods, the importer must be notified immediately that the loading has been made or the bank must be notified in the transactions with letter of credit and acceptance credit, to guarantee insurance. Insurance policies are typically issued in two stages.

4.3.1.1. Flotan Insurance Policy

This document undertakes to guarantee transportation insurance. In cases where insurance is required before one or more of the issues to be specified in the insurance policy become final, and particularly when an import letter of credit is opened by banks, insurance coverage is required, with available information.

4.3.1.2. Definitive (Final) Insurance Policy

This document that is issued after the goods are loaded on the transport vehicle and after the necessary information is sent to the insurance company (Flotan Insurance's Solidification Process). With these policies, potential damages or differences are guaranteed within the framework of insurance clauses (conditions) until the goods are delivered from the place of loading to the buyer at the destination.

4.3.2. Insurance certificate

This insurance document shows the usage of the open policy from lot as the goods are loaded, depending on the open policies issued for the transportation where it is not clear when, how much and by which transportation vehicle the goods will be transported. This differs from the policy because the insurance terms are not stated on it but are stated in the open policy.

4.4. Transport Documents

In international trade, goods are shipped from one country to another country or countries. In these shipments, it is obligatory to determine the responsibilities and obligations of the shipper and the carrier. This determination is made using the transport documents. Transport documents indicate that the shipment has been received by the company and that the goods will be transported from one place to another. Transport documents must have some defining features, including the following:

a. It must be issued and signed by the carrier company or its agent.

b. The date of the goods' shipment must be indicated. This date is important in terms of issuing the collection documents to the bank, when the insurance period starts to run, and determining whether the risks of damage or loss of the goods belong to the seller or the buyer.

c.Transport documents must be clean.

d.Transport documents must reach the recipient's hand in time.

e.Transport documents must bear the notice. That is, the buyer or those acting on their behalf should be specified in the 'notify' section.

f.Some transport documents are issued in multiple original sets. In this case, the number of copies should be stated on each original copy (for example, 1/3, 2/3, 3/3).

g.The document should state whether or not the freight has been paid.

4.4.1. Marine/Ocean Bill of Lading

These documents are issued by a shipping company or agency or—if there is no agency at the loading port—issued by the ship's captain and given to the shipper to verify that the goods have been received and will be transported and delivered to the sender under the specified conditions. Since they represent the ownership of the goods, they enable the goods to change hands by endorsement. The sea bill of lading is a valuable document (Goede, 2015, Kasi, 2021, Schmitz, 2011).

Marine bills of lading are generally issued as three originals and three copies (non-negotiable). It is essential that all original copies are received because with each original bill of lading, a request for the goods to be cleared from customs may be encountered. In the bills of lading, if the issuance date or loading date idiffers different, the phrase 'shipped on board' and the agency stamp-signature must be sought under that date.

Bills of lading contain the following information:

a. Signature of issuer (carrier or authorised person)

b. Name-surname and Trade name of the carrier

c. The type, size, brand and other characteristics of the transported goods

d. Issue date and place

e. How many copies were made

f. Uploader's name-title

Sender's name-title

h. Ship name and nationality
I. Loading port
j. Unloading port
k. Freight (freight paid/as freight payable at port of destination)

The bill of lading is given by the shipping agency for the goods shipped for transportation from one destination to another and is signed by the representatives of the carrying vessel.

The bill of lading is issued in a set of two, three or more. The number in the set will be indicated on each bill of lading and all must be accounted for to ensure that the document never falls into the hands of an unauthorised person. Only one original is sufficient to take possession of goods at port of discharge so, a bank that finances a trade transaction will need to control the complete set. The bill of lading must be signed by the shipping company or its agent and must indicate how many signed originals were issued (Branch, 1994).

It indicates whether or not the cost of freight/carriage has been paid: 'Freight Prepaid': Paid by shipper; "Freight collect": To be paid by the buyer at the port of discharge.
The bill of lading also forms the contract of carriage. To be acceptable to the buyer, the B/L should carry an 'on board' notation indicating the actual date of shipment. Sometimes however, the 'on board' wording is in small print at the bottom of the B/L, in which cases there is no need for a dated 'on board' notation to be shown separately with the date and signature.

The bill should be 'clean'—that is, it should include no notation by the shipping company to the effect that goods/ packaging are damaged.

The main parties involved in a bill of lading are as follows (Branch, 1994):
Shipper: The person who has sent the goods.
Consignee: The person who takes delivery of the goods.
Notify Party: The person, usually the importer, to whom the shipping company or its agent gives notice of the goods' arrival.
Carrier: The person or company who has concluded a contract with the shipper for conveyance of goods.

The bill of lading must meet all the credit requirements as well as complying with UCP 500. These are listed as follows:
1.The correct shipper, consignee and notifying party must be shown.
2.The carrying vessel and ports of the loading and discharge must be stated.
3.The place of receipt and place of delivery must be stated, if different from port of loading or port of discharge.
4.The goods description must be consistent with that shown on other documents.
5.Any weight or measures must agree with those shown on other documents.
6.Shipping marks and numbers and/or container numbers must agree with those shown on other documents.
7.It must state whether freight has been paid or is payable at destination.
8.It must be dated on or before the latest date for shipment specified in the credit.
9.It must state the actual name of the carrier or be signed as agent for a named carrier.

Special Bills of Lading in terms of Turnover
a. Registered bills of lading (Straight B/L): This bill of lading is issued on behalf of the buyer, that

is, the consignee, on whose behalf the goods are sent. It is not possible to transfer by turnover. The buyer can transfer the bill of lading and therefore the goods represented by the bill of lading only by way of the assignment of the receivable in writing or by delivery. It is not accepted by the banks in credit transactions (Jones, 2018).

b. Bills of lading written to the order (to the order of B/L): The bill of lading is issued as 'to order' based on the seller's request or the terms of the letter of credit. In this case, the goods belong to the person to whom the bill of lading is arranged. The bill of lading can be transferred with the endorsement of the person to whom the order is issued. When this type of bill of lading is handed over to the bank by the exporter, it must be blank endorsed. When the bank sends the bill of lading to the correspondent bank, it endorses it in the same way (Branch, 1994, Lee, 2012).

c. Bearer bills of lading (negotiable b/l): This bill of lading type is rare. Since the bill of lading is the bearer, it means that the party holding the bill of lading also holds the right of ownership of the goods (Trivedi, Bhogal, 2008).

d. Non-negotiable bill of lading – non-negotiable Bill of Lading: In some cases, bills of lading may change hands several times. Consequently, the bill of lading may not be received by the buyer upon arrival of the ship. Non-negotiable bills of lading, developed by some maritime enterprises, are used to prevent the delivery of the goods at the destination port from being delayed. This document is issued directly on behalf of the buyer of the goods and is non-negotiable. The delivery of the goods represented by the document to the buyer does not cause problems (www.marineinsight.com).

Bills of Lading in terms of Loading and Transport

Bills of lading are issued in two ways as 'Receipt' and 'Loading' bills of lading in terms of loading and transportation (Mitchelhill, 1990, www.globalnegotiator.com).:

1. Receipt bill of lading (received B/L): This type of bill of lading shows that the goods have been received for carriage. Since the loading event has not yet occurred, banks do not count on such bills of lading. When the loading has been completed, the date of loading is recorded in a loading bill of lading with the agency stamping and signing it and writing 'shipped on board'.

2. Loading bill of lading (shipped B/L - on board B/L): If the bill of lading shows that the goods are loaded directly, it is called a 'loading bill of lading'. The issue date of the bill of lading is also the loading date.

Bills of Lading in Terms of the Condition of the Goods Contained

Before signing the bill of lading, the carriers check the goods in terms of appearance and determine the general conditions on the bill of lading.

a. Clean Bill of Lading:

These are bills of lading that do not bear a clear indication that the loaded goods or packages are defective. The goods are acknowledged as being in good condition with the phrase 'clean on board'. Alternatively, this can be printed on the bill of lading.

b. Dirty Bill of Lading:

On these bills of lading, the carrier has noted that defective goods or packages were detected during loading, together with their number (2 boxes broken - 2 boxes broken).

Featured Bills of Lading

Bills of lading can also be classified according to the way in which they are transported and arranged.

A. Short bill of lading – short-form/blank-back bill of lading: A bill of lading is also a contract of carriage. Naturally, the full text of this contract, which includes the terms of the transport company, is printed in small print on the back of the bill of lading. These conventions have been determined by various international treaties. The most distinctive feature of the short-form bill of lading is that the text of the contract is not included on the back of the document. It is sufficient to mention the source of the contract text, which should be on the back, on the obverse. Because of this feature, this type of bill of lading is called a 'blank-back' bill of lading. Unless the letter of credit incluldes a contrary provision, banks do not accept such bills of lading (www.letterofcredit.biz).

B. Bill of lading based on freight contract – Charter party bill of lading: The shipper may charter some or all of the ship for a voyage or for a period of time for the goods to be exported. A charter party agreement is made between the carrier and the carrier. There is no charter party agreement on the bill of lading, only that it is based on the charter party agreement (subject to the charter party). In cases of dispute, it may pose a risk for the third parties relating to the goods, since this contract precludes the general principles. Therefore, banks prefer not to accept such bills of lading in overdraft transactions. If the contract is made for a certain period of time, it is called 'time charter'; if it is made for a certain voyage, it is called a 'trip charter' contract (www.letterofcredit.biz, Trivedi, Bhogal, 2008).

C. Single bill of lading/full bill of lading: These are bills of lading issued in cases of land transportation before or after sea transportation. The bill of lading covers the whole of this transit. It is arranged by the shipping company or agency. The liability of the carrier is limited only to the damages and losses that may occur during maritime transportation. In the combined shipping bill of lading, the carrier's responsibility starts from the point at which it receives the goods and continues until the point at which the goods are delivered (Jones, 2018).

D. Container bill of lading: A container is a large box made of light metal, which is closed by placing goods and sealed by customs, with dimensions and types determined in world standards. If the transportation is carried out by containers, a container bill of lading with a suitable printed form is drawn up, and information about the goods is written on the bill of lading with the registration 'according to the notification of the shipper' and bills of lading containing this record are considered 'clean on board'. (www.letterofcredit.biz).

E. Combined transport bill of lading: This document is a bill of lading for a carriage that is carried out by more than one (multimodal) transportation vehicle and need not necessarily be seaway during the transportation process. It is regulated by freight brokers or operators called 'combined transport operators'. The transport agent or the first carrier is obliged to indemnify all damages until the goods are delivered after receiving them. This bill of lading is considered to be a 'negotiable document' that represents ownership of the goods and is transferable by endorsement and representation (Lee, 2012).

F. Straight line bill of lading – liner bill of lading: This is used in transportation with scheduled voyages. Every detail, from the departure/arrival times to the ports they will call at and dock at, is specific and regular for ships that make scheduled voyages. In addition, when they become a party to a treaty, they generally benefit from the common terms and facilities of that treaty. They are preferred for safe transportation. CIF is preferred by the exporter loading and the importer receiving FOB. Ship companies operating on the same line form a union and determine a common fee for issues such as loading, unloading, freight and stowage. This process is called 'liner terms'. (www.irei-assoc.org).

G. Tanker bill of lading: These bills of lading are issued for tankers used to transport of crude oil, liquid fuel and chemicals. For the transportation of bulk/liquid cargo, these bills carry special phrases and conditions according to the requirements of the work.

H. Captain's receipt – mate's receipt: This consists of a receipt for the goods loaded on the ship. Since it does not represent the goods, it does not authorise disposition on the goods. The bill of lading is a temporary document until it is issued. The shipper replaces this document with the bill of lading by presenting it to the shipping agency. It can be used instead of the bill of lading for purchase and sale transactions between companies in the same group in non-stop shipments (Trivedi, Bhogal, 2008).

4.4.2. Airway Bill

This document is issued for shipments transported by air and is not in the nature of a valuable paper. Therefore, it is not endorsed. If it is issued in the name of the bank for the customs clearance of the goods (in transactions involving documents and letters of credit), a letter addressed to the carrier by the bank is sought (Kim, 2021).

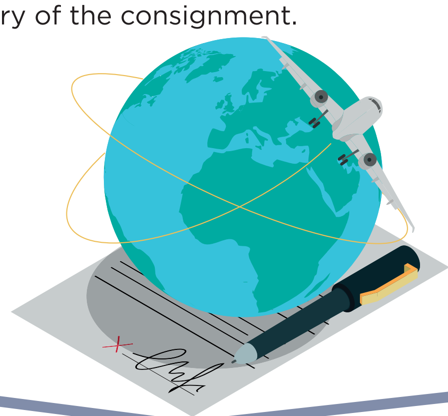
Since it is issued on behalf of the buyer in transactions against goods, there is no need for any writing. Three original copies are issued. One is given to the original carrier; one is given to the buyer (for consignee), and the third original copy is given to the shipper.

This document includes the number of flights, the dates of the flights, titles of buyers and sellers, freight information, type-quantity of goods and the stamp and signature of the airline company or agency. Air transport documents are issued in two ways:
1. Master airway bill: Indicates that the goods have been loaded.
2. House airway bill: Indicates that the goods have been received for loading.

Air waybills ensure that goods have been received for shipment by air. A typical air waybill sample consists of three originals and nine copies. The first original is for the carrier and is signed by a export agent; the second original, the consignee's copy, is signed by an export agent; and the third original is signed by the carrier and handed to the export agent as a receipt for the goods (iata.org).

Air waybills serve as;

- Proof of receipt of the goods for shipment.
- An invoice for the freight.
- A certificate of insurance.
- A guide to airline staff for the handling, dispatch and delivery of the consignment.



The principal requirement for an air waybill are as follows;

- The correct shipper and consignee must be mentioned.
- The airports of departure and destination must be mentioned.
- The goods description must be consistent with that shown on other documents.
- Any weight, measure or shipping marks must match those shown on other documents.
- It must be signed and dated by the actual carrier or by the named agent of a named carrier.
- The document must indicate whether freight has been paid or will be paid at the destination point (iata.org).

4.4.3. CIM-Rail Consignment Note

This document is issued in rail transport. It is non-negotiable and cannot be endorsed. It contains information such as the names and addresses of the buyer and seller, the type and amount of goods, departure and destination and freight information and is sealed and signed by the railway administration. The first copy accompanies the goods; the second copy is given to the shipper. It does not represent the ownership of the goods and cannot be endorsed. In credit transactions, banks require the issuance of the bills of exchange in their own name. In import transactions, a letter is written to the railway administration for the delivery of the goods to the buyer on behalf of the bank, and the goods are delivered to the importer (www.letterofcredit.biz).

4.4.4. CMR-International Consignment Note

This document is used in road transport between countries that have accepted the international Convention Marchandises Routiers (CMR) agreement. This shows that the goods have been received for transport in accordance with the conditions and that the carriage contract has been made. Some letters of credit require a CMR transport document for road transport. A key characteristic of the CMR document is that the goods are insured against damage due to the fault of the carrier company, and thus it differs from transportation insurance. In cases where goods are damaged or lost during transportation, the transportation insurance takes effect and makes the payment; CMR insurance is a liability insurance (www.letterofcredit.biz).

Three copies of the CMR transport document are issued: one is given to the shipper, the second accompanies the goods, and the third remains with the carrier. The shipper can cancel the carriage, change the consignee or the place of delivery while the goods are en route. This right expires to exist when the second original (that sent to the recipient) is given to the recipient whose name is written on the document. In road transport, CMR is a transport document issued within the scope of the transport contract signed by 25 European countries.

4.4.5. Forwarder's Receipt

This document, which is used in rail and mostly road transport, is issued by freight forwarders, who transport goods on their behalf and on behalf of others for a certain fee. Forwarding agents cannot issue bills of lading and cannot act on behalf of an international transport company, as they are not an international transport company or its agent. They can only transport the goods they collect from exporters to an international transport company to be shipped to the importers. They receive the transport document issued in their name from the transport company. Exporters, on the other hand, give their own receipts showing that they have received the goods for dispatch, which is called the 'shipper's receipt'. Since they do not represent the property of the goods, they cannot be endorsed and therefore they are not considered to be valuable papers. Freight brokers have emerged as businesses that provide efficiency advantages for both parties, particularly by creating freight consolidation between carriers and final customers. Freight brokers perform freight consolidation in two ways. First, they sell the annual freight amounts they receive from carriers in large quantities in the spot market. Second, they combine partial loads and convert them to full container loads (Kallianiotis, 2013).

4.4.6. FIATA Receipt Documents (FCR-FCT-FBL)

These are the transporter's receipts given in return for the goods received for transport and used in standard form by the transport agencies that are members of the Federation of International Transport Agents Associations (FIATA). The FIATA licence is given to transport agencies that are members of this federation. These documents are in the form of a contract of carriage. Upon presentation of these documents at the destination, the goods are delivered to the buyer whose name is written on the document. The delivery party is the branch or correspondent of the shipping agency (freight forwarder) issuing the document at the destination (Lee, 2012, www.myseatime.com).

4.4.7. FCR-Forwarder's Certificate of Receipt

The forwarder's certificate of receipt (FCR) is issued when goods are transported by truck. It is a non-negotiable document that cannot be endorsed and which shows that the goods have been taken from one place to another. It details the buyer and seller's names and addresses, to whom it is sent, the type-quantity of goods and freight information.

4.4.8. FCT-Forwarder's Certificate of Transport

The FIATA forwarder's certificate of transport (FCT) is prepared upon order. A shipper carriage document is issued as a set by freight or customs brokers. This is a negotiable document that is delivered to the buyer or his endorser who presents the original copy of the document at the destination. The responsibility of the shipping company continues until the goods are delivered to the buyer.

4.4.9. FIATA FBL- Combined Bill of Lading

The third FIATA document is the 'combined transport bill of lading'. This document is the combined shipping bill of lading that we examined among the bill of lading types, prepared by FIATA. It is a transport document with the same legal nature as a sea bill of lading. They are transport documents, the form and conditions of which have been determined by FIATA and approved by the ICC. FBL is ordered. It is a valuable document. It can be arranged in multiple teams. Submission of an original copy is sufficient for the delivery of the goods (www.aei.pitt.edu)

4.4.10. Airmail Parcel Receipt

This document is a receipt with an administration's stamp and date of receipt issued by the local postal authority for the goods in the package received to be sent by airmail. The goods are delivered to the postal parcel sent by the customs office of the destination.

4.4.11. TIR Carnet

The TIR Carnet is a customs transit document that facilitates international land transport and thus international trade. Goods are transported under a procedure from the customs office at the point of departure to the customs office at the destination under the auspices of the TIR Carnet, and this procedure is called 'TIR transport' under the TIR Convention. It contains the plate number, full and empty weight of the TIR used in road transport, and information about the transport company to which it is connected (Koban, Yıldırır Keser, 2021).

The rules for the use of the TIR Carnet are as follows (www.unece.org):

1. Issuance: The TIR Carnet is issued in the country of departure or in the country where the holder of the TIR Carnet is established or domiciled.

2. Language: The TIR Carnet is printed in French, except on the front page of the first page, where the articles are also in English; This page is a translation of the 'Rules for the Use of the TIR Carnet' in French on the front of the second page of the cover. Additional pages with a translation of the printed text into other languages may also be inserted. Carnets to be used in TIR transport within the framework of a regional surety chain can be printed in the official languages of the United Nations, except for the first page of the cover, as the items on it may be in English or French. The 'Rules for the Use of the TIR Carnet', printed in one of the official languages of the United Nations on the second page of the cover of the TIR Carnet, are also printed in English or French on the third page of the cover.

3. Validity: The TIR Carnet is valid until the TIR transport is completed at the customs of destination, provided that it passes through customs control at the customs office of departure, within the period determined by the issuing organisation (first article of the first page of the cover).

4. Number of ration cards: Only one ration card is required for a set of vehicles (tied vehicles) or for more than one container attached to one or a set of road vehicles.

5. Number of customs offices of departure or destination: Transport under the auspices of TIR Carnets may include more than one customs office of departure and destination. However, the total number of customs offices of departure and destination should not exceed four. If all customs offices of departure accept the TIR Carnet, it may be presented to the customs offices of destination.

6. Number of pages: Where there is one customs office of departure and one office of destination, the TIR Carnet must contain at least two pages for the country of departure, two pages for the country of destination and two pages for each country passed. Besides, two extra pages will be required for each additional customs office of departure (or destination).

7. Presentation of the carnet to the customs authorities: The TIR Carnet, together with the road vehicle or combination of vehicles or container(s), is presented to the customs office of each departure, en route and destination. At the last customs office of departure, the customs officer signs the 17th section under all sheets of the manifest used during the transport and prints a dated seal (www.wcoomd.org; Koban & Yıldırır Keser, 2021).


80
60
40
20
0
Jan Feb March April May June July Aug Sep
207.70
210.95
207.70
24.27
18.92
210.95
149.16
23.26
1.41%


208.87
1,235.01
0.00
25,187.70
95
16
1%

MODULE 2 : EXPLORE

Module 2 covers the following topics;
1.Market Research in International Trade and Target Market Analysis
2.Pricing in International Trade
3.Logistics in International Trade
4.Cross-border E-Commerce

Students completing this module will acquire the following skills:

- Ability to comprehend the necessity, structure and differences of international marketing in relation to national marketing.
- Ability to use information communication technologies and professional tools in international market research
- Ability to analyze the factors that make up the price in international trade
- Ability to accurately determine the cost elements
- Ability to understand the basic concepts of international trade logistics.
- Recognise the organizations involved in the international trade logistics process.
- Apply Incoterms to international logistics activities.
- Ability to understand the basic concepts of cross-border e-commerce
- Ability to understand the economic dimension of cross-border e-commerce
- Ability to understand the relationship between cross-border e-commerce and marketing

CHAPTER 1: MARKET RESEARCH IN INTERNATIONAL TRADE AND TARGET MARKET ANALYSIS

1.Market Analysis Criteria in International Trade
2.Cost, Benefit and Risk Analysis in International Market Research
3.ITC (International Trade Center) Tools in International Market Analysis: Trade Map, Export Potential Map, Market Access Map

Companies wishing to take an active role in international markets should conduct marketing research prior to entering the markets. Businesses wishing to enter the foreign market should research the relevant country's market and consumers. In this context, international marketing research is a planned process that includes the collection, classification, analysis, interpretation and reporting of analysis results regarding marketing problems in international markets.
In the research process, it is important to determine the problem and research objectives clearly and precisely in terms of achieving the desired result. A planned and systematic research design is also important for the results' effectiveness. Businesses in international marketing research countries from cultural, political, economic and legal perspectives among others. They face several problems owing to differences. To solve these problems effectively and efficiently, it is important to prepare the marketing research process carefully and in a planned way. In addition to solving problems, businesses sometimes conduct international marketing research to evaluate opportunities in international markets. (Drobyazko, 2020).

1.1. Market Analysis Criteria in International Trade
Whatever strategies they employ, the overall goal of international businesses is to increase their

market share, revenue and profitability. International businesses realise such developments by entering new markets or introducing new products to the markets in which they operate. Success in international markets is possible with a comprehensive understanding of the geography and product in which it plans to operate. For this reason, businesses wishing to successfully increase their market share, income and profitability must acquire information about market potential, competition intensity, the legal and political environment and socio-cultural factors within the framework of certain questions. These questions are presented in Table 1.

Table 1. Examples of Questions in Market Research

Analysis Criteria	Question Examples
Market potential	What is the size of the market? What is the market growth rate? In which product groups is growth expected? What are the key success factors in the market? Are the key success factors related to the company's competencies? What are the market's future prospects?
Competition intensity	How many businesses operate in the market? What are the competitors' strengths and weaknesses? Which businesses are gaining/losing market share? How do our competencies compare to those of existing competitors? What is the industry density? Are international businesses in the market able to operate successfully? What are the main distribution channels? Do key distribution channels have barriers to entry? Are any other international businesses considering entering the market?

Table 1. Examples of Questions in Market Research

Analysis Criteria	Question Examples
Legal and political environment	How does the government view international investors? Does the government impose barriers to entry to the market, and if so, what is the rate? Does the government favour local businesses? Is bribery common? To what extent does the rule of law apply? To what extent is intellectual capital protected?
Socio-cultural factors	Are our products suitable for the local culture? To what extent is the market in question different from the international markets operating before? How are employees motivated? How do consumers relate to foreign brands? What is the country's education rate? What is the demographic structure? Are demographic trends aligned with our products?

a. Market Potential

Data such as population, gross national product, per capita income, infrastructure, television or automobile ownership rate are important in terms of recognising the target market in outline. By means of the data obtained regarding the target market, the company tries to make a decision by comparing it with its own position relative to its competitors. Differences between consumer income level and distribution, infrastructure characteristics, procurement cost and quality of natural, financial and human resources and business norms are called the 'economic distance' between two countries. Economic distance is an important variable in terms of evaluating market potential. For example, rich foreign markets will be more attractive to businesses that produce high-quality products and sell these products with high profit margins. Conversely, a business focused on producing and selling less-featured products at low cost may prefer emerging, less affluent markets. The data obtained do not allow estimation of the future development potential of the past. For this reason, businesses should attempt to predict the future development potential of the target market based on subjective and objective data.

b. Competition Intensity

Another factor to be considered in market selection is the intensity of the competition in the market, both in the current and future periods. In evaluating the competitive environment, the company should consider the number and size of other businesses currently operating in the target market, their relative market shares, distribution and pricing strategies, and their strengths and weaknesses, both in terms of the business and in general. In light of the information obtained, the enterprise should compare the intensity of competition in the market with its own position. Many successful businesses consistently stay abreast of developments in foreign markets and strive to swiftly evaluate emerging opportunities. This type of follow-up is vital for businesses operating in sectors wherein technological and structural transformations are experienced.

c. Legal and Political Environment

Businesses intending to enter a certain market should acquire information about the market's trade policy and the legal and political environment in general. Administrative or institutional distance is used to express the historical ties, political relations, economic and monetary union between the two countries and the varying distance based on the existence of preferential international trade agreements (Verbeke, 2009: 130). For example, the business may prefer to export to a country with more flexible rules and low customs duties rather than a country with high tariffs and other trade restrictions. Trade barriers and policies may also lead the business to enter the foreign market through foreign direct investment. Political stability is an important determinant in the evaluation of foreign markets. Underdeveloped countries and some developing countries are more prone to military coups or similar events. Governments' regulations on pricing and promotion should also be taken into account prior to entry. Political sensitivities should also be considered, and these sensitivities should not be damaged.

D. Socio-Cultural Factors

Managers considering entering the foreign market should understand the target market from a socio-cultural perspective. Cultural distance refers to the distance between national cultures originating from language, religion, race and social norms (Verbeke, 2009: 130). Socio-cultural factors are generally variables that cannot be expressed quantitatively. For this reason, businesses should naturally prefer countries with similar socio-cultural characteristics to their own as they embark on their internationalization efforts. If the business plans to export products produced in another country to a third country, it should try to understand the relevant country's consumers in detail. Businesses that plan to enter through foreign direct investment should collect information about the employment conditions and working relations in the target country. Motivation, working conditions and the role of unions are among the information that should be sought in this context. Local managers can play a key role at this stage and may produce solutions to the business's problems. Another issue to be considered in the analysis of socio-cultural factors is the psychological distance between countries. Businesses deciding to enter certain markets will naturally favour regions that are physically close to the markets they have entered before, while expanding its foreign market activities in the following periods. However, the small physical distance between countries should not lead us to assume that the psychological distance will also be small. Psychological distance is a combination of cognitive and physical distance. Countries that are physically close to one another may be distant in terms of language, religion and legal and political systems. This distance leads to big differences in health, education and consumption patterns. For US-based businesses, for example, the UK is a psychologically closer foreign market than the US's neighbour Mexico.

1.2. Cost, Benefit and Risk Analysis in International Market Research

After evaluating the markets according to the analysis criteria, the next step is to carefully analyse the cost, benefit and risk of operating in a particular market.

a. Cost

Costs should be considered from two aspects: direct and opportunity cost. Direct costs are the costs associated with establishing a business, appointing managers, equipment and material transportation, which the business must bear as a result of entering a new foreign market. Opportunity cost relates to the limited resources of the enterprise. The selection of one international market in which to operate means not selecting the others or delaying the operating time. The profit that may be obtained from markets that cannot operate or whose operational transition time is delayed is called ‘opportunity cost’. Therefore, those dealing with the planning function in international businesses should consider both direct and opportunity costs.

b. Benefit

Foreign market entry yields significant benefits for businesses. The most prominent among the expected benefits are expected sales volume and profitability. If raw materials and labour in the country of operation are cheaper, purchasing and production costs may decrease. Competitors may struggle to operate in the same market, and it may be easier to achieve competitive advantage, access to technology and synergies with other fields of activity.

c. Risk

Every activity that has a return for businesses also brings risk. Companies entering the foreign market may experience financial losses owing to exchange rate risk, the more complex operational structure, and misevaluation of the target market. In addition, businesses may face sanctions such as war, terrorism and expropriation.

1.3. ITC (International Trade Center) Tools in International Market Analysis

The International Trade Center (ITC) has developed several online tools to make global trade more transparent and facilitate access to markets. These tools allow commercial actors to identify export and import opportunities, compare market access requirements, monitor national trade performance and make effective decisions in international trade (https://stage.intracen.org).

The ITC’s market analysis tools include the world’s largest databases on trade statistics, tariff data and rules of origin on applicable free trade agreements. However, they offer abundant data, such as export potential forecasts, market price information and regional trade and investment data

The ITC’s market analysis tools are particularly important for developing and least developed countries in terms of product details as well as the breadth of geographic coverage, and users in all countries can use them free of charge.

The most used ITC tool in market research are as follows (www.intracen.org):

a. Trade Map
b. Market Access Map
c. Export Potential Map

1.3.1. Trade Map (trademap.org)
Trade Map was developed by the ITC to help both trade support institutions and enterprises to answer these and related questions and thereby facilitate strategic market research (www.intracen.org).

Trade Map synthesises a large volume of primary trade data and presents them in an accessible, user-friendly and interactive Web-based application. It provides users with indicators of country or product performance, demand, alternative markets and the performance of competitors. It presents information in tables, charts and maps and facilitates export or import queries according to product, country, group of products or group of countries (www.intracen.org):
Trade Map's strength lies in its constant updating of monthly and quarterly data from both developed and developing countries that cannot be found in other tools, as ITC collects this directly from national authorities. Moreover, users can avail of data visualisation with tables, graphs and maps that are easy to interpret (wedf.edb.gov.lk/).

Trade Map's key features are as follows:
I.Analysis of present export markets: Examine the profile and dynamics of export markets for any product, assess the value, size and concentration of exports and highlight countries where market shares have increased.
II.Pre-selection of priority markets: View the world's major importing countries, illustrate the extent of import concentration and in which countries demand has increased over the past five years.
III. Overview of competitors in global and specific markets: Identify the leading exporting countries for a given product; highlight a country's position in world exports or in the imports of partner and neighbouring countries.
IV. Review of opportunities for product diversification in a specific market: Make a comparative assessment of import demand for related products in an export market; identify imports of similar products and possible synergies.
V.Visualisation of trends and seasonality: display the monthly data on graphs and identify slopes and regular peaks in values as well as in quantities and unit values.
vi.Identification of existing and potential bilateral trade with any partner country: Identify product-specific opportunities by comparing actual bilateral trade, the total import demand of partner countries and the overall export supply capacity of the home country.
VII. Data export: convert all data recovered from Trade Map into a file: download trade data as Excel or text files and graphs as images.
VIII. Information on tariffs: View information on tariff-equivalent ad valorem faced by countries in their exportations or applied by importing countries.

The instructions for using Trade Map are detailed below:

1. Trade Map Member Login

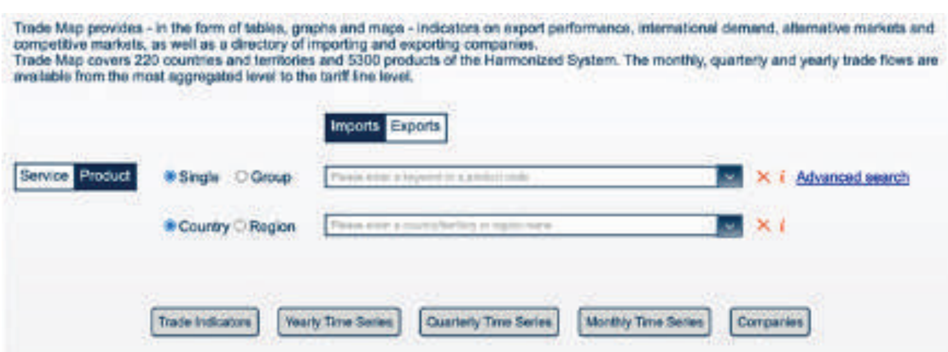
To log in to the Trade Map database, after typing the e-mail address and password into the relevant fields in the member login box on the right at www.trademap.org, the 'Log In' button must be clicked (Figure 1). After clicking the 'Log in' button, the main selection menu will appear on the page that opens.

Figure 1. Trade Map Member Login

2. Main Selection Menu

The main selection menu allows you to select the data you wish to access in the database (Figure 2).

Figure 2. Main Selection Menu



Source: www.trademap.org

In the Trade Map application, the data are displayed in three different ways. It is possible to examine them according to country, on the basis of product or in terms of trade between two countries.

a. If a search is made on a product basis, the data related to the selected product can be analysed at various levels of detail.
b. Country-based analyses give an idea of the import and export profile of the country of interest.
c. Examinations on the basis of the two countries will yield information about the mutual trade flows between the two countries or regions in question.

The 'Imports' and 'Exports' options at the top of the main selection menu allow the user to select which import and export data are to be displayed.

3. Selecting the Relevant Product

When the screen is first opened, there are two broad areas. The first of these is the product selection area. The HS (Harmonized System) code of the product to be examined should be written in this field. The system will automatically complete the corresponding code and its definition. When the word that is likely to be included in the English description of the product in question is typed into the field, all product definitions containing this word are automatically listed and it is possible to select from among the options offered by clicking on the description of the product of interest (Figure 3).

Figure 3. Related Product Selection

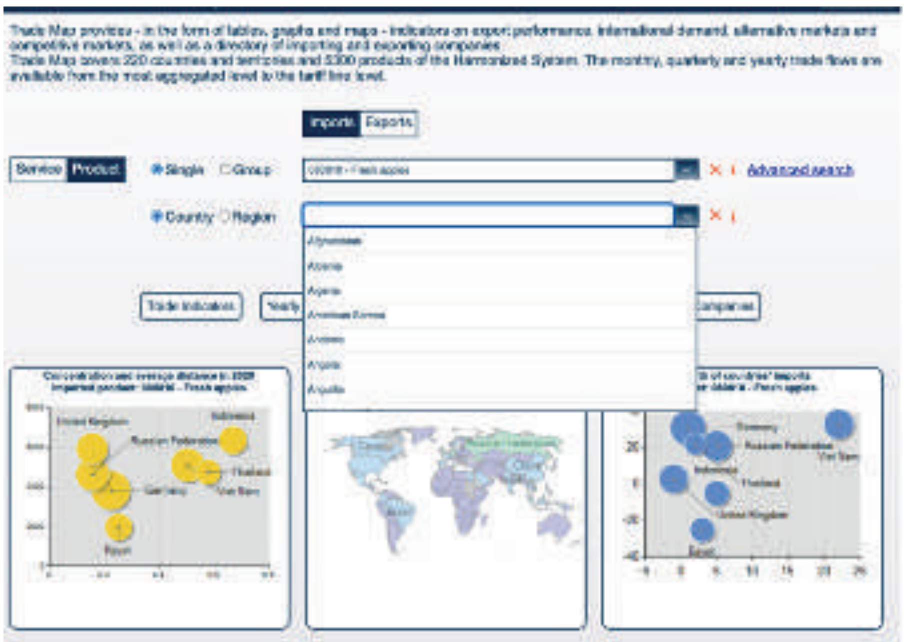
Source: www.trademap.org

Should the user experience any difficulty in finding the code of the product of interest, it is possible to determine to which code the product sought is subject by searching using keywords or by examining the HS product breakdowns on the new screen opened by clicking on the 'Advanced Search' link on the right side of the field.

4. Selection of Related Country/Countries

The second field on the screen is the country selection field. The English name of the country of interest should be written in this field. As in the first field, after the user begins typing in the field, the country names containing the letters written under the field appear and a selection must be made by clicking on the desired country name.

Figure 4. Relevant Country Selection



Source: www.trademap.org

After the country selection has been made, a new country selection area will appear under the country selection area. Where the aim is to examine the mutual trade between two different countries, the name of the other country should be selected in this field.

5. Selection of Data Type

The final step before accessing the statistics is to choose which statistics are desired (Figure 5).

Figure 5. Selection of Data Type

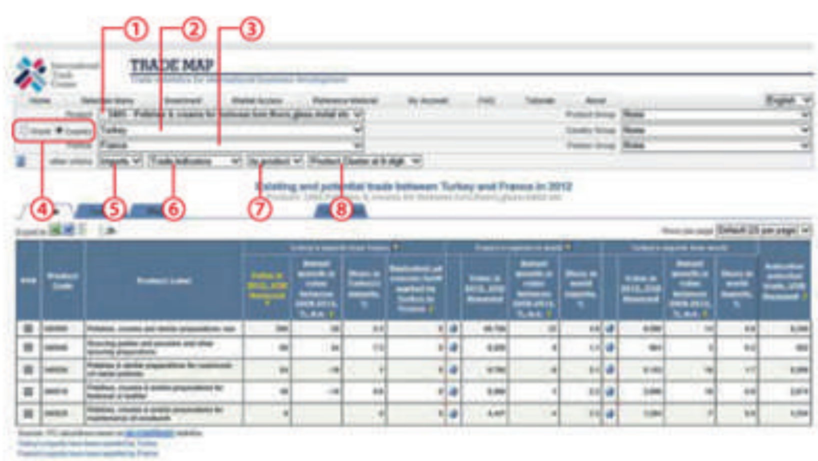
Source: www.trademap.org

After selecting one of the 'Imports' or 'Exports' options above the product selection fields, 'Trade Indicators' (trade indicators), 'Yearly Time Series' (annual statistics), 'Quarterly Time Series' (quarterly statistics) or one of the buttons labelled 'Monthly Time Series' (monthly statistics) should be clicked. After this stage, a new page will be opened and statistics suitable for the selections will appear on the screen.

6. Meanings of Statistical Data

The Statistics Option Menu, located at the top of the screen, indicates what data are displayed on the screen and is the basic menu that allows options to be easily changed (Figure 6).

Figure 6. Statistical Data



Source: www.trademap.org

The items in the menu, the options offered, and explanations about the data obtained are presented in Table 2.

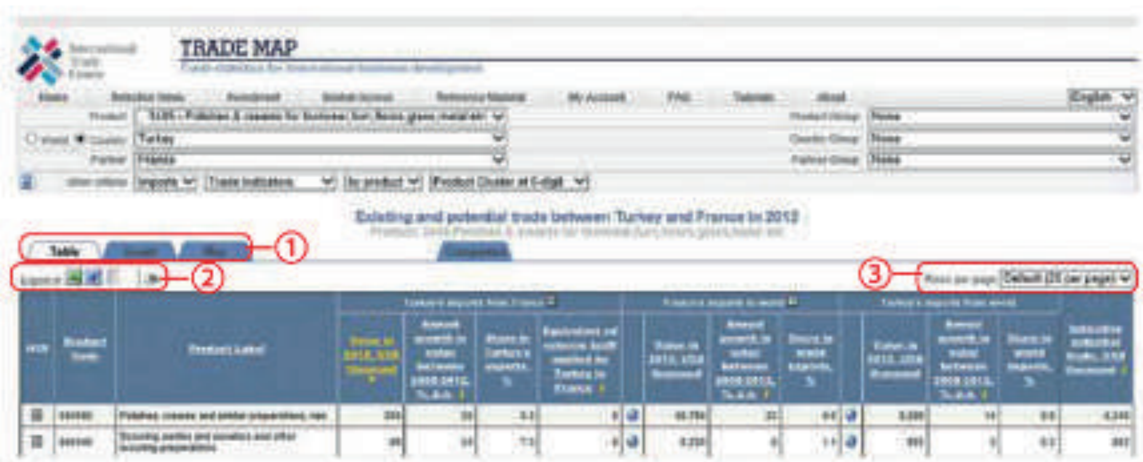
Menu		Criteria	Description
1	Product group	List of product groups	Product group for which statistics are requested HS Code
2	Country Selection	Country list	Which country's statistics are requested?
3	Partner Country	Country list	With which other country are mutual trade data requested?
4	World/Country	World or Country	When the 'World' option is clicked, the selected product group's world Statistics on trade around the world are displayed. To return to country-by-country statistics, in the first country menus ((2),(3)) country selection is sufficient.
5	Import /Export	Imports	The import or export data of the country selected in (2) Selection that you want to display 'Exports'.
		Exports	
6	Statistics Type	Trade indicators	The trading indicators menu is calculated by the application and data containing various indicators on trade flow.
		Time series	Time series (statistics by year, month, quarter).
7	Statistics Basis	By product	International trade statistics by product groups
		By country	Mutual international trade statistics on the basis of partner countries
The menu that appears when the data per product are displayed (7: by product):			
8	HS Code Digit Level	At same level two-digit	Lists statistics by two-digit HS/GTYP code. It provides analysis at the macroeconomic level and is suitable for examining a country's product portfolio in international trade at the sector level.
		Product cluster at 4-digit	Lists statistics by four-digit HS/GTYP code. It provides analysis at the macroeconomic level and is suitable for examining a country's product portfolio in international trade at the sector level.

Menu		Criteria	Description
		Product cluster at 6-digit	Lists statistics by six-digit HS/GTYP code. It is convenient for examining the products that a country trades at a more detailed level and comparing the commercial performance of similar products over time.
		Product cluster at 10-digit	Lists statistics based on 10-digit HS/GTYP code. HS/GTYP codes with more than six digits belong to the national classification and it varies from country to country. The last four digits refer to different products in each country. Statistics at this level provide data on a particular product. In the application, only those who report their data at this level country statistics are available.
When a country's trade with the world is displayed/partner country is not selected, the menu that appears when a country's trade with the world is displayed/partner country is not selected and country-based data are displayed (7: by country):			
	Data Source	Direct data	Data reported by the country
		Mirror data	Reciprocal trade data (reflected data) from countries with which the selected country trades, and estimated trade statistics, complete with missing information.

7. Output Option Menu

The Output Option Menu determines which outputs will be obtained based on the data obtained as a result of the selections made through the Statistics Option Menu (Figure 7).

Figure 7. Output Option Menu



Source: www.trademap.org

- The ‘Table’, ‘Graph’ and ‘Map’ tabs (1) at the top of the table allow the data to be presented using a table, graph or world map, respectively.
- Icons (2) under the tabs allow data to be exported to Microsoft Excel (green icon), Microsoft Word (blue icon) or as plain text (text icon).
- The ‘Rows per Page’ (3) menu on the far right determines how many rows appear on each page of the table mode.

1.3.2. Market Access Map (macmap.org)

Market Access Map is an interactive analytical web application developed by the ITC (International Trade Center) to support the needs of exporters and importers, trade support institutions, trade policy makers and academic institutions in developing countries. With the aim of enhancing market transparency and facilitating the analysis of trade-related policy issues, it presents a comprehensive perspective on the different types of barriers that affect international trade (intracen.org; wedf.edb.gov.lk/).

The application provides information on applied customs tariffs, including MFN (Most Favoured Nation) tariffs and preferences granted unilaterally and within the framework of regional and bilateral trade agreements. Users can find ad valorem equivalents (AVEs) for non-ad valorem duties for the purpose of comparing tariffs across countries, perform product aggregations at sectoral or regional levels and simulate tariff reduction scenarios. The application also covers tariff rate quotas, trade remedies, rules of origin as well as the corresponding certificates, bound tariffs of WTO members, non-tariff measures (NTMs) and trade flows to help users prioritise and analyse export markets as well as prepare for market access negotiations (http://wedf.edb.gov.lk/).

Market Access Map's key features are as follows (http://wedf.edb.gov.lk/):

1.A wide geographic coverage with applied MFN and preferential tariffs available for more than 190 countries and territories.

2.A new database on NTM regulations, categorised according to a classification

3.validated by key international organisations.

4.Seamlessly integrated and continuously updated data on tariffs, trade and NTMs from multiple data sources, which can be consulted simultaneously.

5.Different methods of calculating AVEs of non-ad valorem tariffs and trade-weighted average tariffs.

6.Access to extensive time series and the possibility of downloading large sets of raw data.

7.High flexibility for users to define tariff reduction simulations, including dismantling schedules.

8.Flexible product selection based on two international classifications: the

9.Harmonised System (HS) and the Standard International Trade Classification (SITC).

10. The possibility of sharing queries with other users.

The instructions for using the Market Access Map are explained below.

When the home page is opened from www.macmap.org, the menu shows the Export Company, Destination Company and the product sections that we will write with HS code (Figure 8).

Figure 8. Market Access Map Home Page

Source: www.macmap.org

By entering the necessary information, the customs duty, restriction and other applied trade policy measures within the scope of existing trade agreements can be seen for the product intended for export from the export country to the destination country. For example, when we select the Fresh Apple group with AS Code 080810 by specifying Turkey as the export country and China as the destination country, the applied tax is identified as 10% (Figure 9).

Figure 9. Tax rate for Fresh Apple Export to China

Source: www.macmap.org

However, on the same page, the current measures can be seen according to the details of the trade agreements, if any, between the selected countries as well as the measures implemented by the destination country within the scope of its own legislation (Figure 10).

Market Access Map facilitates analysis of target markets in terms of how much customs duty will be paid during export to a country, whether there are taxes such as additional customs duties, compensatory tax, anti-dumping tax, whether there is a quantity restriction (quota), which official and commercial documents information is requested and whether permission is required from official institutions (exportpotential.intracen.org).

Figure 10. Measures implemented for fresh apple exports to China

Source: www.macmap.org

Market Access Map facilitates analysis of target markets in terms of how much customs duty will be paid during export to a country, whether there are taxes such as additional customs duties, compensatory tax, anti-dumping tax, whether there is a quantity restriction (quota), which official and commercial documents information is requested and whether permission is required from official institutions (exportpotential.intracen.org).

1.3.3. Export Potential Map

Export Potential Map identifies products, markets and suppliers with (untapped) export potential as well as opportunities for export diversification for 226 countries and territories and 4,376 products (https://knowledge.unccd.int).

Based on the ITC's export potential methodology, it evaluates export performance, the target market's demand and market access conditions as well as bilateral links between the exporting country and target market to provide a unique ranking of untapped opportunities (Figure 11) (https://knowledge.unccd.int).

Figure 11. Export Potential Map Methodology

Source: https://exportpotential.intracen.org

Export Potential Map provides timely and practical information on products, markets and suppliers with untapped potential as well as prioritising new sectors with favourable chances for success in export diversification. (www.mcci.org).

It is detailed, robust and geared towards supporting sustainable development. It uses data based on the six-digit level of the HS and employs a wide range of measures to enhance data quality. The Export Potential Map looks beyond extractive industries as well as environmentally damaging and hazardous products to guide export development towards a less volatile and more environmentally conscious path. It also integrates information on land and resources available in countries to deliver targeted results. (www.intracen.org).

The Export Potential Indicator identifies the potential export value for any exporter in a given product and target market based on an economic model that combines the exporter's supply with the target market's demand, market access conditions and the bilateral links between the two countries. For existing export products, supply is measured through historical information on export performance. Potential export values can be compared with actual export values to find exporters, products and markets with room for growth (www.intracen.org)

The Product Diversification Indicator estimates supply using the Product Space methodology, which establishes links between products based on how frequently they coincide in countries' in export baskets. It assumes that products that are often exported together rely on similar capabilities for their production. Supply is combined with the target market's demand and market access conditions to ensure that feasible products for the exporter also have favourable chances of export success.

The Export Potential Map provides (www.intracen.org):

1. Evidence-based prioritisation of sectors and markets for targeted trade promotion activities.
2. Market intelligence information to help guide businesses in their export decisions.
3. Input for trade policy negotiations identifying strategic products and partners.

Instructions for using Export Potential Map are detailed below.
Information on products, markets and exporters can be accessed via the Export Potential Map online application page (Figure 12).

Figure 12. Export Potential Map Application Criterias

Source: https://exportpotential.intracen.org

To take Turkey as an example, when for Exporter: Turkey, In Market: World is selected in the Product tab, Turkey's products with the highest export potential worldwide are returned (Figure 13). When in Market is selected as a certain country or region, export potential is presented on the basis of region or country.

Figure13. Product Criteria: Export Potential of Turkey for World Market

Source: https://exportpotential.intracen.org

The Markets tab indicates countries' export potential on a product basis. For example, consider Turkey as an exporter again. When 'All Products' is selected in the 'For Exporter: Turkey, In Product' section, the results indicate in which markets Turkey has export potential across all products (Figure 14). When a product is specified using the AS Code, information about which markets have export potential for that product can be obtained.

Figure 14. Market Criteria: Export Potential of Turkey for All Products for Country-by-Country

Source: https://exportpotential.intracen.org

As Figure 15 illustrates, the countries with export potential in Turkey's Fresh Apples product group with 080810 AS Code are Egypt, United Kingdom, and Germany. By clicking on each country, it is possible to access the total potential exports, actual exports and untapped potential remaining information for that country.

Figure15. Market Criteria: Export Potential of Turkey for Fresh Apple (08.08.10 AS Code) for Country-by-Country

Source: https://exportpotential.intracen.org

Information about which countries have the highest export potential on a product basis may be accessed using the Exporters tab. For example, when Product: 080810 – Fresh Apple, In Market: World is selected, the countries with the highest export potential in the world for Fresh Apple can be seen.

Figure 16. Export Criteria: Export Potential of Fresh Apple (08.08.10 AS Code) for World

Source: https://exportpotential.intracen.org

When a specific country is selected in the In Market section of the Export tab, the countries with the highest export potential for that product can be seen for that country. For example, selecting 'In Market: Egypt' for the same product shows the countries with the highest export potential for Fresh Apple in Egypt (Figure 17).

Figure 17. Export Criteria: Export Potential of Fresh Apple (08.08.10 HS Code) for Egypt

Previously, Egypt was seen as the country with the highest export potential for Fresh Apple. Here, information on who the competitors are in the export planning of Fresh Apple to Egypt and these competitors' export potential on the basis of that product can be accessed.

Source: https://exportpotential.intracen.org

CHAPTER 2: PRICING IN INTERNATIONAL TRADE

1.Purpose of Pricing
2.Pricing Strategy
3.Factors Affecting the Price
4.Fixed and Variable Cost Effect On Pricing
5.Pricing in Export
6.Formation of Export Prıce
7.Price Based on Delivery
8.Export Price-Cost Analysis
9.Feasibility of Export Price
10.Pricing and Offer Preparation

Pricing in export is the determination of the ‘best export price’. The most suitable export price is the price that covers the production costs of the goods subject to international trade, is suitable for the target market and includes a certain profit margin. The compatibility of the price at the time of market entry with the prices in the market, the calculation of costs and how they will react to price changes should be examined. In export pricing, the exporter must respond to the questions and reactions they will encounter in the market (https://avys.omu.edu.tr).

Pricing the product properly, giving complete and accurate quotations, choosing the terms of the sale, and selecting the payment method are four critical elements in making a profit on your export sales. Pricing can be the most challenging due to different market forces and pricing structures around the world (www.trade.gov/pricing-strategy).

2.1. Purpose of Pricing

Pricing involves a number of decisions related to setting price of product. Pricing policies are aimed at achieving various objectives. Company has several objectives to be achieved by the sound pricing policies and strategies. Pricing decisions are based on the objectives to be achieved. Objectives are related to sales volume, profitability, market shares, or competition (www.yourarticlelibrary.com).

While making pricing decisions in international trade, the pricing purpose must be determined. The purpose of pricing is explained below (www.avys.omu.edu.tr):

- Eliminating competition
- Realising the target profit
- Ensuring the return (profitability) of the investment made for export
- Maximising profit
- Using idle production capacity, reducing costs
- Creating and maintaining a high quality image,
- Surviving according to the principle of continuity of the business
- Using the techniques of producing goods and services that comply with standards and environmental health.
- Defending, protecting and developing market share
- Increasing market share,
- Observing the difference and taking precautions by comparing the competitors’ prices

These goals will not be the same for all companies. Each business has different regions, production conditions, physical and strategic situations, financial structures and capacity utilisation adequacy. Different structural situations will affect pricing purpose and decisions.

2.2. Pricing Strategy

Exporting companies may struggle to discover the answer to the question of which price strategy should be followed in the foreign market. Price is among the key tools that enable the exporting company to achieve its profitability goals. Firms can apply two types of price strategy while preparing their products for the foreign market (www.avys.omu.edu.tr).

2.2.1. High Price Strategy

If companies are exporting unique new products in the market and wish to attain a reputation for high quality, they may favour a high price strategy. This allows for a large profit margin if other elements of marketing also play a complementary role. Exporting enterprises that apply a high price strategy should consider the following factors:

a) High price strategy limits consumption and invites competition.
b) High price creates high profit advantage. In this case, companies whose productivity and quality are not as high as the current enterprise will be candidates for entry into the market, even if they have a high cost per unit, and have the opportunity to make a profit.
c) Extremely high price policy erodes customer confidence.
d) In cases of abuse of value, price advantage or ignorance, the business will lose buyer confidence and the buyer will turn to substitute goods.

2.2.2. Low Price Strategy

Exporting companies want to export excess production. The supply of excess production to the foreign market and the desire to remain in the market can be satisfied using a low price strategy. However, applying a low price strategy in the international market sometimes leads to 'anti-dumping' investigations. Large firms with international reputations may not be affected by low price policies for the following reasons:

- They have created a good 'brand' image.
- They have a reliable and quality service network.
- They have good distribution channels.
- They have qualified personnel.
- They have effective and attractive packaging.

In the export market, low price applications can of course be an effective market tool in the short or long term. In addition, product quality and effective marketing can ensure that market share is maintained. However, compelling price practices may lead to dumping in the foreign market in the long run.

2.3. Factors Affecting Pricing

Having a pricing objective isn't enough. A firm also has to look at a myriad of other factors before setting its prices. Those factors include the offering's costs, the demand, the customers whose needs it is designed to meet, the external environment—such as the competition, the economy, and government regulations—and other aspects of the marketing mix, such as the nature of the offering, the current stage of its product life cycle, and its promotion and distribution. If a company plans to sell its products or services in international markets, research on the factors for each market must be analyzed before setting prices. Organizations must understand buyers, competitors, the economic conditions, and political regulations in other markets before they can compete successfully (https://open.lib.umn.edu).

Determining the most suitable export price is a difficult process for companies. The reason for this is that many factors play a role in the formation of export prices. Some of these factors are controllable, while others evade control. Price decisions must be constantly reviewed and audited, and the most important element of pricing in exports is flexibility (www.avys.omu.edu.tr).

2.3.1. Controllable Price Factors

The exporter may influence several price factors to a small or large extent. According to market conditions, the exporter is flexible.

a) Product cost: If the exported good is produced by the firm, the unit cost of that good is the cost of leaving the factory.
b) Selling and distribution costs; In export, transportation and other distribution costs in the market are often as high as production costs. These costs can be controlled by choosing the right transportation, distribution channels and sales organisation.
c) Marketing support costs; Developed markets demand advertising and sales promotion to support consumption at first market entry. These expenses should be included in the price. The exporter must calculate in advance how much money may be allocated to these activities.
d) Product quality and image; A unique product allows high price application. The product's quality

should attract the consumer's attention. Otherwise, the product in question will remain a beautiful yet unconsumed product for which a considerable amount of money has been spent and cannot be sold. Differences in quality and product cost lead to high price differences. Product image and price are similarly correlated.
e) Product communications: Advertising and other means of communication enhance the product's image and increase its attractiveness to the consumer.

2.3.2. Independent Price Factors
Independent price factors that are not open to changes by the exporter. Such price factors are dominated by market conditions.

a) Price level in the target market; Exporters find themselves in market conditions where prices cannot be determined independently. In this case, they must adapt to the prevailing price level in their chosen market.
b) Supply and demand in the marketL The purpose of the consumption research that the company undertakes is to reveal the size of the domestic demand in the target markets, the rate of importation and consumer preferences for export goods. The net consumption value of the exported product in the target market is calculated as follows:
Net consumption amount = Domestic production + Import amount - Export amount
Import Consumption Rate = Import amount / Net consumption amount x 100
The increase in the proportional share of imports within the net consumption amount during the period indicates that the demand for imported goods in the target market has increased. In this case, demand elasticity must be taken into account to ensure rational price changes and determine the ceiling price.
c) Competition: The level of competition among manufacturers affects market price levels and product price. Intense competition between manufacturers, competitive activities, advertising, sales promotion, service and quality control put pressure on prices. Moreover, the product must offer significant advantages for the trade and the consumer. In the absence of such advantages, the exporter will have to bring its price to the same level as those of its competitors.
d) Market conditions: Different inflation rates between markets require separate price settings for each market. In markets with high inflation, price adjustments are made for shorter periods. In addition to inflation, recession negatively affects international trade.

Price reduction policies are followed during recession periods. Price reduction reduces profits. Different exchange rate practices, which vary from country to country, impact international pricing decisions.

2.4. Fixed and Variable Cost Effect on Pricing
One of the factors affecting pricing decisions in international trade is the ratio of fixed and variable expenses in the product's production cost. Different structural situations affect pricing purpose and decisions. The effect of the ratio of fixed expenses and variable expenses on pricing in international trade will differ from domestic pricing. International pricing also affects variable costs, delivery methods, payment methods, customs procedures and transportation methods. Considering these factors, it is necessary to apply different pricing policies or strategies in international trade. The method of reducing costs by increasing the idle production capacity and adding extra orders from abroad to the domestic production and sales capacity may be preferable (www.avys.omu.edu.tr).

Fixed expenses: These expenses remain fixed even if the production amount changes (that is, the production amount increases or decreases). Rental expense, depreciation expense, contract and subscription fees are fixed business expenses. These expenses do not change whether the business is open or closed. These expenses are made and paid in each period.

Variable expenses: These expenses change as the production amount changes and include raw materials, auxiliary materials and other expenses. These costs increase or decrease as production increases or decreases. The amounts of raw materials, auxiliary materials and additional materials vary.

2.5. Export Pricing
2.5.1. Cost Elements Affecting the Export Price
The following factors are considered in determining the export price:
a) Product cost (direct costs, cost of selling, profit, packaging)
b) Costs relating to domestic transportation and export transactions
c) International transportation and insurance costs
d) Customs and distribution costs in the internal market
The labour, material and operating expenses used for the production of a good constitute the production cost of that good. In addition, when it comes to exports, sales and marketing expenses, logistics operations, delivery and insurance expenses are among the key components of the cost.

Export Price:
Delivery Price = Production + Profit margin.
Price in the Export Market = Delivery price + Transportation + Storage + Bank charges + Insurance + Distribution costs.

Regardless of the increase in the amount of production, all businesses must undertake costs such as rent, depreciation and operating expenses. These costs are fixed costs. Some costs also increase due to increased production. These include variable costs, such as material, labour, fuel and energy costs. The sum of fixed and variable costs gives the value of total cost expenditures incurred for a good. Production cost may vary according to the actual production amount.

SAMPLE: The cost of 5000 pairs of shoes is greater than the production cost of 800 pairs of shoes. However, the cost per pair falls as production increases. As production increases, the unit cost decreases.

When all expenditures from the production of a good to the sales stage are divided according to the production amount, the resulting value forms the 'break-even price'. Each sale to be made below this price will cause loss to the company, and every sale made above this price will constitute profit for the firm. The firm must make an optimal choice between two options: exporting its product at a low profit or selling it in the domestic market at a high profit. In this regard, the firm should focus on exporting at a low price and the benefits of this export for the firm should be examined.

2.5.2. How Is the Export Price Determined?
The firm's determination of prices should be completed before the method of delivery (such as FOB, CIF) to the importer is determined. The most important tool to be used for this is the price structure. The price structure is important in that it presents a detailed picture of all cost elements, from the factory door to the price to be created for the consumer.

2.5.2.1. Structure and Process of Export Price

The structure and process of the issuance price involves the following factors:

a) Factory cost of the product

a) Producer's profit

b) Packaging and marking

c) Loading at the factory

d)Transportation to ports, railways or airports

e) Port, railway, airport usage costs and costs

f) Documentary expenses (bill of lading etc.)

g) Certificate of origin

h) Export taxes, if any

i) Insurance premium and policy expense

j) Sea or air transport costs

k) Unloading costs at destination

l) Customs duties and other taxes

m) Clearing (customs clearance) costs

n) Sundry factors, such as transportation to the importer's warehouse

2.5.2.2. Export Price and Incoterms 2020

Incoterms 2020 delivery types, transport groups, transport vehicles and responsibilities are listed in Table 1 below.

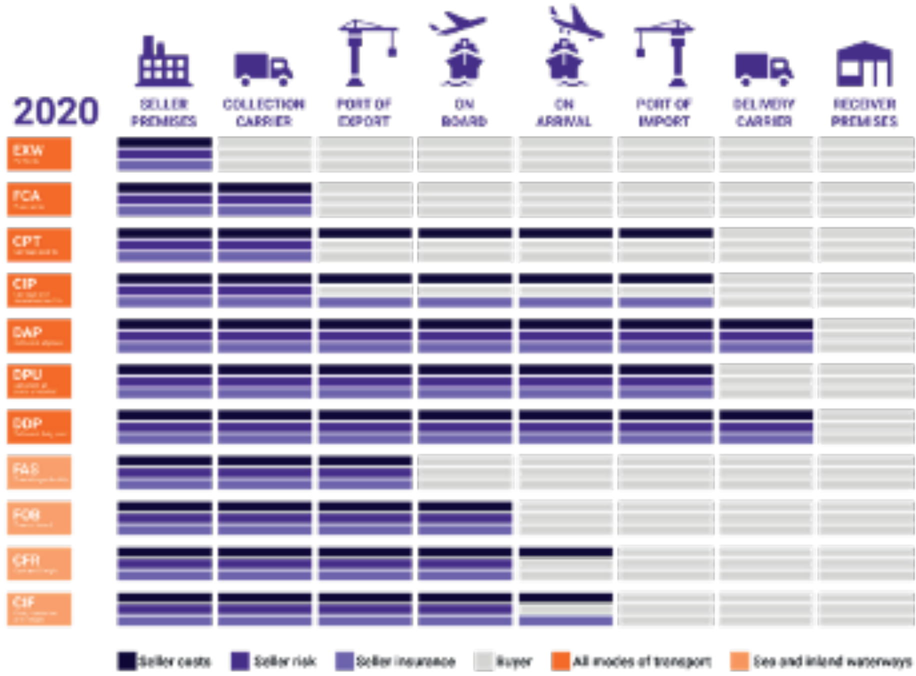


Table 1: Incoterms 2020
Source: https://www.tibagroup.com

While determining the export price, it is necessary to add the costs, responsibilities and risks of international delivery methods to the production cost. As the table above illustrates, if importing using the EXW delivery method at a price of 100.- dollars, all costs after this 100.- dollars belong to you. When the product arrives at its destination in your country, it may have increased to 100.- with price + costs = 190 dollars.

Conversely, if exporting using the DDP delivery method, if you have given a price of 100.- dollars, all costs after this 100.- dollars belong to you. When the product is taken to its destination in the buyer's country, it may have increased to 100.- with price + costs = 190.- dollars.

When determining prices, it is necessary to have knowledge of Incoterm 2020 features, rules and liability limits. Additional costs must be calculated when selecting a delivery method and receiving or giving a price quote based on that delivery method. In addition to these additional costs, insurance risk, freight determination, carrier's liability policy, dumpings, anti-dumping, country policies, war, peace and epidemics should be analysed separately (www.avys.omu.edu.tr).

2.5.2.3. Delivery Methods and Determinatıon of Export Price

Competition in exports is tough. One factor that facilitates the conditions of competition is the stable price policy. For a stable price policy, the price and INCOTERMS 2020 Delivery Forms must be ready in amounts for each group, each stage. In cases where the importer (buyer) asks for a price according to the delivery method, having these prices ready and instantly delivered to the importer increases the exporter's competitive advantage and the buyer's confidence. The importer can hold and monitor very different prices within a short time. The determination of the export price according to the Incoterms 2020 delivery methods will be explained with an example below.

INCOTERMS 2020 E – GROUP

E-GROUP: This group facilitates delivery at work. All costs after the workplace belong to the buyer (importer). This form of pricing has zero additional cost for the exporter. For the importer, it is the costliest pricing method.

Cost and price according to the EXW delivery Type: If we accept that the unit sales and cost price of the product subject to export is 100.- dollars ($) (Unit Total Cost + Financing + Packaging + Labelling + Bank + Commissions + Other Expenses + Profit), the factory delivery EXW price of the product will be 100.- dollars ($) (www.avys.omu.edu.tr)

INCOTERMS 2020 - F GROUP

F- GROUP: This group has the feature of delivery at the exporter's customs. The exporter adds the expenses from their own customs to the cost. All costs after the exporter's customs belong to the importer.

Cost and price according to FAS delivery type:
EXW unit price: based on 100.- $;
Cost to delivery at port; 5.- if dollars ($) are accepted
(Customs Clearance + Transport to Port + Unloading + Bill of Lading + Documents + Bank + Commissions + Other Expenses)

Delivery of the product at the port FAS price: (100 + 5=) 105.-dollars ($).

Cost and price according to FOB delivery type;
FAS price: Based on 105.- $ (dollar); Cost to delivery on ship: 2.- if dollars ($) are accepted (Loading + Other Expenses)
The product will be delivered on board FOB price: (105 + 2=) 107 dollars ($).

INCOTERMS 2020 - C GROUP

C- GROUP: This group has the feature of delivery at the importer port. The exporter adds the expenses up to the importer's port to the cost. All costs after the importer's port belong to the importer.

Cost and price according to CFR delivery type:
FOB price: Based on 107.- $ (dollar);
Transportation cost from port of loading to port of destination; 8.- if $ is accepted (Transport + Other Expenses)
Uninsured delivery at the destination port of the product CFR price: (107 + 8 =) 115.- $.

Cost and price according to CIF delivery type: CFR price: based on 115.- $ (dollar);

Insurance cost from port of loading to port of destination; 5.- if $ is accepted, (Insurance + Other Expenses)
Insured delivery at the destination port of the product CIF price: (115 + 5=) 120.- $.

INCOTERMS 2020 - D GROUP
D- GROUP: This group has the feature of delivery at the importer's workplace or at a terminal determined by the importer. The exporter adds the expenses up to the importer workplace to the cost. The cost for the importer is negligible.
Its features are the opposite to those of the E-Group.
Cost and price according to DDP delivery type;
CFR price: Based on 120.- $ (dollar);
Total costs and taxes from the port of destination to the importer's place of business:
If 10.-$ (dollars) is accepted, the DDP price of the product for delivery at the importer's workplace: (120 + 10 =) 130.- $.
It will be beneficial for the importer to provide the price within a short time if the exporter has the price ready according to the delivery methods, as above. The main goal should be to reach the buyer at the same speed at the price according to the speed of technology today. It should be borne in mind that hundreds of prices exist in the foreign market in the internet environment against the price determined by your business.

2.5.3. Feasibility in Export Pricing
The following should be considered in export pricing research:
- The market in which the products will be distributed
- The sector in which the firm operates and its competitors
- Legislation in the target market and regulations in the relevant sector

It is useful to collect and analyse information on the following subjects in determining the export price:
a) Market-related information
- What are the markets in which the product can be sold?
- Who are the key competitors?
- What is the market size?
- What are the future growth prospects?
- How do different market segments affect one another?

b) Competitive information
- What are the competing products?
- What are the buyers' demands?
- What are the price change possibilities?
- What is the market share of the competitors?
- Are market shares changing?
- What is the financial situation of the competitors in the market?
- What are the expected reactions to changes in the market?

c) Information on prices
- What are the prices of competing products?
- Is there any leading company that determines the price formation in the market?

- What is the relationship between price and quantity?
- Are there habits, practices, market features such as discounts, credit sales opportunities or promotional support? What is their nature?

d) Information on government policies
- What is the public influence on the market?
- How are companies affected by public regulations?
- Which are the important companies selling to the public sector?

e) Information on production and cost
- What is the company's current production and inventory level?
- What are the costs associated with these levels?
- How do changes in production and inventory levels affect these costs?
- What are the costs associated with the pricing decision?

f) Information on revenues and profit
- What are the profit, revenue and cost relationships and what is their impact on other products?
- What is the impact of product quantity on revenues and profits?
- What is the impact of promotional and advertising expenditures on revenue and profit?
- What are the firm's profit margins?
- Do their profit margins differ from those of their competitors?

It is useful to review the above checklist when creating a pricing approach and making decisions. Access to information may prove challenging for some markets. The information obtained may be out of date. It is important to pay attention to whether the information obtained is accurate and reliable.

2.5.4. Export Pricing and Analysis

For pricing to be successful, the exporter must research the demand structure in the market, the competitive situation and the price information in relation to the product in the target market in detail. For an accurate pricing strategy, the exporter first examines the total demand for the product in the market and the effects of price changes on demand. The exporter must decide whether to offer the product at a low or high price according to the market's structure. When making this decision, various types of information about the market are collected (www.avys.omu.edu.tr).

Sample: Does a low price increase demand for the product? Or does this practice suggest to consumers that quality and service are inadequate? Does selling more at a low price or less at a high price increase your profits? After collecting all this information, a pre-bid price is determined. In line with this price, the price suggested by the buyer is evaluated. The most suitable bid price for the company is determined. Probable price prediction in target markets offers a competitive advantage. In particular, international prices should be known and international stock markets should be monitored daily. For example, London and New York stock exchanges may be followed for wheat prices, while Rotterdam stock exchanges can be followed for tea (www.kobifinans.com.tr).

2.6. International Trade Pricing, Offer Preparation and Breakthrough

Pricing and proposal preparation processes in international trade directly affect the exporter's profitability.

2.6.1. Pricing and Preparing Offers In Export

The main criterion in pricing and preparing offers in export is to determine the final or temporary price of the service that the company will offer to the buyer together with its product and to deliver this price to the buyer. In preparing the price offer, the offer should contain not only information about the price but also sales-related elements, such as the delivery method.

2.6.2. Items That Must Be Included in The Price Offer

The presentation of the price offer plays an important role in converting the importers' requests into orders. Some exporting companies use special forms to deliver price offers to buyers, while some companies use proforma invoices. Regardless of which form is used to present the offer to the importer, certain issues should be particularly considered in the responses to the requests from the buyers (www.avys.omu.edu.tr):

a) The importer's request must be responded to as swiftly as possible. Responding swiftly to incoming requests is an issue that should be emphasised owing to the possibility that the importer may have applied to other suppliers. However, prior to disclosing some information, the exporter may wish to check the business history of the relevant foreign company to assess the application's credibility.
b) The price offer should be prepared in language that is as clear as possible and should include all details pertaining to the issues requested by the customer. It is also useful to investigate some of the customer's needs that are not clearly stated in the request.
c) The price offer is a sales document. It should also include the mode of delivery. For this reason, its presentation to the customer should be supported by appropriate promotional materials (brochure, etc.) and a letter when necessary. This approach emphasises the quality of the firm and its products.
d) In case of a response from the customer to the price offer, it is important to ensure that the relations continue without interruption.
e) If the customer offers no response to the offer, they should be followed up with a request for feedback.
f) All letters must be signed by the individual who receives the application. If a fax or e-mail message is sent, the original text should be sent later by post. The language used in correspondence should be in the foreign language best understood by the importer or, if possible, in their own language. While quotes vary, the minimum elements that should be included are as follows:

- Buyer's title, full address and reference dates
- Acknowledgement and reference to the request
- Specification of the product and its qualities
- Price, delivery method and their details
- Delivery date
- The validity period of the price offer
- Minimum and maximum amount of product
- Payment method
- Sales conditions
- Details about the seller
- A note about the attached documents, if any

2.6.3. Export Offer and Peak Point

The peak point is the point at which production cost and sales revenue are equal in a business and the point at which profit and loss are equal. It is a transition point. Once the production of an order has commenced, how much of that order will be made to profit after production and sale? The 'break-even point' answers this question. In export transactions, the break-even point must be calculated before the requests from the importers are converted into orders or before production begins. On how many of this order will the business make a profit after selling? This must be determined. The sales price in exports must also be determined using sound data to accurately calculate the break-even point. The example below demonstrates the calculation of the break-even point for an order from an importer in an exporting business (www.avys.omu.edu.tr).

EXAMPLE: Ege A.Ş is a manufacturer and exporter company. Eighty cabinets were ordered from the foreign company Expo Germany.
The sum of the variable costs of production; 480.- TL
Variable cost per unit: 480 / 80 = 6.- TL.
Total fixed costs for production have been calculated as 770.- TL.
The unit product sales price has been determined as 20.- TL.
The following formula is applied to calculate the break-even point:
Fixed Costs
BEP==-- -----------
Unit Selling Price – Unit Variable Costs
S.M. 770
BEP = -------------------------------- = -------------- = 55 pieces
(B.S.F) – (B.D.M) 20 - 6
If Ege A.Ş. produces and sells at least 55 of this product, he will neither profit nor incur damage.
55 break-even (to profit) points.
55 Pieces x 20.- = 1.100.- There is neither profit nor loss in the revenue.
If desired,
1.100 – 770 = 330
330 / 6 = 55 pieces. It is the starting point.
Every product sold and exported after 55 units will be profit.
QUESTION
If this business produces and sells five surpluses after the break-even point
(5 pieces x 20.- = 100.-), will TL make a profit?

ANSWER:
60 x 6.- Variable total cost per unit = 360.- TL
55 x 6.- Variable total cost per unit = -330.- TL
Variable cost difference is ....30.- TL.
Profit = 100 – 30 = 70.- TL.
That is, for increasing sales of five units, the fixed cost does not change, while the variable cost affects and decreases the profit as 30.- TL.


SECTOR 16

CHAPTER 3: LOGISTICS IN INTERNATIONAL TRADE

1. The Concept of Logistics and Its Importance in International Trade
2. Logistics Services in InternationalTrade

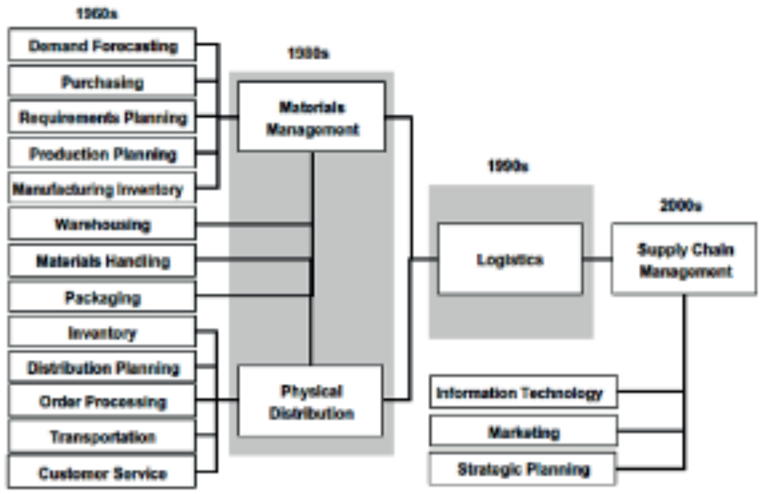
3.1.The Concept of Logistics and Its Importance in International Trade

While the term ‘logistics’ has acquired increased significance in recent years, it is an ancient concept. The word is derived from the Greek word logisticos and means ‘science of calculating’ or ‘skill in calculating’. Regarding the development of the logistics concept, the term’s first use dates back to the 1700s. Initially, it was included in the literature as a concept of military origin. In this context, logistics has been used to express the design and implementation of all elements that will support the operational capability of a military unit, the provision of the relevant equipment and materials and all necessary planning. In other words, logistics in the military field is defined as the activities carried out for the purpose of providing the necessary support items and service support to the fighters in accordance with their strategy and tactics. The first use of logistics in the military field also shed light on the scope of logistic activities that gained importance in the field of trade in the subsequent process (Ceyhun&Yıldırır Keser, 2020).

Logistics, which has been examined in a multifaceted way with the science of economics, has today become a field of expertise and work in its own right. In the early 1900s, logistics, which was considered as a part of the management strategy, was particularly used in the distribution of agricultural products as a method of providing time and space benefits. The 1960s saw the first references to logistics in academic studies. During the 1960s, many types of service included in the concept of logistics began to gain importance in the manufacturing industry, with particular emphasis on distribution activities. However, the integration of services within the scope of logistics took place in the 1990s. In spite of the fact that the 1990s was a period of technological and political change that revolutionised the introduction of computer technology and communication, regulations in transport activities and policies acquired considerable importance in the development of the logistics concept. During the 2000s, the concept of logistics has been referred to as a more comprehensive concept—supply chain management—which is an important strategy for companies seeking to increase their competitiveness (Ceyhun&Yıldırır Keser, 2020).

The development of the logistics concept between 1960 and 2000 is shown in Figure 1. During the 1960s, services that lay within the scope of logistics were handled separately. Demand management, procurement, needs planning, production planning and production inventory of these services were gathered under the umbrella term ‘material management’ during the 1980s. Meanwhile, stock management, distribution planning, order process, transportation and customs operations are combined under the term “physical distribution”. Storage, handling, packaging and packaging services were further included in the process as intermediate services. During the 1990s, all services came to be combined under the term ‘logistics’. Therefore, all services mentioned in the literature began to be expressed by the ‘logistics’ concept. Afterwards, activities relating to information technologies and marketing and strategic planning activities carried out in conjunction with logistics revealed the concept of supply chain management, which is a more comprehensive concept than logistics (Ceyhun&Yıldırır Keser, 2020).

Figure 1. Evolution of logistics integration, 1960-2000



Source: Hesse & Rodrigue, 2004

Logistics is considered to be the most important and necessary factor in the realisation of all economic activities. Without logistic activities, there can be no movement of goods and operations such as storage, insurance, packaging cannot be realised, products cannot be delivered and services cannot be provided to consumers. In this aspect, logistics is of great significance in the economic activities of all organisations.

Today, logistics is recognised as an optimisation of the flow of goods, persons and information. The logistics concept encompasses concepts such as outsourcing, value chain, transportation economics, distribution planning. In a broad sense, the concept of logistics is defined as the process of allocation and control of resources for supply, production and distribution activities. According to the Council of Supply Chain Management Professionals, logistics concerns providing, controlling and planning the flow of all kinds of products, services and information, from the starting point of the raw material to the end point at which the product is consumed, and the flow and storage of the inventory in an efficient and cost effective manner. The UK Institute of Logistics and Transport has defined logistics as positioning resources at the right time, in the right place, at the right price and at the right quality (Ceyhun&Yıldırır Keser, 2020).

Definitions of logistics highlight the concept's importance for economic activities at both the national and international levels. Logistics is of &articular importance when it comes to international trade, which is the most important activity by which countries gain competitiveness. The efficiency of logistics services affects the volume of international trade.

According to the changing demand structure, various strands of logistics have developed, such as 'international trade logistics', 'international trade logistics' or 'international logistics' services for international trade activities, such as transportation, storage, customs clearance, insurance, packaging, demand planning, stock management change and development services. International trade activities cover logistics services, transportation, storage, customs clearance, insurance, packaging, demand planning and stock management.

The global trade volume is constantly increasing. This increase does not affect the development of the logistics sector. Logistics services must be conducted under the control of companies that receive and provide services in terms of regulating the flow of goods and ensuring the continuity of this process.

With globalisation, increasing trade and the competition that comes with it, businesses must act on a global scale, both in terms of supply times and in distribution and marketing policies. While basic inputs in production are procured from many different points of the world, critical success factors, such as reducing supply chain costs, shortening the value stream and minimising stocks, must also be taken into account. Meanwhile, in the intense global competition environment, businesses must be customer-oriented rather than product-oriented.

In this new era, meeting customer needs and expectations to the highest quality, in the fastest and most appropriate time, with minimum cost has become the basic condition. As such, the importance of designing and installing effective logistics systems is increasingly recognised. Enterprises can enhance their efficiency and quality and gain competitive advantage in the global arena by developing logistics applications that offer customer service with the highest benefit.

3.2. Logistics Services in International Trade

Logistics activities are multifaceted. They can be directly determinant on the level of efficiency of enterprises and in demonstrating their competitiveness. Effective logistics services have become a key factor in the success of competitive markets shaped by globalisation.

Logistics services are strategic activities for the management of the flow of goods, services and information and for establishing the connection between the consumer and the supplier. The most widely known logistics services are primarily transportation and storage activities. However, the logistics sector offers a wide range of services. In addition to transportation and warehousing activities, the management of orders, demand planning, packaging, handling, insurance, customs clearance, inventory management, customer service and new developing services according to increasing demands are included in logistics services (Ceyhun&Yıldırır Keser, 2020).

3.2.1.Transportation Services

Transportation services are among the most important logistics activities and include the transportation of goods and products from one place to another, in a narrow sense, and the timely delivery of the goods produced to the needed regions and centres to meet consumers' needs in a broader sense. The aim of transportation within the scope of logistics activities is not merely to transfer goods from one point to another but also to realise this process in the most efficient way, using the fastest, safest and most economically sound methods. Therefore, in the case of international transportation activities in particular, transportation may be defined as a comprehensive range of activities that include different services, from the preparation of the documents required for the transportation of the goods to delivery at the receiving warehouse.

Transportation services, which have increased in importance within the last thirty years in terms of logistics activities, comprise various sub-transportation services, including highway, maritime, airway, railway, pipeline transportation and multi-transportation within the scope of logistics activities relating to products or raw materials. The preferred sub-transportation type may vary depending on several factors, such as property of transported goods, transport time, cost of transport service, infrastructure adequacy of transport type, political structures and policies of countries. For example, maritime transport is the only option for sending large volumes of cargo to the United States. On routes that allow other types of transport in addition to maritime transport, airway or road transport may be preferred owing to the lengthy transport times associated with maritime transfer, as far as the situation allows (Koban& Yıldırır Keser, 2021).

3.2.2. Warehousing and Handling Activities

Another important service group in logistics services is storage, warehousing and handling services, which also play a major role in the realisation of physical distribution. While international logistics activities are carried out, in the shipment of goods from the sender to the customer, the locations of warehouses and entreports are crucial throughout the process. Warehouses are facilities at which raw materials, semi-finished and finished goods are separated from the supply sources and where records are kept and maintained and distributed to the domestic or foreign companies or final consumers. Warehouses are commonly used as 'distribution centres' or 'logistics centres'. In this context, warehousing services facilitate the movement of all the input sources required for production to the production sites as well as the movement of the final products arranged in large quantities and according to customer orders (Koban&Yıldırır Keser, 2021).
The quantity, quality and properties of the goods are examined in warehouses, where valuation is made, and the goods are protected under appropriate conditions, which are established in the customs areas and have the characteristics specified in the relevant articles of the customs law and customs regulations.

Handling activities are among the most important services realised in the warehouse transaction process. Provided that the appearance and technical characteristics of the temporarily stored goods are not changed, they may be subject to certain procedures under the permission and supervision of the customs administration to ensure their preservation in the same case. These operations are called 'handling'. Handling means stacking, relocating, transferring from large containers to small containers, renewing or repairing, ventilating, sifting, mixing and similar operations under customs supervision without changing the essential qualities. Handling is carried out during the transportation, storage and loading of the products and directly affects the efficiency of these processes. It can be defined as a process that does not change the value of the product and does not provide benefit but can cause the value of the product to decrease if not performed correctly (Ceyhun&Yıldırır Keser, 2020).

3.2.3. Customs Clearance Services

Customs clearance services are among the complementary services that play an important role in logistics activities. Outflow of goods or services outside the borders of the country or the entry of goods or services within the borders of the country takes place through customs clearance procedures shaped by customs legislation. Most of the time, legal regulations vary according to the product or country that are imported and exported, and it is important to follow the processes and not to make mistakes in the documents that must be prepared. Minor mistakes made may leave exporters and importers in a difficult position. For this reason, it is important that the transactions are carried out by companies specialised in their fields.

The scope of customs clearance services include entry and exit operations of the vehicle carrying the goods from the country border, preparation of summary declaration and customs declaration, preparation or follow-up of other documents that need to be prepared in the annex of the declaration and which differ according to the import and export, obtaining the necessary permissions from the relevant institutions according to the characteristics of the product, calculation of customs duties and import or export of goods (Ceyhun&Yıldırır Keser, 2020).

3.2.4. Insurance Services

Since risk factors are important when it comes to international trade activities, goods subject to international trade must be insured in accordance with the provisions of the agreement between the parties.

Insurance services are an assurance against these risks, particularly since more risks may emerge during transportation activities, which is among the most important logistics activities. The insurance of internationally traded goods and their protection against certain risk factors provides legal protection in one aspect, while the trust environment between the parties is enhanced along with the protection of the values of the goods carried against the risk factors that may arise. The logistics service provider companies, which the contracting party has agreed for other logistics activities, can provide insurance services as an extension of the logistics companies' service concept (Koban&Yıldırır Keser, 2021).

3.2.5. Stock and Inventory Management

Stock and inventory management are two complementary concepts that occupy an important place in logistics activities. Inventory means the availability of supplied materials, semi-finished and finished products to maintain production at the desired level and to deliver and sell according to the desired specifications. Inventory is the list of stocks that are held.

Inventory management determines the points at which and the quantities of products that should be kept to ensure the optimum flow of goods. One of the most important problems that companies face is that inventory cannot be kept at the desired level. Excess inventory, low inventory or lack of storage of existing goods under the necessary conditions imposes additional costs. Operating costs may rise as a result of inappropriate inventory management policies.

Owing to lack of materials and parts that are not available on time, the entire production system may become clogged, and the existing customer potential can be lost. Meanwhile, the inputs in the inventory which are kept with surplus but which cannot be included in the production line owing to the improper planning of the demand increase the operating costs. Within the scope of logistics activities, operating costs arising from inventory may be significantly reduced while production efficiency can be enhanced. In this respect, inventory management is crucial in logistics processes (Ceyhun&Yıldırır Keser, 2020).

3.2.6. Handling and Packaging Services

Handling and packaging services have recently become important activities undertaken by logistics companies, with international standards becoming particularly salient in this regard. Packaging may be defined as all protective devices used in the distribution chain from the manufacturer to the consumer for safe and undamaged transportation of products. Packaging provides the protection, control, shelter, presentation, promotion and transportation of the product in an economic and environmentally sensitive manner throughout the entire process.

The packaging process has a direct impact on the success of the workflow in international trade and logistics services. During handling activities in particular, packaging becomes crucial. Controls of imported or exported goods must be carried out quickly and efficiently; however, it is necessary to exercise caution with respect to packaging in terms of physical quality as well as protection of production and consumption conditions.

A package is defined as the final container that allows the packaged products to be brought together and loaded onto the transported vehicle subject to customs clearance. Different types of packages have been defined for packaging services in international transport activities, including boxes, crates, bags and sacks, bales and pallets. The packages must be marked and labeled in accordance with international standards (Koban &Yıldırır Keser, 2021).

CHAPTER 4: CROSS-BORDER E-COMMERCE

1.Definition and The Types of Cross-Border E-Commerce
2.The drivers of Cross-Border E-Commerce Development
3.The barriers for implementing Cross-Border E-Commerce
4.Online Market Research and Digital Marketing for Cross-Border E-Commerce
5.Technical Infrastructure and Integration in Cross-Border E-Commerce
6.Logistics in Cross-Border E-Commerce
7.Online Marketplaces in Cross-Border E-Commerce

E-commerce, which has increased significantly in recent years, emerged with the spread of internet technology in the mid-1990s. This method, which allows the parties to trade between each other without bringing them together in the physical environment, is actually not new. E-commerce, which may have carried out by parties who are not physically together, began much earlier with methods such as mail, telephone and fax. However, the volume of trade facilitated by these methods was limited as it could not gain an advantage over the advantages of traditional trade. The increase in the opportunities offered by e-commerce with the development of internet technology has enabled e-commerce to spread rapidly within a short time, first in developed countries and later in developing countries.

E-commerce has been in constant transformation and development since it first emerged. This situation not only creates solutions for the needs and problems of traders and those wishing to do business but also offers important opportunities.

4.1.Definition and The Types of Cross-Border E-Commerce

Numerous definitions of e-commerce have been proposed. According to the OECD, it is defined as ‘the sale or purchase of products and services over computer networks by methods specially designed for the purpose of taking or placing orders’. Eurostat defines e-commerce as ‘the sale or purchase of products or services between businesses, households, individuals or private institutions through electronic transactions carried out via the Internet or other computerised networks (online communication)’. The Chinese Commercial Code defines it as ‘activities for the sale of products or services through the Internet and other information networks’.

As the above definitions indicate, the main feature that distinguishes e-commerce from other trading methods is that ‘the parties make the sale or purchase of a product or service via the internet without coming together physically’. Two points in particular are worth explaining here. The product or service purchased in e-commerce can be purchased physically as well as online (for example, watching a movie online for a fee). Another important point is that the payment can be made upon completion of the online order or in cash (for example, cash payment when the product is delivered). In short, the wide range of products, services and payments has made e-commerce more inclusive.

There are five types of electronic commerce, according to its participants:

1.Business-to-business (B2B) electronic commerce: This is the trade between companies or in companies. Businesses can obtain the raw materials or intermediate goods they require from other businesses via electronic commerce. Such businesses trade only with dealers they have established among themselves. Alibaba.com is the world's largest B2B electronic commerce platform as well as a business-to-consumer platform. It was established in China in 1999.

2. Business-to-consumer (B2C) e-commerce: Businesses sell the goods or services they produce to the end user—that is, the consumer. The target audience is individual consumers, who shop from businesses' online shopping sites or applications. Hepsiburada.com, Biletix.com, Yemeksepeti.com and Amazon.com are examples of B2C e-commerce platforms.

3. Consumer-to-consumer (C2C) e-commerce: Consumers can place products that they have purchased previously on online shopping sites, websites they own or on any other digital platform and offer them for sale to other consumers. eBay is the most popular electronic commerce site globally that facilitates shopping using this method. Such services are also possible on large e-commerce sites, such as Gittigidiyor, sahibinden.com, and second-hand sites.

4. Business to public administration (B2G – business to government) e-commerce: Commercial transactions between businesses and public administrations, taxes, customs procedures, social security, statistical information sharing, public tenders, etc. may be cited as examples of B2G electronic commerce activities.

5. Consumer to public administration (C2G–consumer to government) e-commerce: Tax payments, insurance transactions and legal transactions between the public and the state may all be carried out in electronic environments. C2G covers all kinds of tax, health and legal activities between the consumer and public administration. Although few widespread examples exist as yet, this category includes driving licences, passport applications, social security premiums and tax payments. It is anticipated that these applications will support the transition to the Electronic State (Yıldırır Keser&Ay, 2020).

Online shopping from merchants located in different areas or countries, transactions via the internet and delivery/receipt of goods via cross-border logistics are all encompassed by cross-border e-commerce. Cross-border e-commerce is defined as an international e-commerce network via which international business transactions may take place, with deals and transactions conducted through e-commerce platforms and goods delivered through cross-border planning and management agreements. By another definition, cross-border e-commerce constitutes transactions realised in different areas or countries using the internet or platforms with related information. Two key features may be identified from these definitions: transactions between different countries and the use of ICT.

International e-commerce is called cross-border e-commerce when consumers purchase goods online from merchants located in other countries and jurisdictions. Online trade between consumers and merchants that share a common language and border or that use the same currency are not always perceived as cross-border by consumers. EU neighbours that speak a common language and are united by SEPA (Single Euro Payments Area) are just one example. Nowadays, cross-border e-commerce is almost equivalent to cross-border e-retail, which is synonymous with B2C transactions. However, unlike strict B2C e-commerce, cross-corder e-commerce must integrate the activities along with the logistics value chain, and the transaction is often from overseas supplier via domestic retailer to consumer. As such, it is essentially a business-to-business-to-consumer (B2B2C) process (Yıldırır Keser&Ceyhun, 2021).

4.2.The Drivers of Cross-Border E-Commerce Development

Advanced technology:
Globalisation concerns the growing volume and variety of cross-border transactions in goods and services through the rapid and widespread diffusion of technology. Advanced e-commerce technologies reduce marketing costs and administration expenditures while enabling companies to reach dispersed markets. The fast-paced internet has caused tremendous growth in online shopping and expanded the international business market. The combination of the internet and international trade have supported cross-border e-commerce's development. From the consumers' perspective, technologies such as convenient cross-border payment and the growing use of smart mobile applications have allowed them to cross invisible borders to shop online more easily (Ding, 2018).

Growing demand:
In an era of e-commerce and international businesses, a company's operational model must be constructed based on the customers' requirements. For consumers in developing countries, poor-quality counterfeit goods and product piracy have induced them to purchase goods from abroad with increased frequency. In China, middle-class generations born in the 1980s and 1990s have become the main consumer groups to shop online from abroad. However, poor product availability and better prices on the foreign market are still the most cited determinants for cross-border online shopping.

Advantageous policy
Trade liberalisation has increased exports of goods and services to new markets—for instance, the establishment of the European Free Trade Agreement and China Free Trade Area. Previously, such trade was not feasible owing to the net effect of import tariffs, which hindered competitiveness in foreign markets. The advantageous policies will open up markets for trades, including those from developing countries. The Chinese government introduced a series of favourable policies for cross-Border e-commerce and established several free trade zones to lower duties as well as concise customs clearance procedures, which have boosted cross-border sales (Ding, 2018).

4.3.Barriers to Implementing Cross-border E-commerce

Six categories of barriers to the implementation of cross-border e-commerce have been identified.

Culture and Consumer:
First, information and goods cross borders, encountering cultural differences along the way. One of these differences is language, which can change the market's distribution culture and hinder consumption from abroad. (https://d-nb.info). Second, consumer behaviours differ across countries, and more information about commodities preferences and the delivery and online payment options available to foreign consumers is required. Finally, the merchants' reputation is known to be a key factor in consumers' decision-making, with most consumers concerned about the reliability of international delivery and online payments.

Marketing:
E-commerce businesses often struggle to find adequate information about foreign market operation. For brands that are relatively unknown in target markets, the cost of building brand awareness is high, including advertising through multi-channels. Additionally, global marketplace businesses have been continuously extending their operations overseas, posing a threat to domestic e-commerce enterprises (Yıldırır Keser&Ay, 2020).

Product:
Consumers' lack of trust in cross-border sellers is frequently cited as a key challenge that is exacerbated by the circulation of counterfeit goods, which are commonly observed in emerging markets. Additionally, owing to their high standardisation, popularity and profitability, certain commodities, such as computers, communication and electronic products, are particularly suited to cross-border e-commerce, resulting in a serious homogenisation of competition.

Law and Regulation:
Different laws and regulations between countries limit the feasability of cross-border business, such as data privacy and return police. Consumers can unconditionally return online purchases within thirty days after receipt in Germany but only seven days in China. Furthermore, when consumers choose to make purchases abroad, duties must be taken into account when calculating the total cost. High tariffs, taxation l mits and VAT thresholds often reduce cross-border purchasing intentions (http://www.tud.ttu.ee).

Payment:
To make buying online more attractive to consumers from target markets, e-retailers must become familiary with local payment preferences. For example, in Russia, it is still common to pay in cash upon receipt of the goods, whereas this rarely happens in Western countries. Moreover, inability to use local currency, complex conversion systems, exchange rate fluctuations and additional depreciation further hinder cross-border shopping and increase the cost for the consumer cost. Finally, the lack of effective surveillance system means that fraud and non-payment can lead to substantial losses for e-commerce merchants while customers worry about misuse of payment data and disclosure of personal information.

Logistics:
Basic logistics infrastructures, such as highways, railways and warehouse facilities, are considered underdeveloped in some countries. Outdated customs systems and complicated clearance procedures are general problems for all international trade. The extra costs incurred can make operation unfeasible for small e-retailers. Once delivery requires long-distance transfer through multiple countries, lengthy delays and untimely, uncertain or non-delivery emerge as the most significant obstacles in the delivery process. Further difficulties have arisen in relation to different countries' specific requirements, such as incompatible addressing systems. For the same reason, long-distance shipping in cross-border e-commerce generates higher costs than domestic delivery. Moreover, delivery information offers customers some control over the receipt of collection of their goods, while limited transparency and different information systems make it more difficult to track the international transport of online orders. Finally, infeasible and inefficient international return processes frequently result in customer dissatisfaction (Ding, 2018).

4.4.Online Market Research and Digital Marketing for Cross-Border E-Commerce

4.4.1. Online Market Research

Online market research has the same goal as traditional market research: to gather as much knowledge/information about a target audience, product or target market as possible. Because of its velocity, high research performance and internationalisation, online market research is continuing to advance (http://en.ecommercewiki.info).

The methods used in online market research are the same as those used in traditional market research: interviews, observation, case studies and focus groups.

Like market research, online market research falls into two broad categories: primary and secondary research. Secondary research is not founded on new data; rather, it relies on pre-existing data available via the internet through search engines, databases or information sites. Primary research, by contrast, assembles its own data. Holger Lütters, an author and expert in online market research, distinguishes between reactive and non-reactive methods in primary research (Lütters, 2004). Reactive methods in the context of online market research include online surveys, online observations and online focus groups, while online case studies and online panels represent non-reactive method (http://en.ecommercewiki.info).

Online market research methods are detailed below:
i.Online survey: The participant fills out a survey that they access via the internet. The survey is programmed and the processing occurs through local browsers. Online surveys have different advantages, including the ability to filter errors in a convenient and controlled manner and access to target groups that are difficult to reach offline (e.g., young men or visitors to specific websites). However, the method does have some disadvantages: for example, it is such as the missing possibility to control the situation of the survey (as with normal surveys, researchers can check the time taken to complete the survey. If it is far below the average, the researcher must take into consideration that the infomation provided may not be as sufficient as that provided by other members of the group).

II..Online observation: Through online observation, market researchers examine users' reactions to companies, organisations, products or services. User behaviour is analysed based on, for example, logfile analysis, cookies or clickstream analysis. Market researchers can also use blogs to gather information about users' opinions.

III.Online focus groups: Online groups represent another subset of online market research methods. Online focus groups have between 8 and 10 participants and typically last between 60 minutes and 90 minutes. The online focus group is led by a moderator who uses predeterminded questions and unscripted probes.

IV.Online panel: An online panel is a group of users who participate continuously in online studies. The advantages of online panels include cost, because online panels are significantly more cost-effective than in-person panels, and the greater flexibility that the researcher has in conducting online panels. Because participation in these panels is voluntary, the most significant problem with online panels is their inconsistent representation: the sample may not be fully representative of the target audience.

4.4.2. Digital marketing

Digital marketing has extraordinary power. Millions of users can be reached within hours with just a few clicks. Numerous marketing and sales applications are used for e-commerce platforms, and these offer unique opportunities. New technologies are introduced every year in digital marketing. While some of these technologies fail, others become integral elements in digital marketing strategies.

Users no longer consume digital content exclusively while seated at desks. Content can also be consumed on the go or while performing tasks. Online platforms have also altered people's traditional media consumption habits. For example, television is no longer watched as before, and online radio platforms and music applications have diminished the interest in traditional radio stations. Online news sites and applications have replaced traditional newspapers, and content is now advertised on small screens rather than on giant billboards.

At this point, 'digital marketing and sales' elements come into play. Today, the best means of reaching potential customers and market products is to use different digital marketing channels. The digital marketing and sales channels used in e-commerce are as follows (Yaren, 2021):

Strategic Content Management: This is a set of systems that focus on managing website content. It is responsible for areas such as on-site software, applications, design, editing, archiving, publishing and reviewing.

Correct Pricing: Pricing strategies are applied to stand out from the competition and thereby maximise sales and profits.

E-Commerce Campaign Management: This is a managerial process that includes planning, constructing and implementing campaigns that serve sales targets in e-commerce systems.
Search Engine Optimisation (SEO): This is the optimisation of e-commerce sites for search engines. SEO work is conducted both on- and off-site to make adjustments based on search engine algorithms. Numerous different SEO applications are available. The most important of these is original content that is SEO-compatible.

Social Media Marketing: Social media platforms may be used to market products or services. This internet marketing method involves creating and sharing content via social media networks.

Influencer Marketing: Influencers with high numbers of followers on social media platforms prepare video or photo content about products and share their experiences about the products, services or brands.

Commerce Audience Analysis: This is the process used to determine the target audiences towards whom to market products and services based on data that include shopping behaviour and demographic information.

Determining the Product Category: This strategy categorises and highlights the products that will provide input to the turnover within the framework of e-commerce digital marketing and sales strategies, according to the period or seasonal distribution.

Conversion Optimisation: This is applied to better understand the shopping behaviour of existing customers of the e-commerce site as a means of generating more income and offering better experiences.

Conversion Rate: Conversion rates constitute important data that reveal the success rates of e-commerce companies. This information details the percentage of users who visit the e-commerce site and perform various activities (for example, ordering) on the site proportionate to the total users.

Understanding the Consumer (Design Thinking): The customer experience is valued above all else. 'Understanding the consumer' strategies are deployed to increase the consumer's likelihood of spending time on the website, adding products to their shopping cart and completing their purchases.

Display ads (banners, pop-ups, etc.): These are creatives designed in various sizes on websites. The banner visually enriches the site and has a positive effect on sales. Product visibility can also be increased using animated banners. Global standards have been applied with respect to the use of banners. Pop-up ads constitute one form of online advertising. This type of visual advertising, presented as a pop-up window, foregrounds the product. It is usually presented as a small window in the graphical user interface display area.

Search Engine Marketing (SEM): This takes place via paid search result ads on search engines, with sponsored pages appearing at the top of search results. This offers sellers the opportunity to market their products or websites to their target audiences via their search results.

Affiliate Marketing: This marketing method takes the form of a commission that is earned from each sale through advertising a product, service, website or business. In this type of marketing, an affiliate makes money by advertising a merchant's products. The partner may be a natural or legal person.

Key Performance Indicator (KPI): Key performance indicators (KPI) measure the impact of the use of digital marketing methods on e-commerce activity. For example, the effectiveness of a marketing activity conducted using e-mail can be understood by examining indicators such as e-mail opening rates, click-through rates, number of e-mails forwarded and return on investment. KPI can instantly evaluate the current situation of the enterprises in line with the targets they set. KPI, which can also be defined as 'measuring the instant performance of companies', can be used for areas such as sales, human resources and customer relations (Yaren, 2021).

4.5. Technical Infrastructure and Integration in Cross-Border E-Commerce

4.5.1. Functions of Web Sites

The e-commerce site's functions are crucial in both user experience and increasing sales. An e-commerce site with good software and infrastructure is more likely to see increased profits. The site's basic functions should be directly proportional to the user experience.

Functions offered to users on websites for online shopping in e-commerce, where competition is at its peak, provide access to potential customers. For sales to increase and the e-commerce site to be effective, the e-commerce platform must be equipped with several features. These features may relate to functions, infrastructure or design that offer convenience to users as well as increasing sales. E-commerce sites can offer an ideal user experience when these functions are used in combination functions.

The functions of an e-commerce site in terms of user experience should be:

1.Mobile compatibility: If an e-commerce site is compatible with smart phones and tablets, it can be used for selling through mobile channels. Amid increasing mobile sales, e-commerce sites that do not have mobile compatibility may not be preferred by consumers over time. E-commerce sites' mobile compatibility is also a factor that is considered in search engine algorithms.

2.In-site search: A user seeking a product on an e-commerce site should be able to find what they are looking for within a short time. Most e-commerce customers use the in-site search feature to find the product they are looking for. For this reason, the on-site search feature should be designed with a strong algorithm that can find products swiftly. As the user types the word strings during their search, listing the relevant product names below will also provide greater convenience.

3.Security certificate: E-commerce sites must have security certificates to instil confidence in customers wishing to shop online using credit or debit cards.

4.Payment alternatives: Payment alternatives are among the features that enhance e-commerce sites' efficiency. To increase turnover, users should be offered multiple payment alternatives. Payment alternatives such as credit card, debit card, money order, mobile payment, cash on delivery and digital wallets are most convenient for customers.

5.Categories: The user should be able to easily access the category page to which the product belongs. Each product should be in the appropriate category. User-friendly and easily accessible category options should be provided.

6.Campaign modules: Campaign modules on e-commerce sites should allow for basket, category, brand and product basis. Campaign modules that offer rich options will positively affect sales.

7.Product information: Information about the products offered for sale on the e-commerce site is important in allowing customers to form an idea about the product and their inclination to purchase that product. Successful e-commerce sites tend to offer detailed product information.

8.Product images: Photos, videos, graphics or animations promoting the product are among the most important functions in terms of user experience. Product images should allow the consumer to examine the product in detail, leaving them in no doubt about any aspect of it.

9.SEO infrastructure: Search Engine Optimisation (SEO) is one of the ways in which customers reach e-commerce sites. Sites that have strong SEO features will rank more highly in search engine results. For this reason, SEO work should focus on the site's infrastructure and content.
10. Localisation: Localisation is the process by which the company's online profile, product descriptions, database-based content and graphic images are translated into the language of the company's new target audience, taking cultural sensitivities into account. The website content offered by companies targeting cross-border e-commerce for online trade should be localised. This facilitates the sale of products to people who speak different languages in the same country or in different countries (Sanal Ticaret Akademisi, 2021).

4.5.2. Integration of E-Commerce Web Sites

E-commerce integrations allow products to be delivered to customers more quickly and reliably. Integrations offer a means of providing good service while increasing workforce productivity. Integrations should be considered first when setting up an e-commerce site. Integration types such as online marketplaces, accounting and social media are essential for e-commerce sites.

The term 'integration' conveys a sense of 'harmony' and is applied in the e-commerce ecosystem to the integration of two different platforms. Integrations designed for e-commerce systems enhance websites' functionality. One purpose of integration is to offer the same product across different platforms. As such, integrations offer a significant competitive advantage.

Strong e-commerce businesses recognise the importance of integration processes. From order management to customer support and from product marketing to accounting systems, the more tasks that can be managed from a single platform and the stronger the other processes, the more successful the e-commerce site will be. Ultimately, integration processes focus on two key elements: products and customers.

What Integrations Are Made On E-Commerce Sites?

E-commerce systems are indispensable tools for industries wishing to keep up with the digital age. These tools, which target the goals of online merchandising, serve important functions in terms of reaching the target audience and selling products or services. Integrations within the e-commerce ecosystem facilitate sales, provide customer satisfaction and add prestige to the brand.

The key integrations that should be implemented on e-commerce sites are as follows:

a) Online marketplace integration: Online marketplace integration is a system that provides integration that facilitates data exchange between different marketplaces.
b) Accounting integration: This is the integration of accounting programmes used in accounting systems, including sales, CRM, invoicing, stock and current accounts, into the e-commerce site. The integration of accounting systems provides business continuity and time savings.
c) Payment system integration: Payment system integration, one of the most important functions of e-commerce sites, is the introduction of various payment methods to consumers. Payment system integration, which makes selling easier, may differ depending on the features offered by the payment platforms.

d) Developer tool integration: Developer tools contribute to the e-commerce site's digital marketing processes. This integration allows various features of the developer tools to be integrated with the e-commerce site's features.
e) Digital marketing integration: It is not sufficient to display products or services on the e-commerce site alone. It is important to also use digital marketing strategies and tools. It is possible to approach sales targets through the promotion of products via social media, digital advertising and design services. Several tools, such as social media accounts integration, Google Adwords and Analytics integration and digital advertising systems integration, are evaluated within the framework of digital marketing integration.
f) Logistics integration: Logistics integration, including stocks and cargo companies, is an important topic pertaining to e-commerce sites. Logistics integration, which includes the automatic recording of orders in the system, automatic processing of cargo tracking codes, automatic stock deduction and automatic updating of stocks on other platforms, also facilitates reporting on orders.
g) Customer support integration: Integrations, such as live chat and help desk, are key applications for potential customers.
h) Other integrations: Other integrations that may be used according to the features of e-commerce platforms are as follows: analytics integrations, inventory integrations, e-mail automation integration, marketing automation integration, SEO and blog integrations, artificial intelligence integration, price comparison integration, in-site search integration, ratings integration and feedback integration.

The implementation of key ecosystem integrations on e-commerce sites offers several advantages. All integrations in the online store function similarly. Thanks to the integrations, data exchange takes place automatically between several transactions and applications in the e-commerce infrastructure (Sanal Ticaret Akademisi, 2021).

The advantages of integrations include the following:
a) Automatic classification: This gives a dynamic and active structure to the user interface with which customers interact. For example, data that the customer input into a registration form are automatically transferred from the server to the marketing system. This process automatically categorises the visitor based on demographics, browsing and purchasing behaviour.
b) Reducing errors: Manual data entry for operations such as typing order numbers, shipping addresses and e-mails is both time-consuming and susceptible to errors. Thanks to the integrations, these errors are significantly reduced.
c) Cost savings: Integrations provide significant cost savings, meaning that it is not necessary to employ personnel for manual data entry. Orders arriving to the site are automatically transferred between applications in real time. For example, the inventory is updated; confirmation e-mails are sent; customer information is transferred to CRM; and sales data are sent to the accounting platform. This reduces both labour and operational costs and increases profitability.
d) Customer service: E-commerce sites facilitate the sale of not only products and services but also experiences. Top-level user experience is ensured by powerful site features, site performance, marketing strategies and personalisation. Processes such as order tracking, live chat, database integration and personalised recommendations contribute to the customer's experience and positively affect brand loyalty.
e) Scalability: Integration turns orders from all sales channels into a single scalable platform, enabling sellers to meet consumer demand without purchasing extra resources for orders. It also allows sellers to add online marketplaces to their systems as a means of increasing brand visibility and sales opportunities without compromising operational efficiency.
f) Operational efficiency: E-commerce businesses must offer seamless experiences both on and off the field. E-commerce integrations provide processes with operational efficiency instead of complex and expensive systems (Sanal Ticaret Akademisi, 2021).

4.6. Logistics in Cross-Border E-Commerce

Cross-border e-commerce logistics involve not only business operations but also border crossing procedures. In terms of business operation, fast and reliable delivery of goods is often a deciding factor in successful e-commerce, including cross-border e-commerce. Premium shipping allows companies to deliver goods from one country to another. The establishment of warehouses or fulfilment facilities in foreign countries and regions offers another option.

Tracking and transparency may be challenging for cross-border e-commerce logistics. It is easier to track the movement of goods if one company handles all logistics activities. By contrast, cross-border e-commerce may need to rely on different companies during the route, including local postal services. The provision of live updates and track and trace facilities is a greater challenge where the destination country's postal system is underdeveloped and may not offer these services (www.unescap.org).

The return of goods in the context of cross-border e-commerce is often more complicated. First, several different logistics operators may be involved, and the coordination of these operators may be difficult and expensive. Second, when the goods are returned to the sellers, border cross procedures may apply, which may make the operation more complicated. Apart from the challenges for business operations, in cross-border e-commerce, goods must cross the border between at least two countries. Therefore, facilitation and inspection of goods by border agencies can significantly influence the efficiency of cross-border logistics. Often, the challenge lies in the balance between facilitation and compliance. The ‘tsunami of parcels’ associated with cross-border trade is challenging for many countries, particularly those in which border agencies were set up before the birth of e-commerce and mainly deal with traditional trade (i.e., containers versus parcels). For example, customs officials in Central Asia report three unexpected problems caused by the increased parcel flow brought about by e-commerce: (i) it has led to acute congestion in customs handling in Uzbekistan and other countries that operate paper-based systems; (ii) several economies lack well-developed systems capable of assessing and dealing with the uncertainties and risks associated with small parcels, and the enforcement of new global antiterrorism rules and anti-money laundering rules for small parcel shipments represents a new challenge; and (iii) several economies have yet to determine how duties should be assessed. When customs duties are assessed based on parcel delivery method rather than the nature of the traded goods, traditional postal services have an advantage, benefiting from decades-old international agreements. However, parcels delivered by express service providers are not entitled to benefit from such agreements (DiCaprio & Procak, 2016).

There are four main types of cross-border e-commerce logistics providers (www.unescap.org):

The first type of provider includes subsidiary logistics companies set up by e-commerce platform and operators as part of e-commerce operators’ ecosystems. For instance, Alibaba has a controlling stake in Cainiao and has invested $15 billion in global logistics. Lazada established Lazada eLogistics for its operate its logistics in South-East Asia. Rakuten set up Rakuten Global Express for international delivery service.

The second type of provider includes global express companies whose main business is logistics rather than e-commerce. For example, DHL or regional operators, such as Kerry Logistics, provide logistics services for cross-border e-commerce, and DHL e-commerce aims to provide both high-volume shipment services for B2B clients and B2C service for lower-value items.

The third type of provider is the postal service. Postal operators are often major last-mile delivery service providers given that in some countries they are required to serve all citizens without price discrimination owing to the Universal Service Obligations, including those who live in remote rural areas. This provides e-commerce retailers with a cheaper alternative to private logistics providers. The Universal Postal Union (UPU) is working on improved data sharing with other actors involved in cross-border e-commerce, such as the International Air Transport Association and the International Civil Aviation Organisation, to develop a more secure postal data model (World Economic Forum, 2018). Another development by UPU is ECOMRPO (The UPU E-Commerce Programme), an integrated global framework designed to coordinate and accelerate e-commerce activities in the postal sector to improve efficiency in cross-border trade.

The fourth type of provider includes national logistics companies that partner with international operators for last-mile delivery. Last-mile delivery is essential for the completion of cross-border e-commerce transactions and is crucial in terms of customer satisfaction, ensuring that the customers receive their goods. While international logistics companies provide international transport, they may need to partner with local operators for last-mile delivery. For instance, the only international player in last-mile delivery in Viet Nam is DHL. Many local service providers, such as Viettel Post, VNPost, Saigon Post, Giaohangnhanh, Shipchung and Giaohangtietkiem are actively involved in last-mile delivery (VietnamNet, 2018b). NinjaVan, a start-up launched in 2014, has a presence in Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam. They specialise in last-mile delivery and use algorithms to calculate the best delivery routes within the shortest possible time (TMO Group, 2018).

4.7. Online Market Places for Cross-Border E-Commerce
Companies wishing to engage in e-commerce must evaluate many alternatives. A firm may offer its products for sale through its own e-commerce store; however, significant difficulties may be encountered when setting up new e-commerce sites. Product storage, sending and receiving payments and, above all, attracting customers to the site entail highly complex processes. Many companies that cannot establish their own e-commerce sites or have difficulty in managing their e-commerce site prefer sales channels in online marketplaces. Companies that have the opportunity to present their products to their target audiences through marketplace sales channels without establishing e-commerce sites can increase their profitability.

Online marketplaces represent an e-commerce business model that allows companies of different sizes to sell their goods and services. Marketplaces that have achieved considerable success in e-commerce follow the omnichannel market model. Among the most popular and most profitable business models in e-commerce, marketplaces allow third-party sellers to sell their products in a single online marketplace. All businesses use the same software infrastructure and the same algorithms, and all vendors distribute their products under a single website roof.

Marketplaces are in a growth trend. Although most e-commerce sites have their own brands, they also benefit from these platforms, and so they can increase their potential sales and maximise their profits. Participation in national or international marketplaces in e-commerce can benefit the brand in multiple ways and help strengthen relationships between sellers and buyers.

Marketplaces offered with an enterprise software solution in accordance with the requirements of the e-commerce ecosystem offer advantages to all parties in different ways. The main examples are as follows:

a) Small stores that lack the budget or marketing skills to set up their own e-commerce websites and software can sell in the marketplaces. These stores can gain visibility by equating themselves with larger or well-known businesses in their marketplace.
b) Marketplace customers can see products from different stores on a single website and choose between them. They can thus source the most affordable or best quality products.
c) Marketplaces allow customers to pay using coupons and to avail of bargains. This also reduces response time, which is beneficial for both seller and buyer. Swift replies allow sellers to make changes to their campaigns if needed.
d) Firms have to pay for numerous transactions, such as domain, hosting, SEO and digital advertisements for their e-commerce sites. They can pay significantly less than the fees charged for these transactions in the marketplaces.
e) The marketplace attracts more customers than individual e-commerce websites. Sellers can be seen by a lot more people by investing in promotions, thus reducing the cost of acquiring new customers.

Despite their many advantages, marketplaces also present complex challenges and disadvantages:

a) Marketplaces are large in volume and price competition is high. Sellers must sell at low prices to compete, which reduces their profits.
b) Marketplaces may not have control over product quality and delivery time.
c) Marketplace businesses receive commissions on products sold by different merchants using their platforms. Companies must pay commissions for membership in the marketplaces and products sold.
d) It may be necessary to pay additional advertising fees to the marketplace to push the product to the fore and increase the store's online visibility. Otherwise, companies may struggle to promote brands.
e) Firms must comply with the rules of the marketplaces.
f) Consumers are inclined to shop from prominent brands. Availability via the marketplace may negatively impact brand identity (Yıldırır Keser&Ceyhun, 2021).

The most widely used online marketplaces include Alibaba (B2B), AliExpress (B2C) and Amazon (B2C).

4.7.1. Alibaba - www.alibaba.com
Alibaba, the best known international marketplace in the field of B2B (Business to Firm) e-commerce, was founded in 1999 by Jack Ma. Starting his business life with a salary of 12 dollars per hour in a company that made websites for Chinese companies, Ma went to the USA in 1998, witnessed the supplier problem that the e-commerce sector had experienced and focused on a business idea. Ma did this by raising a start-up capital of 60 thousand dollars from 80 different people to bring his idea to life under an attractive and well-known name. After its tremendous growth, world giants such as Yahoo and Softbank partnered with Alibaba, with Yahoo purchasing a 40% stake in Alibaba for $1 billion in 2005. As of August 31, 2014, 32.4% of the company was owned by Softbank and 16.3% by Yahoo. The company realised the largest public offering of all time with a volume of

$24.7 billion on the New York Stock Exchange (NYSE) on September 19, 2014. Today, Alibaba.com manages a large transaction volume in all revenues of many countries worldwide, with a turnover of 76 billion dollars and a net income of 24 billion. Alibaba is still part of the Alibaba Group, which hosts around 20 start-ups on important sites such as Alipay, AliExpress and Taobao (Yıldırır Keser & Ceyhun, 2021).

4.7.2. AliExpress - www.aliexpress.com

AliExpress, also founded by Chinese entrepreneur Jack Ma, is a B2C e-commerce venture of the Alibaba Group, headquartered in China. AliExpress was started by the Alibaba Group in 2010 as a B2C platform for Chinese companies to sell to foreign markets. The Hangzhou-based Alibaba Group is a large Chinese e-commerce company that dominates the domestic B2C market with offerings such as Taobao and Tmall.

The main purpose of AliExpress, which was launched on April 26, 2010, is to enable particularly small businesses to be more competitive. AliExpress anticipated what the parties would need to develop. AliExpress also offers a Dropshipping tool option to assist business owners who are just getting started with e-exporting. Dropshipping can be briefly expressed as e-commerce without capital and stock. It may be specified as an option that can create great opportunities, particularly for companies that are just commencing e-export (Yıldırır Keser&Ceyhun, 2021).

4.7.3. Amazon – www.amazon.com

Amazon.com is an internet-based company that sells books, music, movies, household goods, electronics, toys and more as an intermediary between retailers and Amazon.com’s millions of customers. The company also manufactures the market-leading e-book reader, known as Kindle. The introduction of these devices has led to significant growth in e-book publishing and has transformed Amazon.com into a major force in book publishing.

Founded in 1994 by Jeff Bezos, a former Wall Street fund manager, Amazon.com grew rapidly, reaching 180,000 client accounts after its first full year of operation by December 1996, and 1,000,000 in October 1997 less than a year later had customer accounts. Its revenues rose from $15.7 million in 1996 to $148 million in 1997 and then to $610 million in 1998. In the same year, it commenced international operations with the acquisition of online bookstores in the UK and Germany. In 1999, the company also began selling consumer electronics, video games, software, home improvement products, toys and games and more. In May 1997, two years after opening its virtual doors to consumers, Amazon.com became a publicly traded company, raising $54 million in the NASDAQ market. In 2000, the company launched a service that allows small companies and individuals to sell their products through Amazon.com (www.britannica.com).

In 2011, the growth of e-book enthusiasts led to the launch of Amazon Publishing with the aim of developing and publishing their own books. That year, Amazon.com announced that Kindle e-books outsold all print books. Amazon.com announced in 2017 that it had agreed to acquire the Whole Foods Market, Inc. supermarket chain, in a deal for more than $13 billion. Amazon.com reached a market capitalisation of $1 trillion on September 4, 2018, becoming the second company after Apple to reach a market value of 1 trillion dollars (Yıldırır Keser&Ceyhun, 2021).

MODULE 3: PRACTISE

Module 3 covers the following topics;
-International Entrepreneurship
-Commercial Diplomacy
-The Effects of Brexit
-The Potential Effects of Green Deal Targets on International Trade

Students completing this module may expect;

- To recognise the developments that are making international entrepreneurship important
- To develop international entrepreneurship activities by encountering the environmental factors affecting entrepreneurship
- To understand the importance of commercial diplomacy for international trade
- Ability to recognise the economic repercussions of the Brexit process
- Ability to recognise the repercussions of the Brexit process on the customs union.
- Ability to evaluate the targeted changes until 2050 within the scope of the EU Green Deal.
- Ability to recognise the effects of the EU Green Deal on global trade.

CHAPTER 1: INTERNATIONAL ENTREPRENEURSHIP

1.Definition and Historical Development of International Entrepreneurship
2.Components of International Entrepreneurship
3.Approaches to the Development of International Entrepreneurship
4.Developments Making International Entrepreneurship Important
5. International Market Development Stages
6.International Entrepreneurship Activities
7.Environmental Factors Affecting Entrepreneurship

In this section, first, international entrepreneurship is defined and approaches to the development of international entrepreneurship are explained. Next, key developments in international entrepreneurship and international entrepreneurship orientation and dimensions are discussed. In addition, international entrepreneurship activities and the circles of international entrepreneurship are reviewed.

1.1. Definition and Historical Development of International Entrepreneurship
Various authors have proposed different definitions of the international entrepreneurship concept. The key reason that the definitions are unsatisfactory or inconsistent definition is that international entrepreneurship is a new research branch that has been discussed by researchers from different perspectives. Below, the historical development of the international entrepreneurship concept is discussed and the components of international entrepreneurship are evaluated.

The relatively new concept of international entrepreneurship was first proposed by Morrow in 1988 (Tayauova G.,2009). International entrepreneurship is a commercial activity carried out at the enterprise level beyond national borders, and is characterised by its focus on the relations between businesses and the international environment in which these enterprises operate. This definition by Wright and Ricks marked a turning point in the definition of international entrepreneurship. A key point to note here is that it eliminates the criteria used in previous definitions, such as business age and internationalisation time, which caused controversy, and incorporates both new ventures and established businesses into international entrepreneurship without any discrimination. Moreover, it takes into account contextual factors, such as the enterprise level at which the entrepreneurial activity is carried out and the international environment. It also provides an opportunity to compare the international entrepreneurial activity of start-ups and established businesses by incorporating comparative analysis of entrepreneurship (Tayauova, 2009).

1.2. Components of International Entrepreneurship

International entrepreneurship is an ever-changing phenomenon that has many components and is regarded as a range of activities that take place beyond national borders. International entrepreneurship activities are carried out in line with the goals of the enterprise, such as creating value, gaining profit or growth. Entrepreneurship provides superior performance to the business and creates wealth for business owners. In this context, profitability in as-yet new and unexplored markets is highly attractive to many entrepreneurial businesses. Meanwhile, international entrepreneurship develops as a result of the exploration and use of opportunities in international markets. Utilisation of opportunities is the centre of entrepreneurship work and is achieved through entering new markets or establishing new businesses. In addition, international entrepreneurship encompasses businesses' innovative, proactive and risk-taking behaviour.

In the evaluation of international market opportunities, the determinants of entrepreneurship crossing national boundaries are that businesses act before their competitors (proactivity), internationalise or add new markets to their existing markets (innovation) and accept the possibility of loss in markets with which they are unfamiliar (risk-taking).

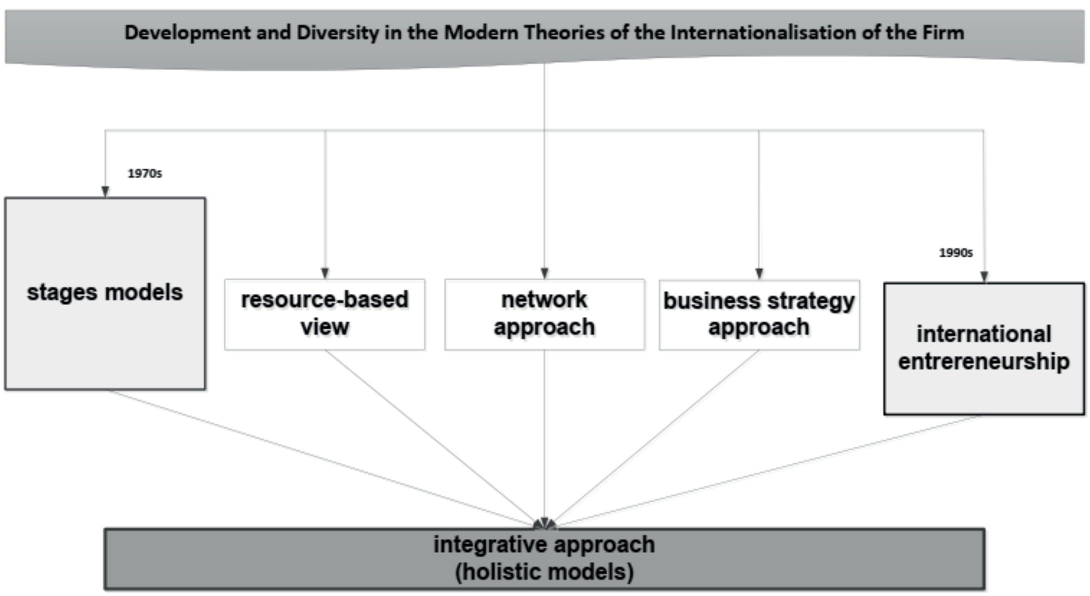
Entrepreneurship is an activity that covers the whole of the international entrepreneurship organisation. In this respect, international entrepreneurship is not a phenomenon specific to the entrepreneur or the affiliates of the enterprise in foreign countries. In the creation of entrepreneurial ideas and discovering international opportunities, managers and employees exert important influences as well as entrepreneurs International entrepreneurship is a process. This process provides improvement by being influenced by several factors inside and outside the organisation. Success in international entrepreneurship process depends on making the right decisions about these elements and realising a certain level of resource participation. As in local entrepreneurship processes, any investment made by businesses in the international entrepreneurship process yields long-term results (Tayauova, 2009).

1.3. Approaches to the Development of International Entrepreneurship

The history of ideas in the discourse of internationalization is a progression from schematic models to more complex models, including new concepts, ideas and approaches, especially those developed in business studies.

A comprehensive classification of four groups of models, namely progressive models, contingency models, business network models as well social construction models, where the last two can be termed interactive models. Some authors distinguish six main research strands and their development from models of stages to holistic approaches (Figure 1.1). The development of stages models and their core referencing in the so-called Uppsala model by Johanson & Vahlne (1977) in the mid-1970s marked the beginning of the discourse. Their model still serves as a frame of reference for internationalisation theory today and, despite being criticised by others and modified four times by its authors, is still the most frequently used in different research around the globe. The Uppsala model identifies temporal and spatial patterns of internationalisation. In the temporal dimension firms first gain. experience in the home market and then begin exporting. If this step is completed successfully, the establishment of new firms in the target markets and possibly the relocation of production abroad will follow. In the local dimension firms first launch into the markets closest to them in terms of culture, before expanding into culturally or geographically distant markets (Wach&Wehrmann, 2014).

Figure 1. Main approaches to firm-level internationalisation according to Wach



Source: Wach&Wehrmann, 2014.

1.4. Developments Making International Entrepreneurship Important

The developments that have contributed to international entrepreneurship's significance may be categorised under four main headings: globalisation, technological developments, removing barriers to international trade, and inter-country integrations and cooperation. These developments are also characterised as international environmental factors affecting international entrepreneurship as listed (Tayauova, 2009):

- Globalisation Globalisation is among the major developments that have contributed to international entrepreneurship's importance and is based on the same historical background as the concept of international entrepreneurship. Globalisation means 'the spread of goods, services, money, people, knowledge and culture across the world across national borders'. According to another definition, globalisation is 'the linking of organisations and people in the world'. Globalisation, in short, is the ability to transfer what is accomplished on a national scale to the entire world. Although the concepts of globalisation and internationalisation are sometimes used interchangeably by some researchers, they reveal two different phenomena. Globalisation refers to a macroeconomic phenomenon that emerges due to the removal of trade barriers and increased communication around the world thanks to advanced technology. Internationalisation, meanwhile, is defined as the enterprise's activity at the organisational level, which increases the company's participation in foreign markets.

- Technological Advances: One crucial evolution that makes international entrepreneurship important is technological development. Technological advances have significantly improved passenger and freight transport. International air transport has become faster, cheaper and ubiquitous day by day. The use of containers in the shipment of goods has caused international transportation costs and therefore product costs to be cheaper than in the past. Thanks to the developments in digital technologies and the internet, it is possible for businesses to instantly access all kinds of information about foreign countries. In addition, communication between people living in different countries has become widespread. All these developments positively reflect on the cost and information elements that are mostly emphasised in international activities, and are effective in the crossing of national boundaries of entrepreneurship. The increasing homogenisation of markets that are removed from one another has made international activities easier to understand.

- Removal of Barriers to International Trade: Governments intervene in trade in line with national economic, political and social goals. Generally, trade barriers include national laws, regulations and other preventive measures that may hinder international trade. For example, tariffs and export restrictions are the most common barriers in international trade. Owing to globalisation and technological developments, measures preventing the internationalisation of small and medium-sized enterprises have been reduced considerably. Nowadays, many countries are making positive progress in opening their goods and services markets to the participation of foreigners. In particular, the governments of developing countries or countries that are transitioning to a market economy make certain regulations that may make it attractive for foreign businesses to invest in the country.

- Transnational Integrations and Collaborations: Another important development that makes international entrepreneurship important is transnational integrations and collaborations. In response to the rapid increase in international entrepreneurship activities, initiatives to create integration and cooperation for a common purpose between different countries have increased significantly. Economic integration is the establishment of rules and regulations with the aim of improving international trade and cooperation. Economic integration is regarded as a tool that enables countries to reach wider markets and support their growth in line with the goal of achieving a higher level of national prosperity. For this reason, many countries worldwide have entered or are attempting to enter into economic integration and cooperation agreements.

1.5. International Market Development Stages

Marketing is the process of establishing understanding and communication between supplier and customer. Business transactions are the ultimate goal of international trade and indeed any trade. The international market development model usually follows a series of stages (www.tradeready.ca):

- Domestic-market establishment: The domestic market is often an appropriate place to test products and fine-tune performance before tackling the complexities of international trade. It can also give a good indication of performance. However, in some instances, this stage of the export process doesn't serve any purpose at all. This may be the case for a Canadian software company, for example, that has developed a product specifically for a foreign market. Because international-market development requires resources of time and money on the part of the exporter, it's important to ensure that a strong foundation has been built in the domestic market upon which to base future export-market-expansion activities, so that international activities do not compromise the company's core business.

- Export research and planning: When companies begin trading abroad, they often target a country similar to their own in language, financial structures, legal and economic systems or culture. For example, Canadians entering the international marketplace usually address the U.S. market first. Before venturing into an unfamiliar market, companies should prepare themselves properly. By analyzing how successful the proposed product or service may be in a potential market, the exporter can narrow the target markets down to three or four. Another advantage to undertaking appropriate international-market-research and planning activities is that by creating a written document, potential problems and weaknesses can be identified more easily. This enables exporters to foresee potential challenges prior to making the investment of time and money that will be required for successful export-market development.

- Initial export sales: When implementing an export plan, it's advisable to begin modestly by testing the market. A graduated strategy enables the novice exporter to acquire practical experience in a market without incurring unnecessary or unmanageable risk. During this stage, the exporter should use initial shipments to become familiar with the mechanics of exporting (documentation, distribution channels, transportation and collections), to get to know the customer target group, to determine what product modifications may be necessary and to learn about regulations that might affect the business. This is also the stage at which to revise the initial plan.

- Expansion of international sales: If initial sales have been good, planning for larger orders and expanded activity should follow. This stage is usually accompanied by intensified market research, more aggressive participation in international trade shows and other marketing activities and greater emphasis on strengthening networks and contacts in the target market. By the time exporters have reached this stage, they 'll have already learned a great deal about the export market through prior experience, which will assist them in making appropriate adjustments to their strategy as they proceed with strengthening their position in the market.

- Investment abroad: If sales are brisk, profits encouraging and opportunities promising, the company may choose to expand its presence in the target market. It can, for example, open a local office, tighten relations with local partners, buy an existing local company, form a joint venture or invest in R&D or production facilities. This final stage carries additional ramifications and responsibilities, beyond those of a company that is based elsewhere simply operating remotely in a foreign market. New issues come into play because the scope of a company's presence broadens when it takes on a permanent physical presence in the market. For instance, the investing company must take into account the impact on and interaction with the community and all other stakeholders—employees, local government, the environment, legal and tax compliance, transparency, public image and sustainability.

All of these impacts must be managed seriously and carefully as a corporate citizen, with strong corporate social responsibility as a policy that should be demonstrated at every opportunity.

1.6. International Entrepreneurship Activities

The international entrepreneurship approach emphasises a broad view of internationalisation in entrepreneurs' international activities, from exports to direct investments. In addition to export and investment alternatives, partnerships are another alternative to international entrepreneurship activity. International entrepreneurship activities include export, international strategic partnerships, international joint ventures and direct investment activities as follows (Tayauova, 2009):

- **Export:** Export is the sale of goods produced within national borders in foreign markets. In other words, it is a international trade transaction regarding the sale of goods and services produced in the businesses' own country to foreigners and their export to other countries. In terms of resource participation and risk-taking, it is a type of international entrepreneurship that is used more by businesses than by other international entrepreneurship activities, such as joint ventures and foreign direct investments. Businesses with minimal foreign market experience, low financial strength and low risk-taking tendencies generally favour the export route.

- **International Strategic Partnerships:** an international strategic partnership is any mode of cooperation between two or more independent businesses, based on a formal or informal agreement without establishing a new business. This cooperation is built on common goals, joint strategies, joint risk and joint reward. International strategic partnerships are formed between businesses of various sizes from various countries that combine their assets and capabilities in the interest of sharing resources and risks.

Strategic partnerships are naturally the efforts that entrepreneurs take for mutual benefit. However, several problems may be encountered if the strategic partnership is made with a foreign partner outside the national boundaries. In particular, linguistic and cultural barriers, mutual communication, trust and coordination costs are among the key factors that create problems in strategic partnerships. Therefore, entrepreneurs should consider these problems and take the necessary precautions before entering into international strategic partnerships. International strategic partnerships generally include various collaborations, such as international subsidiaries, international licence agreements, international franchising and international subcontracting agreements.

- **International Joint Ventures:** International joint ventures are cross-border partnerships formed with the aim of deriving mutual benefit by combining the resources and capabilities of two or more businesses from different countries. International joint ventures can take the form of partnering with a local business in the foreign country, buying shares in the local business or starting a new business. International joint ventures are handled in two basic structures: equity joint ventures and contractual joint ventures. Joint ventures with capital participation are legally and economically independent businesses established under a separate name and identity by two or more major businesses cooperating for a specific purpose. In joint ventures with capital participation, each partner has a share in which he shares profit and loss in proportion to his share in the subsidiary. Contractual joint ventures are a type of partnership that does not require the establishment of a new business and in which rights and responsibilities are shared according to the order specified in the contract. In particular, a contractual joint venture can be developed between the parties to take advantage of short-term business opportunities, and the parties that develop the cooperation can also terminate the partnership at the project's culmination. International joint ventures not only offer an opportunity to enter international markets but can also be effective in reducing some of the economic and political risks associated with foreign activities. However, the most important benefits of the international joint venture for the foreign entrepreneur firm can be listed as protection from the commercial barriers of the host country, capital flexibility, capital return, benefit from interest cuts and tax exemptions, access to natural resources, cultural adaptation and easy withdrawal from the partnership.

Foreign Direct Investment Direct investment is capital invested in a foreign country. In other words, the establishment of production facilities in foreign countries or the purchase of existing facilities by spreading production outside the borders of the headquarters country is defined as a foreign direct investment. The reasons for businesses to invest directly in a foreign country include benefiting from low labour costs in international markets, gaining dominance in the market and gaining prestige in the host country.

Small-scale foreign investors participate in global competition as 'small multinational enterprises' by establishing activities such as production, sales, service and R&D in foreign markets. Although economies of scale pose a significant obstacle to small businesses seeking to engage in foreign direct investment, in terms of factors such as resource requirements and investment costs, small and medium-sized enterprises invest in niche markets in foreign countries. These niches are generally the side markets of the small or large firm sector. In addition, direct investments of small and medium-sized enterprises are realised through joint venture, industrial zone or company acquisitions with the local company. Foreign direct investments are preferred by the governments of the country for positive reasons, such as their contribution to the host country's production capacity, bringing new technology and business knowledge, providing foreign currency inflows, providing dynamism to the economy owing to competition, reducing unemployment and providing tax revenues for the treasury.

1.7. Environmental Factors Affecting Entrepreneurship

The international environment is defined as the environment that forms as a result of the interaction between the local and foreign environment. There are relations between the two countries in the international environment, international law rules, international financial institutions and international agreements, integrations and cooperation. Some of the aforementioned factors can have an impact on the international entrepreneurship activities of enterprises. Environments that affect international entrepreneurship include the technological environment, legal environment, economic environment, socio-cultural environment, political environment, and various elements of these environments, competition conditions and market situation. These are explained individually below (Tayauova, 2009):

- **Political environment:** Political environment may be defined as the environment in which the central and local official authorities and their affiliated organisations provide and exercise their political authority in the country in which the business operates. Political environment includes political ideologies, applied management style, stability of the government and countries' foreign policies.

- **Legal Environment:** The legal environment and its elements represent political environmental elements transformed into concrete rules. The legal environment comprises the legal rules with which the entrepreneur must comply in the country in which he/she operates. Each country has created a unique national legal system. Some legal restrictions affect the activities of the enterprises within this system. These limitations include minimum wages, incentive policies, import bans, customs taxes, blocking of profits in the country, prevention of profit transfers and setting standards on health, safety and product quality. It covers issues such as regulatory laws and rules, anti-dumping practices, price regulations, patents and trademark rights. For example, many countries have strict sanitary rules, particularly around the importation of goods such as foodstuffs. Such restrictions, created as a result of governments' protectionist policies, are factors that limit the international entrepreneurs' investments in that country.

- Economic Environment The economic environment is the environment in which the goods and services that will meet the society's needs are produced and consumed. The first thing that comes to mind in examining the economic environment is the system that the host country economy represents. The central planning economy, in which the basic coordination of the economy is carried out by the central government, and the market economy, in which resource allocations and prices are determined by the markets, are the two main economic systems.

- Socio - Cultural Environment: The socio-cultural environment has a considerable influence on international entrepreneurship. The socio-cultural environment comprises the social and cultural factors that affect the business. Culture denotes the range of rules and responsibilities that shape the behaviour of a society and make each society a separate environment. The influence of culture and society on issues such as in which area and how the business will carry out its activities and how it will direct its relations is significant. Socio-cultural differences between countries indicate great change, particularly in terms of people's tastes, consumption habits and the importance they attach to priorities. The products and services that consumers will demand are determined according to attitudes and beliefs.

- Technological Environment: A key influential circle in international entrepreneurship relates to the technological environment of the country in which the business operates. The importance of the technological environment stems from its direct influence on the business. It covers elements such as the technological environment, tools, production methods, resource management, communication and information production and their use. Where entrepreneurship crosses national borders, entrepreneurs should consider the state and intensity of the host country's local production, the technological level of production, the availability of substitute technologies, the level of specialisation, technological standards and norms. The technology potential and resources of the host country should be thoroughly investigated. Low-tech countries purchase technology-intensive products by transferring more technology from developed countries.

- Foreign Market Situation and Competition Conditions: Another foreign environmental factor affecting international entrepreneurship is the foreign market situation and competition conditions. For entrepreneurs, it is extremely important to evaluate new markets that have opportunities in the international arena and to clearly determine the competition conditions in the target country market and which product/service is needed. In this context, the most important variables that reveal the status of the target country market are the attractiveness, size and growth rates of the market. Although many factors determine the attractiveness of the market, the effect of each varies according to the target of the entrepreneur competing in the market (profitability, market share, competitive advantage, etc.).

CHAPTER 2: COMMERCIAL DIPLOMACY

1. The Concept of Diplomacy
2. Commercial Diplomats in Commercial Diplomacy
3. Duties of Commercial Diplomats
4. Country Examples in Commercial Diplomacy

2.1. The Concept of Diplomacy

Diplomacy is generally defined as the main foreign policy tool that enables a state to conduct its foreign relations through a network and negotiation process by communicating with foreign authorities and public opinion. In the traditional sense, with the concept of diplomacy, only the political diplomacy is implied, due to the fact that the political relations in the international arena have always taken place at the forefront and have been carried out by the political elites (Özberk, 2010). However, especially since the Cold War period, the international economic relations have begun to be expanded in a way to cover the political field. In this context, the tool and field of diplomacy, which is also used to influence the perceptions of foreign citizens, has expanded day by day and has included economic activities (Ecer & Güner, 2019). Diplomatic activities take place in the host country, either bilaterally, multilaterally or regionally, either at international level or between public institutions, civil servants, parliament, non-governmental organizations, business world organizations, companies (Özberk, 2010).

The essence of diplomacy is based on building relationships and its main purpose is to keep peace by preventing conflicts. Diplomacy can also be defined as an effective method of communication and solution in international relations without making racial, sectarian or language discrimination in the world order. Diplomacy can be expressed in two meanings today:

a. Diplomacy in the narrow meaning: It is the diplomacy that takes place through active diplomatic arguments and agreements, usually carried out by the foreign ministry and through the embassies of a country.
b. Diplomacy in the broad meaning: It is being used in the international relations and is carried out by the international organizations. For example: organizations such as BM, WHO, AB (Abdurrahmanlı & Bağış, 2021).

Diplomacy, which is one of the main tools of foreign policy, is defined as the way that any country manages its foreign relations by utilizing various means of communication. The diplomacy activities carried out in an international framework are carried out bilaterally, multilaterally, regionally, domestically and internationally. Upon the conclusion of the Cold War period, the years of 1990s entered a new era in which economic diplomacy and economic security were intertwined. The factors such as the integration of former communist bloc countries into the world economy, the appearance of power wars over energy resources, global warming and the rise of international terrorism, etc. have brought the form of relationship between people, regions and countries to different dimensions. The new world, with its another aspect, means the emergence of new economic and commercial opportunities. The diplomacy of the new world has transformed to a style which is directed by economy and trade rather than politics, and security concerns are also taken into account. The increase in globalization simultaneously facilitates the shift of risk at any point rapıdly to other countries. In the globalized world, the economic security of the countries has turned into international economic relations. Undoubtedly, the language and the tools that the countries use in their foreign policies have been directly affected by this transformation. The economic components such as goods and services trade, capital inflows, direct foreign investments, foreign credit borrowing etc. for developed and emerging countries have become the main foreign policy objectives. This transformation in foreign policy means the rise of trade and economic diplomacy in international relations (Müsiad, 2018)

2.1.1.The Concepts of Economic Diplomacy and Commecial Diplomacy

2.1.1.1. Economic Diplomacy

The economic diplomacy which is a comprehensive concept, includes different activities within foreign policy strategies and is based on the priority of economic/commercial and political interests. Since the Renaissance in Italy, the economic diplomacy has been one of the important topics of diplomacy, along with security. However, it is stated that while diplomacy considers the disciplines such as military service, history, law and foreign language as important, it does not dwell sufficiently on economics, and that two great world wars should have been experienced for this concept to be included in the definition of diplomacy (Can, 2020).

The concept of economic diplomacy covers the processes, methods and international decision-making mechanisms related to foreign economic activities. The actors involved in these processes and methods are not only the public and the public units, but also the private sector organizations. The economic diplomacy generally stands on three feet:

a) The use of the political power and relations for supporting and developing the international trade and investment. Example; The Italian Prime Minister's use of his political power to solve the problem of the energy company ENI had in Kazakhstan.

b) Use of economic assets and relations for security and mutual cooperation. Example; China's canalizing its companies to the countries producing oil, gas and other natural resources and encouraging them to invest in those places. Simultaneously, the development of diplomacy between the countries owning oil and natural gas and China and China's financial aid to these countries. Except for providing some credits according to the financial aid agreement between Angola and China, Chinese companies have made and continue making railway, hospital and telecommunication investments in Angola. In return, Angola exports 25% of its oil production to China.

c) Developing the accurate methods and tools to regulate the international political and economic climate. Example; Effective use of the organizations such as OECD, WTO (Müsiad, 2018).

Economic diplomacy might include the topics such as economics, political, diplomatic, strategic and foreign policy. The definition of economic diplomacy in the narrow meaning includes issues of international economic policy. In the broad sense; along with financial stability without youth unemployment, it is concerned with the issues such as keeping the social unrests at a fully manageable level, promoting the economic growth especially for the poorest countries, and slowing down the global climate change at least. In another approach, economic diplomacy strives for ensuring economic security in the international system which has no rules rules. For this purpose, it also uses the tools of classical diplomacy such as intelligence gathering, lobbying, representation, negotiation and advocacy in order to carry out the foreign economic policies of the state (Can, 2020).

Some scientists working on economic diplomacy have started to use some policy tools from other fields of social sciences such as international economic policy and business science in order to reveal the importance and impact of the actors and the economic interests in diplomatic operations and practices. In this context, diplomacy did not limit itself to interstate relations in the international system, and even, either officially or unoficially, had to carry out some social, economic, cultural and political relations with the political actors in systemic environment in the country. Therefore, in the field of economic diplomacy; there has been an issue of change in terms of new actors, new forms of practice, official and unofficial structure of diplomacy (Can, 2020).

2.1.1.2. What is the difference between economic and commercial diplomacy?

The concept of commercial diplomacy is often confused with economic diplomacy. The aspect of commercial diplomacy that differs from economic diplomacy is that the public or public service providers in general aim to develop the international trade and investment environment in favor of their countries in a mutual understanding with the business world, chambers of commerce, industrialists, etc. Most of the activities related to commercial diplomacy are carried out through the representatives, chambers, embassies, consulates, companies, etc. in foreign countries.

Some scientists define the commercial diplomacy as a part of the economic diplomacy that deals with economic policy issues such as multilateral trade negotiations, trade consultations and dispute resolution. However, business diplomacy is concerned with negotiating and implementing the agreements such as bilateral free trade agreements between governments. It has been designed to guide the foreign government policies and regulatory decisions affecting the global trade and investment.

Economic diplomacy and commercial diplomacy are relatively new terms that have evolved to reflect the needs and interests of states arising from the rapid changes in international arena, particularly in the environment of the accelerated globalization and the inadequacy increasingly felt by states to suit their new and complex foreign policy interests, driven increasingly by economics, within the framework of the traditional domain of diplomacy. The instruments and issues involved in the external and domestic front; and actors involved directly and indirectly in the pursuit of national interests of states have become more complex. As a result, the exclusive role of MFA as the “gatekeeper – the only link between domestic and external environments” has been challenged, as noted by Manojlovic and Thornheim (Naeem, 2008)

2.1.1.3. Commercial Diplomacy

Commercial Diplomacy has been defined as a service provided usually by “staff members of a diplomatic mission or trade promotion organization (TPO)/ investment promotion agency (IPA)” to the business community with the aim of developing “socially beneficial international business ventures” Commercial diplomacy entails “(i) activities relating to trade policy making such as multilateral trade negotiations, trade consultations, dispute settlement etc (ii) business support services” (Kostecki and Naray, 2007).

Kostecki and Naray (2008) identified the following rationale for commercial diplomacy by way of an interdisciplinary literature search: (i) the need for access to reliable and neutral business information, (ii) support for the newcomer’s weak credibility and image in foreign markets, (iii) partner search: encouragement of national firms (mainly SMEs) to internationalize, (iv) conflict handling, (v) support of home country delegations: ministers often are accompanied on state visits by business people, and (vi) strategic concerns, such as the government’s desire to engage in strategic trade policies, support for R&D activities or improved access to supplies (energy) (Haaf, 2010).

The commercial diplomacy is a strategy that aims to reduce conflicts and increase welfare in today’s global environment, with a network organizational structure at its center. The commercial diplomacy generally connotes that the public or the public service providers develop the international trade and investment environment in favor of their own countries in a mutual understanding with the business world, chambers of commerce and industrialists. In one aspect, the commercial diplomacy expresses a radical shift of paradigm in diplomacy, in which the commercial goals of the countries replace the classical security diplomacy, which is at the center of the foreign policies of the countries.

Ensuring the sustainability in export growth in this new environment can only be possible with "trade diplomacy", which is a holistic strategy that some developed countries have started to adopt step by step since the late 1990s. In other words, the solution is to place trade at the center of diplomacy, namely, the commercial diplomacy. Trade diplomacy is a strategy that aims to reduce conflicts and increase welfare in today's global environment, with a network organizational structure at its center. Commercial diplomacy generally means that the public or public service providers develop the international trade and investment environment in favor of their own countries in a mutual understanding with the business world, chambers of commerce and industrialists. In one aspect, the commercial diplomacy expresses a radical shift of paradigm in diplomacy, in which the commercial goals of the countries replace the classical security diplomacy, which is at the center of the foreign policies of the countries (Müsiad, 2018).

2.1.1.4. Significant Developments Affecting the Commercial Diplomacy

The industrial revolution and the developments in modern banking, the competition to gain market share, to supply raw materials and to increase investment opportunities in the European and North American countries have brought the economic issues to the top of diplomacy. International trade, on the other hand, increased significantly in the first half of the 18th century. In this period, ambassadors took direct initiative in negotiating trade agreements. Britain used its military power to open the underdeveloped areas as markets. In the 19th century, it advanced into Latin America and into the inner parts of Africa with the aim of expanding its official or unofficial colonies. During the 19th century, (foreign) trade and finance became both the goal and the tool of diplomacy. During this period, England had received a large share of world trade. The aim of maintaining this situation has also preceded the political representation of the country in the international arena. In the same period, when the USA first appeared on the world stage with its commercial activities, the most important task of its foreign mission was to develop foreign trade. The partial liberalization of trade and the new trade policies implemented in the 19th century required a new trade and trade diplomacy, in other words, new types of agreements, new negotiation strategies and the existence of new institutions. As international organizations, the International Bureau of Weights and Measures for the control of the metric system in 1875, the Permanent Court of Arbitration in 1899, the International Telegraph Union in Paris in 1865, the Universal Postal Union in Bern in 1878, the International Agricultural Institute in Rome in 1905 (It is considered to be the forerunner of the United Nations Food and Agriculture Organization (FAO-) were established.

At the end of the 19th century, there was an intensive competition between countries for the privilage to foreigners, both for international markets and for oil exploration, railway and canal construction. For this reason, the countries needed to get the commercial diplomacy to mobilize strongly. Accordingly, the diplomats were interested in projects that would serve their political and strategic interests, such as the Suez Canal and the Berlin-Baghdad railway projects.

During the 19th century, the consular service and the diplomatic career were often separate from eachother in the European countries. Direct involvement of the Foreign ministries, apart from consulates, in commercial and economic matters happened in the second half of the century. The department exclusively in charge of trade in the British foreign ministry became operational in 1865. However, the evaluation of the commercial reports from the foreign representation was carried out by the independent board of trade (İskit, 2015). The time between the years of 1870-1913 is the maturity period of free international capitalism and the international trade was liberalized extensively during this period. While the developed countries sold industrial products to the colonial (underdeveloped) countries, they bought raw materials from these countries (Szirmai, 2005: 46). All of these developments have led to the need for making a change in diplomacy. In the decade after the French-German war of 1870-1871, commercial diplomacy became even more prominent (Coolsaet, 2004: 5). That the trade policies implemented in the 19th century becoming the norm in Europe due to wide liberalization enabled the commercial diplomacy to be clearly distinguished from the rest of diplomacy for the first time (Can, 2020).

In the late 1980s, the bipolar world system came to an end with the dissolution of the Soviet Union. Thus, the system determined during the Cold War period could only last for 40 years. The end of the Cold War led to significant changes in diplomacy. With the dissolution of Yugoslavia and the Soviet Union in the 1990s, numerous new states emerged that gained independence but were inexperienced in international relations. The oil crisis in the 1970s, the debt problem of the developing countries after the 1980s, the Far East Asian financial crisis in the 1990s and the rise of the Chinese and Indian economies in the 2000s led to the consideration of the interests of these countries in international economic relations, increased the importance of the political and social level of these countries as well. Because in recent years, three quarters of the world's annual growth and half of the world (GDP) are provided by the Developing Economies. Most of the growth actualized in these countries originates from Asia and especially China. It is expected that the Developing countries would make up the 60 percent of world GDP in 2030.

2.2. The Commercial Diplomats in the Commercial Diplomacy

Commercial diplomacy is an activity conducted by state representatives with diplomatic status in view of business promotion between a home and a host country. It aims at encouraging business development through a series of business promotion and facilitation activities. The spectrum of actors in Commercial Diplomacy ranges from (i) the high-policy level (head of state, prime minister, minister or a member of parliament) to (ii) ambassador and the lower level of specialized diplomatic envoy.

Commercial diplomats located abroad undertake business facilitation activities in the field of trade, investment, tourism, country image, and promotion of science & technology. They usually are staff members of a diplomatic mission or heads of a "commercial representation" abroad with a diplomatic status. The term commercial diplomat may cover various denominations such as "commercial counsellor" "commercial attaché" "trade representative" "commercial representative", etc. Certain business promotion tasks accomplished by commercial diplomats may be also assigned to non-diplomatic institutions, such as trade promotion organizations (TPOs), chambers of commerce or consultants who work in co-operation with commercial diplomats or under their supervision (Naray, 2008).

2.2.1. Types of Commercial Diplomats

When the countries providing commercial diplomacy services are examined, generally 3 different types of commercial diplomats are encountered:

Entrepreneurial and Business Oriented: Diplomat type working actively oriented in business development. Such diplomats, who take into account the expectations of the business world rather than the expectations of the Ministry and work in that perspective, have entrepreneurial characteristics. They work very closely with companies and managers. They usually provide these services for a payment in return and have favorite feature of diplomat of the business world.

Civilian Employee: The Civillian commercial representatives employed within the embassy or consulate and performing only the designated duty. They stay away from job interviews and spend the most of their work time in the embassy or consulate building of the country they represent. Such diplomats work desk-bound at the points of developing policies or eliminating disruptions in commercial matters, rather than supporting commercial activities. They assume the duty of being a bridge between the Ministry and the business World.

Classic Business Diplomat: It is the classic diplomat profile that is focused on education and career and represents the country of origin. They have less technical knowledge of the issues related with business world. They have a good and effective environment due to their competencies. In some cases, they areable to use this environment to develop business. They carry out their duties by observing a certain balance in the axis of their general diplomatic duties rather than commercial diplomacy. The main point that they focus on is the satisfaction of the ministry.

The style in which diplomats will work depends on their experience, education, relations with the business world, the structure of the state, the organizational structure of foreign affairs, their budgets, etc. determined by many factors. Business diplomats of countries such as the USA, Canada, England, South Korea, and Japan serve with a more business-oriented and entrepreneurial style. Some countries, such as Ireland, require business diplomats to work in the private sector for a certain period of time after a career of 4-5 years.

Chart 1 shows the dominant features of diplomat styles by country.

Type of Commercial Diplomat	Business promoter	Civil Servant	Generalist
Approach	Commercial issues are understood mainly as business issues.	Commercial issues are seen as an integral part of international relations.	Commercial issues are perceived in a broader diplomatic and political perspective.
Leading concern	Focus on client satisfaction.	Focus on satisfaction of the Ministry of Trade.	Focus on satisfaction of the Ministry of Foreign Affairs.
Country ranking according to the commercial diplomat type	Ireland Canada United States Sweden Finland New Zealand Austria Portugal UK Switzerland Hungary Japan Korea	Germany France Poland China Cuba	Brazil El Salvador Venezuela

Kostecki and Naray, 2007

One of the most important factors determining the effectiveness of commercial diplomacy is the bureaucratic structuring. In particular, under which ministry this service will be provided affects the effectiveness and content of diplomacy. As there are diplomats serving under the Ministry of Foreign Affairs, there are also the examples of countries providing this service directly under the Ministry of Commerce. There are also diplomatic missions in which both of the ministries provide joint service. For example, countries such as Australia and Canada carry out foreign affairs and trade through a single ministry. The UK Trade and Investment Agency, on the other hand, provides services under both the Ministry of Foreign Affairs and the Ministry of Commerce. The commercial diplomacy services of the USA are carried out under the Ministry of Commerce, but the diplomats provide regular reports to the ambassadors and the consulates. In the USA, the dependence of commercial diplomats on foreign affairs began to decrease, especially with the 1990s. The environment has been prepared for the commercial diplomats to show entrepreneurship and business world reflexes. In addition, the majority of the team providing commercial diplomacy services on behalf of the USA consists of people having private sector experience and business education. In Japan and S. Korea, the commercial diplomacy service is provided by civilian diplomats. The Civillian diplomats working within the Korean and Japanese trade and investment promotion agency report regularly to the Ministry of Commerce in close cooperation with the ambassadors.

2.2.2. Duties of the Commercial Diplomats

Commercial diplomats carry out activities aimed at increasing business opportunities abroad in the areas such as trade, investment, tourism, country image, and supporting technology and science (Naray, 2008: 2). In this context, the main tasks can be specified as follows (Can, 2020):
Contribution to promotion and Country Image: The formation or increasing the brand value of the countries is among the important goals of the countries. For this reason, the companies operating in developing countries, where the political, economic and social environment tends to change at an unpredictable speed, consider themselves seriously dependent on the commercial diplomats in terms of which channels to use for promotion. Contribution to promotion and country image is seen by many scientists in the field of duty of commercial diplomats. On the other hand, different subjects such as the promotion of the developments infields of software, pharmaceutical and biotechnology in their country and the promotion of tourism are also included in the job descriptions of the commercial diplomats.

Economic Intelligence and Information Gathering: Commercial intelligence; having a meaning beyond collecting information, is expressed as activities aimed at preventing foreign competitors from taking an advantageous position in the field of economy by using diplomatic methods. Commercial intelligence is among the important tasks of commercial diplomacy. Commercial diplomats report to their countries the trade and the economic policies of the country they are in and the potential trends in the market for exporting companies in their countries. Other intelligence information requested from the commercial diplomat is generally; the changes in the legislation affecting exports, results of tenders, and information about the development projects.

Encouraging Participation in Fairs: Fairs are among the most common export incentives used by governments. Encouraging participation in fairs held both in the countries where the diplomat is assigned and in the country where the diplomat belongs is among the duties of the commercial diplomats.

Encouraging Investments: For the foreigners who will operate in another country, the laws, business culture, ways of doing business and languages of that country are the main difficulties. In addition, wages, taxes, political stability in the foreign country, the market size of both countries are influential on the investment decisions. Besides, there is a very important relationship between per capita income and the investment decision. Commercial diplomats are required to carefully inform the ministry or foreign investment-related institutions in their country about the latest investment regulations, the objectives of foreign investment incentives, sectoral priorities and incentives for foreign investors in the country they are working. Commercial diplomats make a positive contribution to business relations by collecting in-depth information about the investment opportunities of the country where they work and by supporting domestic companies in the implementation of direct investment projects. Encouraging the possible foreign investments for their country is among the important duties of commercial diplomats.

International Tenders and Contracting Services: In a foreign country, the ignorance of the companies about the rules of the country and tender procedures can create significant problems, especially in making contracts for public tenders. Therefore, consulting in international tenders, procurement and investment projects (capital projects) related to the import procedures of the countries where commercial diplomats work is among their main duties.

Encouraging Export: It is among the basic duties of the commercial diplomat to provide periodic reports covering the developments in the market, new regulations that will affect the export, the activities of the competitors and other developments in the country where they are located, and presenting them to the needs of the exporters.
Conducting Negotiation: A diplomat's lobbying and bargaining in favor of his country in all kinds of contacts with officials, parliamentarians, members of the press, or any public opinion-forming organization or person in the country he is located can be called negotiation. İn the commercial negotiations, the commercial diplomats perform duties such as transferring information especially about the country they are working in. On the other hand, commercial diplomats also have duties such as requesting certain regulations to be made from the country they are working in or making suggestions to conclude a commercial agreement with their country.

Research for affiliate and Company Partner: Matching for the companies that are in economic relations with the country they are in and helping them to establish connections are among the main duties of the commercial diplomats. In addition, there are support duties such as business support activities, commercial consultancy, defending the interests of the business world, market research in a foreign country, market analysis, assistance in bargaining between companies, visiting the businessmen in the country where he works with the companies from his own country.

Assisting the Business Delegations: Assisting the foreign businessmen during their visits to their countries, assisting commercial delegations, assisting delegations coming to the country where they work from their home country for export and investment purposes, and assisting delegations from the business world and the government are among the main duties of the commercial diplomats. Thus, the commercial diplomats can contribute to the companies of their own country to gain the competitive advantage in the country they are in and to increase their exports.

Settlement of Disputes: Commercial diplomats have to help the companies existing in the countries they work in solving the problems they face due to the lack of knowledge in the local market. In addition, as they are familiar with the judicial system of the country in which they are located, they can help with the advice they will give during the resolution of disputes through the judiciary.

Activities towards Removing the Trade Barriers: High customs duties applied by countries may hinder goods of other countries from entering the country. Yet again, practices such as quota, preferential tariff system, quarantine restrictions, special packaging and labeling conditions can either obstruct or significantly limit exports. Especially for SMEs, cultural barriers and informal barriers other than taxes are considered to be important problems in terms of entering foreign markets. Coping with these problems is among the main duties of the diplomats.

2.3. Country Examples in Commercial Diplomacy

Commercial diplomacy has been successfully implemented in many countries. One of the best examples among these is Germany. The main responsibility for commercial diplomacy in Germany lies with the ministry of economic affairs and energy. This ministry carries out trade diplomacy by including the chambers of commerce abroad in the framework of close cooperation with the Foreign Affairs. The German government has assumed an active role in helping its companies remain competitive in the world. The German government can take action very quickly at the point of bilateral state agreements in order to solve the difficulties faced by the companies, especially in the field of export. The basic point of view here is: the main engine of the economic and political relations between countries is commerce. In order to be more active in exports, the German government has also been developing various tools for small and medium-sized companies which are defined as SMEs. By means of a mobile platform developed by the Ministry of Economic Affairs and Energy, it also offers various services to the sector participants electronically. The Ministry of Economy and Technology has created a platform where companies, chambers and international companies come together through the online platform where seminars are organized, training programs are carried out, assistance services are provided, trade network development is supported, and new and updated information is shared. Another service provided by the Ministry is export credits. These credits are intended to protect the companies from certain risks. Another service provided by the Ministry is export credits. These credits are intended to protect the companies from certain risks. Embassies and consulates affiliated to Foreign Affairs provide extra advice and information to foreign chambers of commerce. Embassies and consulates assume an active role especially in bilateral trade agreements and negotiations.

The UK can be given as another successful example. In the UK, conducting market research and identifying possible opportunities for commercial activities, organizing meetings with public and private sector actors in foreign countries, lobbying for the best promotion of export products are the basic pillars of the commercial diplomacy. All processes related to commercial diplomacy in the UK bureaucracy are carried out by the International British Trade unit, which includes representatives in the foreign countries and private sector participants. All commercial activities, investments, investment and export supports are coordinated by this unit. This unit also organizes various trainings in order to improve the careers of diplomats in the trade processes. Even if the British International Trade unit, which coordinates the commercial diplomacy, has been established by the government, the business representatives working in this unit are more than the representatives from the public. This situation is important in terms of showing the power of the business world over commercial diplomacy. With the establishment of the International English Trade unit, different applications and coordination problems, especially in export-oriented areas, have reached resolution. This unit which develops long-term trade strategies provides direct support in the fields of export incentives, development of overseas trade, evaluation of foreign trade performances, guidance support to small-scale and inexperienced companies, etc. The International British Trade unit shares various information obtained from approximately 150 foreign markets, prepared strategies and sectoral reports with the business world on its website.

After the economic sanctions initiated by the USA, Japan and Germany in 1998, the Indian economy has decided to use especially the business world and the Indians abroad effectively. Commercial and public diplomacy and public-private sector cooperation have been the two important instruments that India has applied to get rid of these sanctions. In this respect, the years of 2000s also coincide with the period of restructuring in the field of commercial diplomacy for India. As in many other countries, Indian Foreign Affairs has decided to take the commecial diplomacy as a major agenda. As a matter of fact, at a meeting held in New Delhi in 2002, the German and French Ambassadors of the period stated that they spent at least 60% of their time on economic and commercial incentives. This event shows the importance of the commercial diplomacy in the foreign policy of India. The fact that current diplomacy practices are quite inadequate in economic and commercial issues and this inadequacy is seen quite clearly in many developing or transitional countries has made India take faster steps. The Ministry of Foreign Affairs of India has considered it appropriate to give basic economics lessons to the newly appointed diplomat candidates. After the basic courses, the newly appointed diplomat candidates were put through a training program in which some economic problems, issues related to global and national trade and some economic concepts were examined in depth. After the trainings, foreign affairs employees were allowed to work in economic units (energy, trade, finance, oil, industry, etc.). Support was also received from the private sector organizations at the point of the training of employees. It has been aimed to improve their skills in economy and commerce by providing distance education and various certificate services over the internet to the diplomats who went through these processes and started their duties. Opportunity allowing the employees of the foreign affairs to have information about current economic issues and to get to know the real sector closely has been provided by inviting experts from the business world and think-tank institutions at certain periods. Finally, it has been aimed some of the foreign diplomat candidates, who went through all these processes, to gain experience by allowing them to participate directly in the issues related to the world trade organization, anti-dumping movements, regional trade agreements. In addition to this, thanks to the India Wealth Fund, approximately a fund of 130 million dollars have been utilized exclusively for the companies to open branches abroad and to make the perception of India positive abroad. Representatives from the business world and chambers of commerce have been employed at the consulates and embassies to work full-time.

CHAPTER 3: THE EFFECTS OF BREXIT

1. Definition and the Scope of Brexit
2.The Effects of Brexit on International Trade
3. The United Kingdom's International Trade from the Perspective of Brexit
4.Post-Brexit International Trade Models

3.1. Definition and the Scope of Brexit

'Brexit' is the term given to the United Kingdom's withdrawal from the EU. It is a portmanteau word formed from the words 'Britain' and 'exit'. The UK held a referendum about its membership of the EU on 23 June 2016. The question was: 'Should the United Kingdom remain a member of the EU or leave the EU?' As 51.89% of voters voted to leave the EU, the UK left the EU on 31 January, 2020. Up to and including 31 December 2020, a transition period was underway. During that time, the UK continued to comply with all EU laws and rules. Negotiations were also held on the new relationship between the UK and the EU during this time (www.government.nl).

The referendum on the UK's withdrawal from the EU represented a turning point in the history of the EU and the UK. The UK is the first country to leave the UK, and Brexit is one of the most complex and problematic processes the EU has faced to date. In addition, this process has created major uncertainities regarding the future of UK–EU trade relations (Aktaş, Kaplan, 2020).
On 24 December, 2020, negotiators for the EU and the UK reached a deal on the two parties' new relationship. The EU and the UK have set out the terms of this deal in three agreements:

- The Trade and Cooperation Agreement
- The Information Security Agreement
- The Nuclear Cooperation Agreement.

The legal process for leaving the EU is set out in Article 50 of the Lisbon Treaty. It stipulates a two-year negotiation period, after which the departing member state is no longer subject to the EU's treaties. The UK triggered Article 50 on 29 March 2017, which means that the UK was due to leave the EU at 11:00 pm on 29 March, 2019. The UK sought three extensions to the negotiating period before officiallyleaving the EU on 31 January, 2020. Article 50 allows either party to request an extension but requires unanimous agreement in the Council of Europe. The UK requested all three extensions to the Brexit negotiations (www.instituteforgovernment.org.uk).

The first extension was granted on March 21, 2019, when the UK and EU agreed to extend Article 50 until 22 May. This acceptance, however, was dependent on MPs ratifying or not ratifying the Withdrawal Agreement by 12 April. Lawmakers rejected the deal for the third time. Thereupon, the UK's Prime Minister Theresa May requested a second extension from the President of the European Council, Donald Tusk, until 30 June, 2019. The EU agreed on two options: extension until 1 June if the UK failed to hold on to the Europe Parliamentary elections or until 31 October if held. (www.pulse.express.co.uk).

In September, reserve legislators attempted to pass a third legislature on the Article 50 extension. The EU Withdrawal Act (No.2)—the so-called Benn Act—stated that if lawmakers had not ratified a deal with the EU, the Prime Minister would have had to send a letter to the EU requesting a third extension by January 31, 2020. On October 19, 2019, the government sought a meaningful vote on the deal that Boris Johnson renegotiated with the EU, but would not ratify the Withdrawal Agreement until the MPs' Withdrawal Agreement Draft was passed, according to lawmaker Oliver Letwin. As a result, the Prime Minister wrote to Donald Tusk requesting an extension until January 31, 2020. The EU accepted this request on 28 October 2019 (www.instituteforgovernment.org.uk).

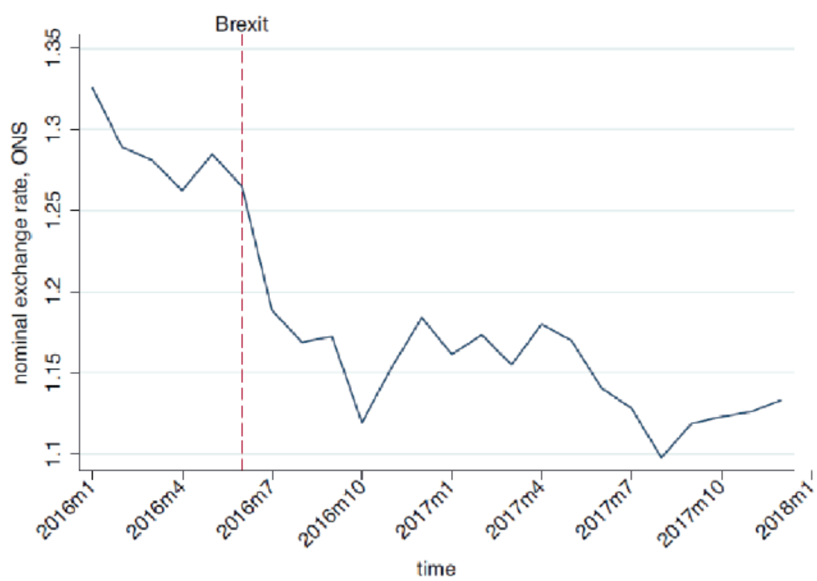
3.2. The Effects of Brexit on International Trade

Economists are interested in understanding and measuring the effects of exchange rates and unforeseen policy shocks on international trade volumes, firms' trade potentials and prices. The UK's attempts to leave the EU in June 2016 have had far-reaching economic implications, particularly for bilateral trade between the EU and the UK.

Adverse effects on the value of UK goods exports were observed, particularly when evidence from trade in goods was measured in dollars or euros rather than in pounds sterling. Crowley et al. (2018) found that despite the decline in the sterling, there was a decrease in the participation of UK firms in trade. A September 2018 survey conducted by the UK Trade Observatory found that a third of British manufacturing exporters have suffered losses as a result of Brexit. Additionally, a synthetic control method (SCM) comparison of UK bilateral goods exports (Douch et al., 2018) revealed a clear decline in exports to both EU and non-EU countries compared to what we estimated without the Brexit vote. These studies highlight the importance of the possible effects of the uncertainty that followed the Brexit vote on trade (Douch and Edwards, 2020, p. 248).

The Brexit vote triggered major future concerns over UK trade policy and trade costs and increased policy uncertainty, and the British pound faced a sudden, sharp and unexpected drop in the exchange rate. After the referendum result became clear, sterling sharply depreciated against the euro and the US dollar, falling by 10% to a 31-year low, as shown in Figure 1 (Fernandes and Winters, 2021, p. 2).

Figure 1. Streling euro nominal exchange rate, ONS



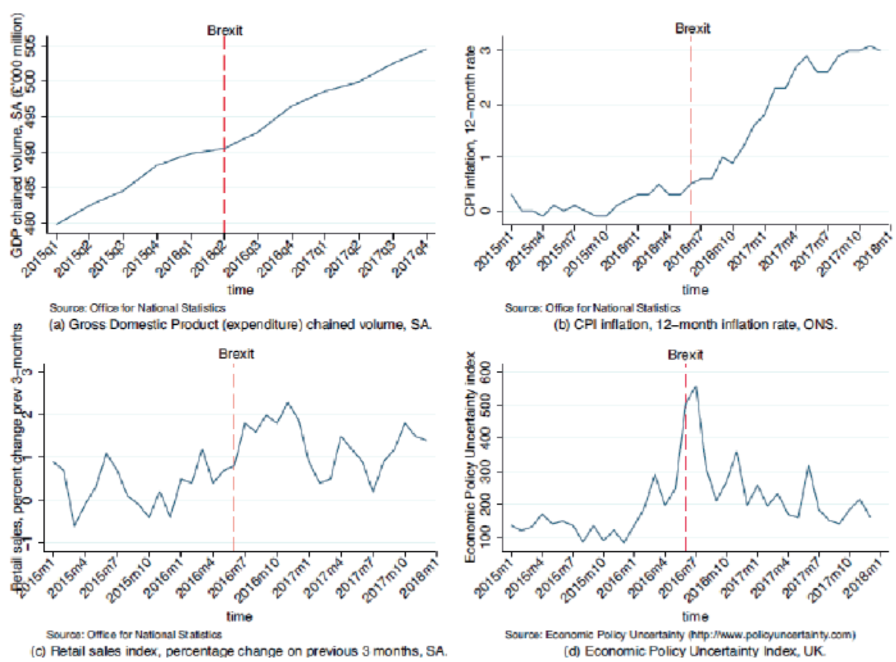
Source: Fernandes and Winters, 2021

Fernandes and Winters (2021) show that export prices fell by more and export volumes by less for more productive than less productive exporters after the Brexit shock. In international trade, large exporters tend to be simultaneously large importers. More import-intensive exporters have significantly smaller responses in terms of export volumes but significantly larger responses in terms of their export prices to the UK market after the shock. This finding is consistent with Amiti et al. (2014), who showed that import-intensive exporters have lower exchange rate pass-through (ERPT) as they can set higher markups and change them in response to exchange rate shocks (Fernandes & Winters, 2021).

Export prices fell by more and quantity by less for goods with low elasticities of substitution and for consumer goods, suggesting that firms have greater pricing power for differentiated goods or products with higher distribution costs. Meanwhile, more substitutable goods, intermediate inputs, durable goods, firms that adjust their prices more frequently in normal times and firms that face more financial or credit constraints experienced a significantly greater drop in export volumes. Moreover, the shock reduced the likelihood of firm export entry to the UK, relative to other markets. The probability of continued export to the UK was also reduced after the referendum.

Fig. 2 shows three main macroeconomic indicators for the UK economy: real GDP, retail sales index and CPI inflation, as well as the Economic Policy Uncertainty index. As Fig. 2 illustrates, the British economy was performing well prior to the referendum, with real GDP growing at an average annualised rate of 2.4% in 2015 and declining slightly to 1.9% in 2016 and 2017. GDP continued to grow on previous trends after the referendum, helped by robust consumer demand. Thus the Brexit referendum did not induce a significant economic downturn and the effects on GDP over the initial 18 months after the vote were limited (Fernandes & Winters, 2021).

Figure 2: UK GDP, inflation, retail sales and uncertainty index



Source: Fernandes and Winters, 2021

Fig. 2 shows that the Consumer Price Index inflation in the UK had been low prior to the Brexit vote, averaging 0.2% in the twelve months leading up to the referendum. The sharp depreciation of sterling led to a significant increase in inflation, which averaged 1.7% over the twelve months after the referendum and reached 3% by December 2017. Hobijn et al. (2019) showed that the increase in inflation after the Brexit vote was largely due to the higher inflation rates of tradable goods and services through imported products.

Fig. 2 (c) shows that retail sales continued to grow after the vote, contributing to the UK's economic growth during the initial period after the EU referendum. Retail sales actually jumped in July 2016 and continued to grow above previous trends in the subsequent months, resulting in higher average growth in 2016 than in the previous year. During the last six months of 2016, it was unclear when or how Brexit would occur, and retail sales figures suggest that the referendum result had no significant immediate impact on consumer confidence. Retail sales growth slowed down in 2017 as prices rose, and the Prime Minister announced in January 2017 that the UK would not remain in the EU Single Market.

Fig. 2 (d) plots the Economic Policy Uncertainty index for the UK. This is a general index of policy-related uncertainty based on the number of news articles containing terms such as 'uncertain' or 'uncertainty', 'economic' or 'economy', as well as policy-relevant terms, such as 'policy', 'tax', 'spending', 'regulation', 'Bank of England', 'budget' and 'deficit'. The figure shows that the index spiked in June 2016, the month of the referendum, and increased further in July; it subsequently declined, though it did not return to 2015 levels. In sum, the large and sudden depreciation of sterling after the Brexit vote occurred in an otherwise stable macroeconomic environment (Fernandes and Winters, 2021).

3.3. International Trade of the United Kingdom in the Perspective of Brexit

Although the international trade balance in England exhibited a negative outlook after the 1990s, it reached 30% of the GDP in terms of both export and import volume, excluding major shocks, such as the Great Depression and World Wars. For all these reasons, international trade occupies a significant place in the British economy. The increased share of international trade in the UK's GDP has been helped by traditionally high intra-industry trade and the development of the international supply chain, which has allowed the production of goods to take place in different countries. In addition to the policies followed by the UK, factors such as unlimited access to the world's largest market (i.e., the European Single Market) - ESM and proximity to the market in terms of logistics contributed to this strong performance.

Considering the countries with which trade is taken into account, the EU is the UK's largest trading partner owing to factors such as the UK's geographical proximity to the EU and its membership of the ESM. Although the EU is an important trade partner of the UK, the export area is expanding towards the markets of countries outside the EU, and the UK's non-EU trade is increasing rapidly. Meanwhile, owing to the EU's slow growth rate and saturated market structure, UK exports have shifted to markets outside the EU in recent years. In this context, when the growth rate of the UK's exports to third countries that have a preferential trade agreement with the EU is analyzed, it is observed that trade with Switzerland (97%) and South Korea (210%) increased rapidly, but exports to Norway (9%) decreased. The increased trade with China (25%), Japan (89%) and the US (71%) among the countries with which the UK trades in third country status according to the World Trade Organization (WTO) rules is remarkable.

3.4. Post-Brexit international Trade Models

The Brexit process has been the most problematic and complex process that the EU has ever faced in the history of its enlargement. The integration process developed by the UK and the EU since 1973 is expected to end with the Brexit decision. The manner in which the UK exits the EU will be decisive in changing the negativity that the UK may face in the field of international trade after Brexit. In other words, the magnitude of the effects on international trade depends on the scope of trade regulations that invalidate EU membership and the model to be determined. In this respect, the discussions are evaluated within the framework of trade models that can be classified as "soft Brexit" and "hard Brexit". "Soft Brexit" is expressed as the European Economic Area (EEA) model whereby free movement of goods, services, capital and persons within the ESM is possible, while "hard Brexit" is the third country model whereby trade relations are conducted according to WTO rules. To distinguish these alternatives from one another, whether the possible trade agreement between the UK and the EU will allow the UK to enter the ESM stands out as an important parameter.

3.4.1. The European Economic Area Membership Model: The Example of Norway

Norway is one of the four members of the European Free Trade Association (EFTA) and one of three countries that are party to the EEA Agreement created in 1994. The EEA was established with the agreement between EFTA and EU member countries, allowing EFTA member countries to access the ESM without entering the EU. The EEA has expanded to include the free movement of goods, services, capital and labour, based on the principle of establishing an open and competitive internal market between Member States. Within the framework of this model, although Brexit excludes the UK from the EU, the UK can remain in the EEA through its inclusion in the EFTA, which also includes Norway.

Norway is obliged to implement EU legislation in areas relating to the ESM, such as employment, consumer protection, environment, competition, state aid and intellectual property rights (Dhingra and Sampson, 2016, p. 4). Meanwhile, Norway, like other EFTA countries, does not have representation power in EU supranational institutions and cannot participate in EU decision-making processes. Issues such as common agricultural policy, fisheries, monetary union, taxation, international relations and common defense policy are not regulated by the EEA Agreement. Therefore, if the Norwegian model applies to the UK, some areas will include no transfer or sharing of political power.

Norway also contributes to the EU budget. If the UK–EU relationship develops on the basis of the Norwegian model after Brexit, the UK's payment to the EU budget will decrease by a mere 17%. The EEA Agreement will also continue to grant the UK the right of free movement of persons. For this reason, the Norwegian model will not meet expectations on key issues, such as ensuring border security, anti-immigration and non-payment to the EU budget, all of which were decisive factors in the Brexit vote.

3.4.2. Bilateral Agreements Model: The Swiss Example

Switzerland, another EFTA member, rejected the EEA Agreement with a referendum in 1992. Since Switzerland is not a party to the EEA Agreement, its relationship with the EU has developed differently to that of Norway. With the entry into force of the Switzerland-EU Free Trade Agreement (FTA) in 1972, the trade barriers and quantity restrictions in the trade of some goods were removed, and more than 100 bilateral agreements were signed. Following the rejection of the EEA Agreement, these bilateral trade agreements made on the basis of goods came into effect following lengthy and complex negotiations.

Switzerland cannot enter the EU market in all sectors. For example, industrial goods have access to the ESM while unprocessed agricultural products do not. The service sector and trade in processed agricultural products are at a limited level. In the service area, Swiss banking and financial institutions wishing to operate in EU Member States are required to open branches in EU or EEA countries, as the financial sector does not have access to the ESM. Trade in services between the parties covers several sectors, such as insurance and public procurement. Considering that the EU's share in the UK's total service exports is approximately 40%, the Swiss model is not considered a good option for accessing the EU market.

Switzerland, which is not included in the Customs Union (CU), has the right to make preferential trade agreements with third countries independently of the EU and does not have to apply the EU's Common Customs Tariff (CCT) in trade. In addition, the UK will not be able to maintain its access to the ESM simply through its membership of EFTA, as the bilateral agreements providing Switzerland's access to the ESM are negotiated independently of EFTA. This is because EFTA only grants the UK access to the EFTA countries market. Therefore, after the UK becomes a member of EFTA, it will need to enter into further trade negotiations with the EU to trade in the EEA using preferential trade.

The rules of origin apply in the trade of goods subject to bilateral agreements between Switzerland and the EU. Therefore, customs procedures at border crossings of exported goods also include origin checks. In addition to industrial goods, individuals also have the right of free movement between the EU and Switzerland. However, the 2014 referendum on immigration in Switzerland

resulted in the decision to restrict mass immigration, and the government mandated that the number of immigrants be limited within three years. The EU, in response to the results of the referendum, announced that it would freeze the education agreements and suspend trade negotiations if this decision were implemented. For this reason, Switzerland was unable to implement the referendum decision and sustained the free movement of people. The absence of border controls for people crossing at the Switzerland-EU border may serve as an example for the introduction of innovative technical solutions at the borders between the UK and the Republic of Ireland–Northern Ireland.

Although Switzerland is not obliged to harmonise its domestic law with the relevant EU legislation, it must comply with the ESM's rules owing to bilateral trade agreements with the EU. The absence of an institutional framework for the harmonisation of legislation between Switzerland and the EU can often result in obstacles or disagreements that restrict trade. Switzerland thus prefers to comply with the EU legislation in practice and to revise its domestic law based on various EU regulations, including rules on competition, state aid and environmental regulations, with the fear that it may block the EU's access to the Single Market.

3.4.3. Free Trade Agreement (FTA) Membership Model: The Canadian Example

In the FTA model, the UK will be able to determine its foreign trade policy independently of the EU while retaining full or partial access to the ESM, depending on the scope of the FTA. The reason for this is that in preferential trade agreements of the FTA type, the parties determine their own trade policies and the customs tax rates to be applied to third countries.

The 'depth' of potential agreement will be decisive in accepting the FTA model as a strong option. This new-generation FTA between the EU and Canada, which came into force in 2017 and is quite comprehensive, has been accepted as an example for UK–EU trade relations. The EU–Canada Comprehensive Economic and Trade Agreement (CETA) covers processed and unprocessed agricultural products, fisheries, industrial products and—albeit in a limited capacity—the service sector. With this agreement, 98% of customs duties were abolished to facilitate the flow of goods, services and capital between the two parties. Considering the areas regulated by the agreement and the sectors exempted from customs duty, CETA is arguably the most advanced FTA in terms of access to the ESM (http://edepositireland.ie).

The EU and Canada accepted the Trade Facilitation Agreement signed with the WTO to speed up border crossings, minimise procedures and standardise customs practices. However, for the goal of facilitating trade under the agreement to be successful, countries must have a mutual commitment to recognition. Another problem with customs practices in FTA is the requirement to prove the origin of the goods. It is proven by the declaration of origin that the products covered by CETA are produced in the countries that are party to the agreement. Although the declaration of origin is issued in the digital environment, it does not entirely eliminate the parties' trade costs as it is sought by the customs administration for each customs transaction.

Export costs may be expected to increase under the assumption that the UK will leave the EU's technical standards and regulations after Brexit and that export goods will be subject to origin control. On a sectoral basis, it is expected that the food and agriculture sector will be adversely affected by 7%, the chemical sector by 9%, the metal sector by 11% and the transportation vehicles sector by over 12%, resulting in a 6% contraction in the financial services sub-sector.

3.4.4. Customs Union Model: The Case of Turkey

One of the models that the UK can implement after Brexit is the model that came to the fore particularly within the framework of the CU Agreement between the EU and Turkey. The most important feature of the CU agreements is the abolition of all manner of tariffs and quotas among the members, and the implementation of the CCT and Common Trade Policy (CTP) against countries outside the union. Within this framework, the EU and Turkey abolished customs duty, quantity restriction and other taxes with equivalent effect to the customs duty in the trade of certain products, based on the Association Council decision that entered into force in 1996. The CU Agreement between Turkey and the EU covers trade in industry and processed agricultural products and did not provide tax exemption for trade in unprocessed agricultural products, European Coal and Steel Community (ECSC) Agreement products and services.

In the CU model, the cross-border transit of goods is subject to simplified customs control. This means that Turkish exporters trade with the EU without incurring the rules of origin and bureaucratic burdens relating to customs procedures. Therefore, the GB model can contribute to a flexible customs control structure between the UK and the Republic of Ireland in terms of trade in goods.

According to the CU Agreement, while Turkey is not obliged to make payments to the EU budget, there is no right of free movement of services, persons and capital. These features of the EU, which differ from other CU countries, can meet the UK's Brexit expectations up to a certain point. Meanwhile, Turkey must adapt a significant amount of EU legislation regulating different fields into its domestic law. This includes rules such as product technical standards, environmental, competition, intellectual property law and government aid. For the UK, these obligations may be regarded as the reasons that the CU model is not preferred.

The most discussed issue in the Brexit negotiations between the UK and the EU and the most important issue that caused the negotiations to be blocked was the emergency measure mechanism called the 'backstop'. The backstop aimed to ensure that no physical border was created between Northern Ireland, which is part of the United Kingdom, and the Republic of Ireland, which is an EU member state, regardless of how the post-Brexit trade negotiations between the UK and the EU are concluded. The backstop protocol aimed to find alternative trade solutions between the UK and the EU up to December 2020, but if no agreement was reached between the parties by that date, there was a risk that Northern Ireland would remain in the same customs area as the rest of the UK for an indefinite period owing to the disagreement. It was even suggested that Northern Ireland might remain in the ESM as a result of the UK's opposition to the implementation of strict border controls with the Republic of Ireland, an EU member state (www.timesofaman.com).

3.4.5. The Model for WTO Rules: The Case of the Third Country

If the UK, which is a WTO member, leaves the EU without an agreement, it will conduct its international trade within the framework of WTO rules and will be treated as a third country in its trade with the EU. In the event of a no-deal Brexit, the UK basically fulfills its rights and obligations in the WTO as part of the GATT 1994's Article II and Article XX of the General Agreement on Trade in Services (GATS), and with the completion of the Brexit process, it will be obliged to reorganize in many areas, such as customs tariffs, quotas and subsidies. The UK will therefore need to set its own policies and MFN tariff rates, with all other WTO members ratifying these. In this framework, the UK will be obliged to negotiate with the other WTO members as a country wishing to initiate negotiations in the WTO from the beginning and may face a veto from the countries as a result of this process (www2.deloitte.com).

The third country model, in which trade relations are determined according to WTO rules, will bring rights such as ensuring full control of the borders, not paying the EU budget, being able to negotiate trade with other countries independently from the EU, and not having to apply EU legislation. However, these advantages do not mean that this model will be the best option for the UK.

Parties to the GATT Agreement cannot discriminate against Member States. In other words, the member state must extend an advantageous customs duty rate that it grants to any member state to all other Member States. However, this principle, called the MFN (Most Favored Nation) rule, cannot be said to apply to the application of non-tariff barriers. Non-tariff barriers are more widely used than customs duties to protect domestic producers from competition in the international market, and the WTO limits the conditions under which such measures can be applied. The WTO's regulations on limiting measures are important in that they support the principle of non-discrimination by preventing the spread of punitive measures that may arise against the UK. Meanwhile, the customs tax rates that the UK may face are also decisive in evaluating this model.

In the WTO model, the customs tax applied by the countries varies depending on the product but averages around 16%. The average MFN tariff is 5.8% for electrical machinery and equipment, 6.2% for non-electrical machinery and equipment, 7.7% for transport vehicles, 5.8% for petroleum products and 5.8% for minerals and metals, from which industries the UK exports the most. After Brexit, as the FTAs to which the EU is a party will be cancelled automatically and the UK will face MFN customs tariffs on exports to these countries. For example, as of 2019, since S. Korea and Canada's FTA with the UK came into effect, no customs duty is applied to the import of these goods from the UK, and in the case of a no-deal Brexit, the UK may be exposed to high customs duties at the hands of the WTO.

The EU applies MFN tariff rates to countries without preferential trade agreements within the framework of WTO rules. In this context, the EU, which has a share of 48% in the UK's goods exports, will also apply MFN tariff rates to imports from the UK in the event that Brexit concludes without a deal.

In addition, the EU has determined the customs duty between 5% and 40% for agricultural and livestock products other than CCT. It is between 16% and 38% in imports of live animals, meat products, beverages, tobacco and sugar.

In addition to trade in goods, the rules governing trade in the service sector are also determined by the WTO. In scenarios wherein the WTO model applies, the rules for the UK's trade with the EU or with the EU's preferential trade agreement partners covering trade in services will be governed by the WTO's GATS. As in the trade of goods, the principle of non-discrimination between Member States applies in GATS. This principle means that restrictions on market access must be applied equally to all countries, with exceptions such as preferential trade agreements (http://forumoneurope.ie).

CHAPTER 4: THE POTENTIAL EFFECTS OF GREEN DEAL TARGETS ON INTERNATIONAL TRADE

1. The European Green Deal and Its Scope
2.The European Trade Policy and the Green Deal
3.The Potential Effects of Green Deal Targets on Global Trade and Industries

4.1. European Green Deal and Its Scope

Since the 1990s, the EU is known to be sensitive to environmental and social sustainability issues, particularly regarding topics such as combating climate change, reducing greenhouse gas emissions, and using renewable energy. In November 2019, the EU took these sensitivities one step further and presented a package of initiatives, a commitment to take firm and ambitious steps in environmental and sustainability issues: The European Green Deal. The European Green Deal aims to make Europe climate-neutral by 2050 and to make the EU's economy sustainable by decoupling economic growth from resource use (Fernandes, Winters, 2021, www.ece.europa.eu).

The agreement had considerable repercussions in the eyes of all states, international organisations and private sector players who have economic, political and geographical connections with the EU because the consensus, which consists of the standards set by the EU for its Member States, also has the potential to affect the EU countries' relationships with third parties. This situation has revealed the necessity of a good understanding of the Accord by everyone, given the EU's far-reaching commercial and diplomatic ties.

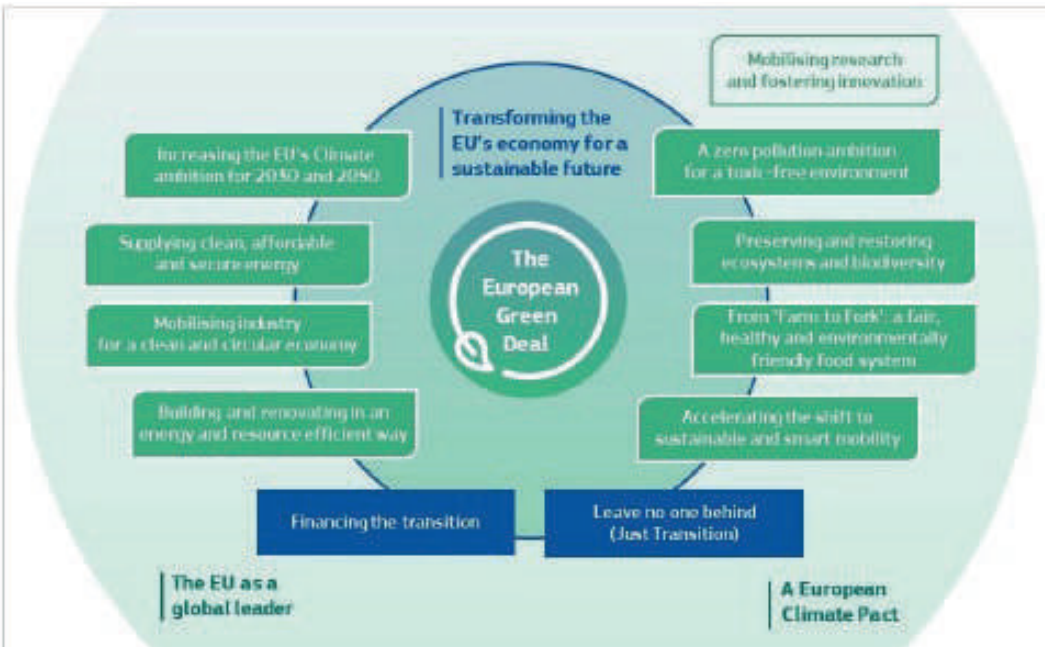
The Green Deal is the EU's new growth strategy, which includes the main objectives of zeroing net greenhouse gas emissions by 2050, decoupling economic growth, and leaving no one and no region behind. In other words, the Accord will create jobs and improve quality of life while reducing emissions.

A comprehensive policy design was envisaged in the EU Green Deal and in this process, strategies focused on different policy areas, such as zero pollution action plans, biodiversity strategy, climate and supporting sectoral objectives, in addition to sectoral approaches, such as construction, agriculture and energy. While the EU Green Deal centres the sustainable development goals in the policy design and action process, economic policies' main motivations are sustainability and the welfare of the people (https://eur-lex.europa.eu).

This transformation will begin in Europe, but it is impossible for Europe to achieve these goals alone. An important channel that ensures the implementation of this transformation on the international platform is the Carbon Border Adjustment mechanism, which is one of the tools of the Climate Action Plan and is planned for implementation in 2023 at the latest. This mechanism is aimed at reducing the risk of carbon leakage caused by the shift in EU production to countries with less stringent climate standards, particularly in the energy-intensive trade (EETA) sectors. The existence of carbon leakage negates the EU Green Deal's general purpose as well as the targets of the Paris Agreement. Although the details of this new application and the particular sectors it will cover remain unclear, SKD is likely to represent the extension of the Emissions Trading System (ETS)—one of the EU's main tools in combating climate change—to the international arena. With this regulation, it is expected that exporters operating in carbon-intensive sectors will be affected by the cost channel.

When the policy headings planned for implementation within the scope of the European Green Consensus are examined, it becomes clear that the relevant policy arrangements are envisaged to be carried out on the axis of climate change. The policy arrangements seen in Figure 1 are as follows.

Figure 1. EU Green Deal



Source: https://eur-lex.europa.eu

4.1.1. Increasing the EU's climate ambition for 2030 and 2050

The Commission has established a clear vision for how to achieve the goal of being climate-neutral by 2050. In this context, the Commission intendes to propose the European 'Climate Law', which will ensure that the 2050 climate-neutrality target is included in the legislation. The Climate Law will also ensure that all EU policies contribute to the goal of climate neutrality and that all sectors contribute. The EU has begun to modernise and transform the economy in line with its climate-neutral goal: between 1990 and 2018, greenhouse gas emissions were reduced by 23% while the economy grew by 61%. However, current policies will only reduce greenhouse gas emissions by 60% by 2050. Much work remains to be done in the next decade, not least more ambitious climate action. (http://www.aalep.eu, https://eur-lex.europa.eu).

As the EU increases its climate target, if worldwide disparities persist on this issue, the Commission will propose a Border Carbon Regulation Mechanism in selected sectors to reduce the risk of carbon leakage, thus ensuring that import prices reflect carbon content more accurately. This measure will be designed to comply with WTO rules and other international obligations of the EU. This may be an alternative to measures that address the risk of carbon leakage in the EU's ETS (https://eur-lex.europa.eu).

4.1.2. Supplying clean, affordable and secure energy

Further decarbonisation of the energy system is critical to achieving the 2030 and 2050 climate targets. Energy production and use in the economic sectors account for more than 75% of the EU's greenhouse gas emissions. Energy efficiency should be given priority. An energy sector based largely on renewable sources must be developed and integrated with the rapid decommissioning of coal and grey hydrogen. At the same time, the EU's energy supply must be reliable and affordable for consumers and businesses. For this to happen, it is essential that the European energy market is fully integrated, interconnected and digitised while respecting technological independence (https://eur-lex.europa.eu; Piddubnyi& Kokoshko, 2021).

The clean energy transition must involve and benefit consumers. Renewable energy sources will play an important role in this regard. It will be of primary importance to increase the generation potential of offshore wind turbines using regional cooperation between Member States. Intelligent and vigorous integration of renewable energies, energy efficiency and other sustainable solutions across sectors will contribute to achieving decarbonisation at minimum costs. The rapid decline in the cost of renewables, combined with improved support policy design, has already reduced the impact of renewable energy deployment on households' energy bills (www.eumonitor.eu, https://eur-lex.europa.eu).

The transition to climate neutrality also requires smart infrastructure. Increasing cross-border and regional cooperation will help reap the benefits of the clean energy transition at affordable prices. The regulatory framework for energy infrastructure, including the TEN-E regulation 17, should be revised to ensure consistency with climate neutrality goals. This framework should encourage the deployment of innovative technologies and infrastructures, such as smart grids, hydrogen networks or carbon capture, carbon storage and the use of carbon for circular purposes and energy storage, while also facilitating industry integration. Some existing infrastructure and assets will need to be updated to ensure that they remain fit for purpose and climate-resilient (https://eur-lex.europa.eu)

4.1.3. Building and renovating in an energy and resource efficient way

The construction, use and renovation of buildings requires significant energy and mineral resources (i.e., sand, gravel, cement). Buildings are also responsible for 40% of the energy consumed. Today, the annual renewal rate of the building stock in Member States ranges from 0.4% to 1.2%. This ratio will need to at least double to meet the EU's energy efficiency and climate targets. In parallel, 50 million consumers use resources to keep their homes at a certain temperature. To meet the dual challenge of energy efficiency and affordability, the EU and its Member States are expected to embark on a 'renewal wave' in buildings both public and private in nature. While increasing replacement rates is a challenge, replacement lowers energy bills and can reduce energy poverty. This can also stimulate the construction industry and present an opportunity for supporting SMEs and local businesses (https://eur-lex.europa.eu).

In addition, the Commission proposes to work with stakeholders towards a new initiative on renewal. This will include an open platform that brings the building and construction industry, architects, engineers and local governments together to address renovation barriers. This initiative will also include innovative financing schemes under 'InvestEU'. These may target housing associations or energy service companies that may undertake renovations, including energy performance contracts. The main objective will be to organise the renovation works in larger blocks in order to benefit from better financing conditions and economies of scale. However, the Commission will also work to remove national legislative barriers to energy efficiency investments in rental and multi-ownership buildings. Particular attention will be paid to the renovation of social housing to assist households struggling to pay their energy bills. The focus should also be on renovating schools and hospitals, as the money saved through building efficiency will be used to support education and public health (https://eur-lex.europa.eu; www.aalep.eu).

4.1.4. Mobilising industry for a clean and circular economy

The achievement of climate neutrality and a circular economy will require full industry mobilisation. It takes 25 years—one generation—to transform an industrial sector and all other value chains. To prepare for 2050, decisions must be made and actions taken over the next five years (https://eur-lex.europa.eu).

From 1970 to 2017, annual global raw material extraction tripled, and this phenomenon will continue to grow, posing a major global risk. About half of total greenhouse gas emissions and more than 90% of biodiversity loss and water stress are due to resource extraction, processing of materials, fuel and food. Although EU industry has begun its transformation, greenhouse gases are still responsible for 20% of gas emissions. This ratio is due to a system in which raw materials are extracted, traded and converted into products and disposed of as waste and emissions at the end of all these processes, and it is quite 'linear'. Only 12% of the raw materials used by the industry are obtained from recycling. This transition presents an opportunity to expand sustainable and labour-intensive economic activities (https://eur-lex.europa.eu).

Energy-intensive industries, such as steel, cement and chemicals, are indispensable to the European economy as they supply several important value chains. It is essential that these sectors be decarbonised and modernised. Recommendations published by the High-Level Working Group on Energy-Intensive Industries demonstrate the industry's commitment to these goals. The Circular Economy Action Plan will include a 'sustainable products' policy to support the circular design of all products based on a common methodology and set of principles. This policy will prioritise the reduction and reuse of materials before they are recycled. It will promote new business models and establish minimum requirements to prevent environmentally hazardous products from entering the EU market. In addition, expanded producer responsibility will be reinforced (www.ecologic.eu.).

EU industry requires 'climate and resource pioneers' to develop breakthrough technological applications in key industrial sectors by 2030. The priority areas are clean hydrogen, fuel cells and other alternative fuels, energy storage, carbon sequestration, storage and utilising carbon for cyclical purposes (https://eur-lex.europa.eu).

Meanwhile, digital technologies play a critical role in achieving the Green Deal's sustainability goals across many different sectors. The Commission will explore measures to enable digital technologies such as artificial intelligence, 5G, cloud computing and edge computing and the Internet of Things to accelerate and maximise the impact of policies aimed at tackling climate change and protecting the environment (www.aalep.eu).

Digitisation also opens up new opportunities for remote monitoring of air and water pollution or for monitoring and optimising how energy and natural resources are used. At the same time, Europe needs a digital sector that puts sustainability at its heart. The Commission will also consider measures aimed at improving the sector's energy efficiency and circular economy performance from broadband networks to data centres and information communications technology (ICT) devices (www.aalep.eu).

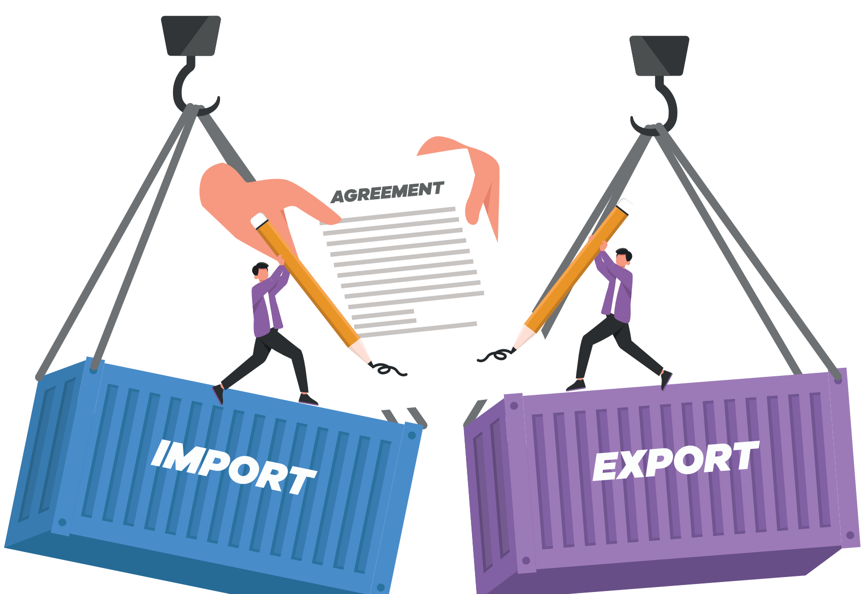
4.1.5. Accelerating the shift to sustainable and smart mobility

A quarter of the EU's greenhouse gas emissions come from transport, and this proportion is increasing. To achieve the climate-neutral goal, emissions from transport must decrease by 90% by 2050. Road, rail, aviation and maritime transport should all contribute to mitigation. Realising sustainable transportation means putting users first and providing them with more affordable, accessible, healthier and cleaner alternatives to their current mobility habits. In 2020, the Commission will adopt a strategy for sustainable and smart mobility that will meet this challenge and address all sources of emissions (https://eur-lex.europa.eu).

Multimodal transport requires robust support. This will increase the efficiency of the transport system. As a priority, 75% of inland freight transport by road should shift to rail and inland waterways. This will require improved management and measures aimed at increasing the capacity of railways and inland waterways. The Commission will withdraw and revise the Combined Transport Directive to make it an effective tool to support multimodal freight operations involving rail and sea transport, including short-distance sea transport. In aviation, work on adopting the Commission's 'Single European Sky' proposal will need to resume, as this will help achieve significant reductions in aviation emissions (https://eur-lex.europa.eu).

Automated and connected multimodal mobility will play an important role along with the intelligent traffic management systems enabled by digitalisation. The EU transport system and infrastructure will be tailored to support new sustainable mobility services that can reduce congestion and pollution, particularly in urban areas. The Commission will help develop smart systems for traffic management and 'mobility as a service' solutions by financing instruments such as the Unified European Facility (https://eur-lex.europa.eu).

Transport should become much less polluting, particularly in cities. The set of measures should address emissions, urban density and improved public transport. The Commission will propose more stringent emission standards for vehicles using combustion engines (https://eur-lex.europa.eu).



4.1.6. From 'Farm to Fork': designing a fair, healthy and environmentally friendly food system

European foods are renowned for being safe, nutritious and of high quality. This should now be the global sustainability standard. While the transition to more sustainable systems has begun, feeding the rapidly growing world population remains a challenge in current production models. Food production still results in air, water and soil pollution, causes biodiversity loss and climate change, consumes excessive amounts of natural resources and wastes significant amounts of food. At the same time, poor quality diet leads to obesity and diseases such as cancer (www.european-left.org).

The 'Farm to Fork' strategy will contribute to achieving a circular economy. This strategy will aim to reduce the environmental impacts of the food processing and retail industries through actions to be taken in the areas of transportation, storage, packaging and food waste. To this end, actions will be taken to combat food fraud, including strengthening enforcement and investigative capacity at EU level, and a process will be initiated to identify innovative food and feed products, such as seaweed-based seafood (https://eur-lex.europa.eu, www.aalep.eu).

In addition, the 'Farm to Fork' strategy will work to promote sustainable food consumption and support affordable healthy food for everyone. Imported food that does not comply with the relevant EU environmental standards cannot enter the EU market. The Commission will propose mechanisms to assist consumers in choosing healthy and sustainable diets and reducing food waste. Using digital tools, the Commission will explore new ways to provide consumers with detailed information, such as food provenance, nutritional values and the ecological footprint of food. The Farm to Fork Strategy will also include proposals to improve the position of farmers in the supply chain (https://eur-lex.europa.eu).

4.1.7. Preserving and restoring ecosystems and biodiversity

The Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services' (IPBES) 2019 Global Assessment Report 32 revealed that biodiversity erosion is occurring around the world and that this erosion is primarily caused by changes in land and sea use and direct exploitation of natural resources as well as by climate change (https://eur-lex.europa.eu).

The biodiversity strategy aimed to identify specific measures. These measures may also include numerical targets, such as expanding the coverage of biodiversity-rich terrestrial and marine areas protected under the Natura 2000 network. Member states should also develop cross-border cooperation to more effectively protect and improve the areas identified in the Natura 2000 network. The Commission will determine what measures, including legislation, would help Member States to rehabilitate and improve damaged ecosystems, including carbon-rich ecosystems, to bring them into ecologically good condition. The biodiversity strategy will also include proposals to increase biodiversity in green cities and urban areas in Europe. The Commission will consider drafting a nature remediation plan and consider how funding will be provided to assist Member States in achieving this goal (https://eur-lex.europa.eu).

Forest ecosystems are under increasing pressure as a result of climate change. In order to achieve the EU's goal of climate neutrality and a healthy environment, the EU's forest areas must be developed both qualitatively and quantitatively. Sustainable afforestation, reforestation, and remediation of degraded forests can increase carbon absorption while increasing forest resilience and supporting a circular bio-economy. Based on the 2030 biodiversity strategy, the Commission will prepare a new EU forest strategy covering the entire forest cycle and supporting many of the services that forests provide (www.aresca.it; https://eur-lex.europa.eu).

A sustainable 'blue economy' will play a key role in reducing excess demand for the use of land resources in the EU and tackling climate change. The role of the oceans in mitigating and adapting to the effects of climate change is increasingly recognised. The sector can contribute to reducing the pressure on agricultural areas by promoting the production and use of water and seafood as a protein source. In general terms, for a permanent solution to climate change, it is necessary to focus more on nature-based solutions that include healthy and resilient seas and oceans (https://eur-lex.europa.eu).

4.1.8. A zero-pollution ambition for a toxin-free environment

The creation of a toxin-free environment will require more work to prevent pollution from occurring, as well as practices to clean up and reduce pollution. To protect European citizens and the ecosystem, the EU must better monitor, report, prevent and remediate pollution in air, water, soil and consumer products. To achieve this, the EU and its Member States should examine all policies and regulations more systematically. To address these interconnected challenges, the Commission adopted a zero-pollution action plan for air, water and soil in 2021. Underground and surface water resources should be restored to their natural functions. It is necessary to protect and restore biodiversity in lakes, rivers, wetlands and estuaries as well as to prevent and limit pollution from floods. Implementing the Farm to Fork Strategy will reduce excessive nutrient pollution. In addition, the Commission will propose measures by addressing new and toxic sources of chemical pollution, such as micro-plastics and pharmaceuticals, caused by urban runoff. It is also necessary to address the combined effects of different pollutants (https://eur-lex.europa.eu).

The Commission will present a chemicals strategy for sustainability to ensure a toxin-free environment. This strategy will better protect both citizens and the environment against harmful chemicals and encourage innovation aimed at developing safe and sustainable alternatives (https://medium.com).

When all these policy changes are taken into account, it is clear that all policies and actions of the EU will now be carried out on the axis of climate change and sustainability. Changes and transformations that will be realised within the policy areas determined in general terms will not only affect the European Union countries, but also all countries that have bilateral relations with these countries—economically, socially and politically.

After the announcement of the European Green Deal in December 2019, new strategies and action plans were announced by the EU within the scope of the rapid transition to the new order in several areas, and a holistic and inclusive roadmap was created with the participation of different stakeholders by conducting consultation processes for these changes.

The strategy changes implemented by the EU took place as follows;
11 December 2019: European Green Consensus
14 January 2020: European Green Deal Investment Plan and Just Transition Mechanism
4 March 2020: Draft European Climate Law
10 March 2020: New EU Industrial Strategy
March 11, 2020: Circular Economy Action Plan
4 March–1 April 2020: Border Carbon Mechanism Feedback Process
20 May 2020: From Farm to Table and EU 2030 Biodiversity Strategies
8 July 2020: Integration of EU Synergy Systems and Hydrogen Strategy
22 July-28 October 2020: Border Carbon Regulation Public Consultation Process
17 September 2020 2030: Climate Goal Plan
14 October 2020: EU Chemicals Strategy
14 October 2020: EU Renovation Wave
13 November 2020: EU New Consumer Agenda
9 December 2020: European Climate Pact
10 December 2020: European Battery Agreement

When the new application areas and policy changes that will have an impact on bilateral relations, especially in the commercial sense, are examined, it becomes clear that that the developments in the Border Carbon Regulation Mechanism, the European Union New Industry Strategy and the Circular Economy Action Plan discussed within this strategy plan should be followed carefully.

Carbon regulation mechanism at the border: With this planned implementation, the import price will be determined for selected sectors by taking into account the carbon content of the goods. Therefore, it is possible to say that these new regulations will affect every stage of the supply chain in terms of cost. The system planned for implementation within the scope of the Border Carbon Regulation Mechanism has not yet been announced, but in line with the explanations, four different options come to the fore:

1. Implementation of border tax/customs duty for imported products in sectors with carbon leakage risk
2. Extending the EU Emissions Trading System (ETS) to imports
3. Establishment of a new emissions trading mechanism for imports outside the EU's ETS
4. Taxation at the consumption level in sectors with carbon leakage risk

It is expected that the Border Carbon Regulation Mechanism will first be established for sectors with a high risk of carbon leakage, such as steel, aluminium and cement. However, other sectors will not be exempt from this regulation. On the contrary, it is important that other sectors follow the developments carefully and implement the necessary regulations in their production processes.

European Union New Industrial Strategy: The European Union New Industrial Strategy is aimed at reshaping EU industry with a twin-transformation on the axis of being a climate-neutral continent and digitalisation. The EU aims to achieve a greener, more circular and more digital EU industry target without losing its global competitiveness through its New Industrial Strategy and sectoral strategies to be announced in the upcoming period. In particular, it aims to reduce the carbon footprint by modernising energy-intensive sectors and by promoting a circular economy in resource-intensive sectors. In this context, new industrial strategies are being created on a sectoral, exemplified by the chemicals strategy announced on 14 October 2020.

Circular Economy Action Plan: Following the completion of the first Circular Economy Plan with 54 actions in 2015, the European Commission adopted the new Circular Economy Plan in March 2020. The Circular Economy Action Plan, which is part of the New Industrial Strategy, aims to transform the circular economy into a universal concept and decouple economic growth from resource use. Within the scope of the Circular Economy Action Plan, the aim is to limit the use of resources at the production stage and to encourage reuse with the sustainable product initiative, which focuses on resource-intensive sectors.

The new plan includes initiatives covering the entire life cycle of products, targeting product design that encourages circular economy processes, promoting sustainable consumption and ensuring that the resources we use are retained within the EU economy for as long as possible. The main objectives of the plan, which consists of 35 solution proposals, are as follows:

- Making sustainable products a norm for the EU
- Empowering consumers and public buyers
- Focus on resource-intensive sectors such as textiles, construction, food, packaging and plastics with high potential for cyclical actions
- To generate less waste
- Making circularity work for people, regions and cities
- To be a pioneer in the circular economy on a global scale

To achieve these goals, various tools are in preparation, such as the sustainable product policy framework, which is intended to be effective within the Circular Economy Action Plan. A general examination of these tools reveals that concepts such as 'disposable'. 'fast production' and 'consumption' will be replaced by concepts such as 'long-lasting product design' and 'sustainability'. The general framework of the tools planned to implement the Circular Economy Action Plan is as follows:

- Developing criteria to reduce the environmental footprint through the design of the product
- Limiting the use of dangerous chemicals
- Setting targets for the use of recycled content in production
- In the process from the manufacturer to the completion of the product's life cycle increasing their responsibilities
- Creation of sustainability/cyclicality labels

The actions to be taken within the scope of the AYM are expected to transform the energy, transportation, industry, finance, food and digital industry markets. To achieve the targets set in this framework, the EU conducts studies in many areas, including legislative studies.

4.2. European Trade Policy and the Green Deal

The EU is in a strong position to promote more sustainable production and global sourcing of commodities through trade. Building on its significant purchasing power it can push for better environmental standards not only within the EU but also in the EU's trade partner countries. True to its potential, the EU has been actively promoting trade as a tool that fosters sustainability both globally and within its trade partner countries. The 2019 European Green Deal, which forms the blueprint for EU policy- and decision-making over the coming five-year period, unequivocally reconfirms this role and objective of EU trade policy (https://eu.boell.org).

From the European Commission's perspective, EU trade policy can effectively influence the climate and environmental policies of its partner countries. In recent years, the so-called 'trade and sustainability chapters' have found their way into the EU's FTAs as well as into its Generalised Scheme of Preferences (GSP) for developing countries. Since 2019, the EU also provides for the explicit inclusion of the Paris Agreement on Climate Change in its FTAs to mitigate global warming. In addition, the European Commission expects EU trade policy to facilitate trade in environmentally friendly goods and services and thereby to encourage respective investment (https://wiiw.ac.at).

Trade policy can support the EU's ecological transition. It serves as a platform on which to engage with trading partners on climate and environmental action. Commitments to sustainability have been continuously strengthened in EU trade agreements, in particular with regard to enhancing climate change action. The Commission has also been stepping up its efforts to implement and enforce the sustainable development commitments of EU trade agreements, and these efforts will be further enhanced with the appointment of a Chief Trade Enforcement Officer. On climate change more specifically, the EU's most recent agreements all include a binding commitment of the Parties to ratify and effectively implement the Paris Agreement. The Commission will propose to make respect for the Paris Agreement an essential element for all future comprehensive trade agreements. The EU's trade policy facilitates trade and investment in green goods and services and promotes climate-friendly public procurement. Trade policy must also ensure undistorted, fair trade and investment in the raw materials that the EU economy needs for the green transition. This will help address harmful practices such as illegal logging, enhance regulatory cooperation, promote EU standards and remove non-tariff barriers in the renewable energy sector. All chemicals, materials, foods and other products that are placed on the European market must fully comply with relevant EU regulations and standards. The EU should use its expertise in 'green' regulation to encourage its partners to devise similar rules that are as ambitious as those of the EU, thus facilitating trade and enhancing environment protection and climate mitigation in these countries (https://eur-lex.europa.eu)

However, the effectiveness of the EU's endeavours in practice leaves considerable room for improvement, and the European Commission has faced widespread criticism regarding the implementation of sustainable development components within its trade deals. Despite their potential to improve FTAs' sustainability aspects, the various extant tools struggle to identify clear objectives and roadmaps via which parties can reach their sustainability objectives. In response to these criticisms, in 2018, the Commission published a dedicated Trade and Sustainable Development (TSD) Action Plan to improve the implementation and enforcement of the EU FTAs' sustainability-related provisions. The action plan envisages, among other things, the improvement of stakeholder involvement in the implementation of the TSD Chapter, supported by dedicated guidance and resources. The action plan also envisages a more 'assertive enforcement' of TSD

Chapter provisions, including enhanced monitoring efforts and timely activation of the arbitration panel where warranted (https://eu.boell.org).

4.3. The Potential Effects of Green Deal Targets on Global Trade and Industries

4.3.1. Potential Effects of Green Deal Targets on Global Trade

The European Green Deal is essentially a package of policies and financial resources aimed at transforming European economic, production and consumption patterns. However, owing to the fact that the European energy consumption system requires a comprehensive revision within the scope of the Agreement, it appears to be a geopolitical development that will change the EU's relations with the countries from which it imports energy and redefine Europe's place on the global stage. The agreement is expected to have important geopolitical implications in areas such as the global energy market, economic and trade relations and international competition. For example, Europe's neighbouring countries, such as Russia and Algeria, are among the countries that will feel the impact of the changes in the European energy market at an early stage. Global players, including the United States, China and Saudi Arabia, are also expected to feel the impact of the Green Deal on energy markets and global trade. Some of the effects that are expected to occur in the short term can be summarised as follows:

Europe's Current Energy Imports: The comprehensive structural change planned by the Green Deal will drastically change Europe's trade and investment patterns. The EU imported ğ320 billion worth of energy products in 2019, and the change and decrease in energy imports associated with the Green Deal will reshape the EU's relations with key energy supplier countries.

Transformation of Europe's Traditional Energy Sources: Europe accounts for approximately 20% of global crude oil imports. The decline in oil demand following Europe's transition to renewable energy will affect the global oil market by lowering oil prices and reducing the revenues of key exporters, even if they do not trade heavily with the EU.

Green Energy: A greener Europe, while reducing Europe's dependence on traditional energy sources, will increase its dependence on imported products and raw materials that serve as inputs for clean energy and clean technologies (for example, rare earth elements used in battery/battery production, of which China is the largest producer). Europe currently occupies a key position as an important energy importer; however, this energy is expected to be green (e.g., green hydrogen produced in sun-rich regions, etc.). However, considering the worldwide digital transformation, it is possible that countries with rare elements used in technological devices will reserve these resources for their own use and limit their exports to other countries.

4.3.2. Potential Effects of Green Deal Targets on Industries

The Green Deal is vital for countries exporting to the EU. Some goods come from non-EU countries that have not implemented regulations in line with the climate change policies implemented in the EU with the 'carbon border tax' mechanism to reduce carbon leakage within the framework of the Green Agreement. Studies on the development of a system that will implement the additional planned obligations are ongoing.

In this context, the Green Deal states that the obligations to be brought for the selected sectors will be determined by taking into account the carbon content of the goods. It is anticipated that a tax of between 30 and 50 euros will be imposed per tonne of products exported to Europe, depending on their carbon content. These projections will be determined by reference to the current carbon price in the European Emissions Trading system. Currently, this price is around 40 Euros.

The potential impacts and targets of the Green Deal on certain industry sectors are summarised below.

Energy sector

The energy sector stands out among the areas determined by the EU to achieve the targets set within the scope of the Green Deal. A review of the European economy indicates that energy production, bonds and transformation are the source of 75% of the total carbon emissions in the EU.

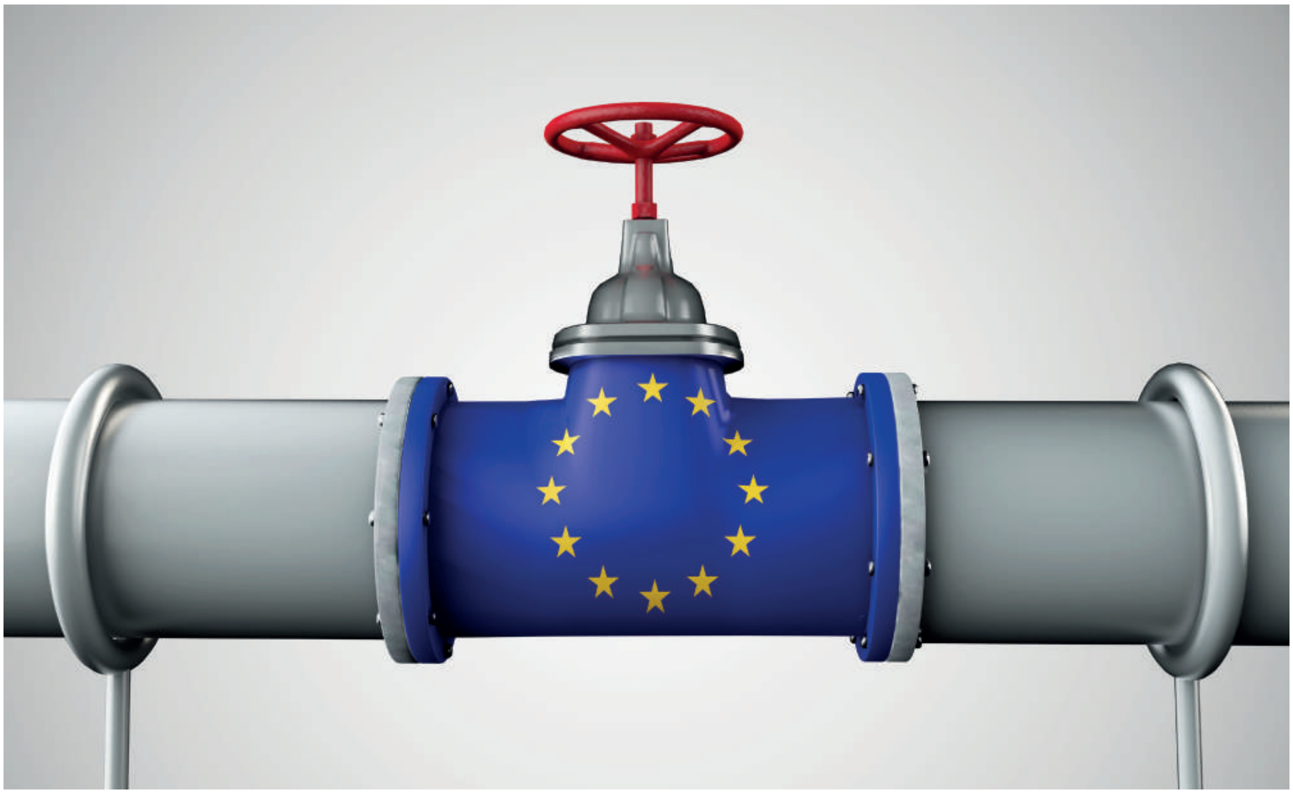
The targets set by the EU in the energy sector are as follows:

- Renewable energy: Converting 32% of energy sources to renewable energy by 2030
- Energy efficiency: In terms of its impact on greenhouse gas emissions, 32.5% energy efficiency is targeted in 2030.
- Management arrangements: Each member country is expected to prepare a 10-year national energy and climate plan covering the years 2021-2030.
- Regulation of electricity markets: An integrated energy market will be established across the EU with the development of appropriate infrastructures.

The EU will take the following concrete steps in line with these goals:

- Smart sector integration: Within the scope of this strategy, various energy sectors, such as electricity, gas, buildings, industry and transportation, will be integrated to reduce carbon emissions and replace fossil fuel use with renewable electricity and low-carbon fuels will be used in areas where electrification is not possible.
- Offshore and renewable energy: This will combine the force of the wind in the open sea and the energy generated waves with modern technologies.
- To ensure continuity in line with the carbon neutral target, the existing regulations in the energy infrastructure are revised and, in this way, a more integrated energy infrastructure is established that is resistant to crises.
- Encouraging digitalisation in all energy supply chains with the Green Deal to facilitate the access of clean energy and increase energy savings in buildings
- Increasing energy storage capacity in Europe within the framework of the 'Strategic Action Plan on Batteries'

Generating electricity from renewable energy sources is critically important for every sector. For example, every sector in Turkey that exports to the EU uses energy intensively. The production of this energy from renewable energy sources instead of fossil fuels will enable every sector to reduce carbon emissions, and accordingly, the cost of carbon tax will decrease. Consequently, the provision nationwide electricity generation from renewable resources will have a positive effect on the exports of all sectors and increase the competitiveness of exports.



Cement, iron-steel and construction industry

Within the scope of the Green Agreement, the EU Commission emphasises that old and inefficient buildings will be renovated. These renewal processes will prioritise the use of materials that will contribute to the circular economy. This development is anticipated to create new opportunities for the cement and construction industry. In this context, it is necessary to maintain the carbon footprints of energy-driven industries, such as iron-steel and cement, and to reduce their emissions using modern technologies.

It is expected that the Carbon Border Adjustment will come into effect by covering the clinker (cement main raw material), limestone (lime) and gypsum (plaster) sectors, which have high trade volumes. Products such as paper, organic chemicals, glass and ceramic products, coke, fertiliser, refinery products, basic iron and steel products and aluminium can be included in subsequent stages.

It is predicted that the cement sector will be most affected by the tax imposed on carbon emissions originating from exports to the EU market. Considering the sectoral carbon efficiency, possible income losses in exports to the EU (depending on the carbon price of 30 or 50 euros per tonne) are estimated at 13.2% – 22% in the cement sector and 1.7% – 2.8% in iron-steel.

It is also anticipated that Carbon Border Adjustment will precipitate negative macroeconomic effects. However, these negative effects can be offset by a reduction in the other taxes (for example, employment taxes) faced by producers, and thus the proposed environmental policy may actually become a gain.

Agriculture and food industry

The 'Farm to Fork' strategy under the European Green Deal will form the basis of the EU's agriculture and food strategy over the next 30 years. In this context, the EU aims to reduce the environmental impact by protecting the land, freshwater and marine ecosystems to which the food chain, which includes food production, transportation, distribution, marketing and consumption, is connected. This framework is also intended to help mitigate climate change and adapt to its effects; to protect land, soil, water, air, plant and animal health and welfare; and to determine new policies aimed at reducing biodiversity loss and waste.

It is intended that at least 25% of the agricultural lands will be covered by organic farming methods by 2030, and the EU agricultural food incentive policy is being developed in this context. The agri-food promotion policy will promote quality standards both in the EU internal market and in countries trading with the EU. In this direction, Turkey's transition to organic agriculture and the widespread use of electric tractors in order to reduce carbon emissions will contribute to the adaptation process to these targets.

Another important issue for exports to the EU is the mandatory front-of-pack labelling system that the Commission plans to develop. To this end, a sustainable food labelling system covering nutrition, climate, environmental and social aspects of food products will be presented. The labelling in question will enable the consumer to make a health-conscious food choice in line with the 'Farm to Fork' strategy. The Commission has not proposed any labelling model hitherto but it is expected to present a model in line with its 'Farm to Fork' strategy by the end of 2022.

The EU states that it will cooperate with other countries and international players to support the global movement towards sustainable food systems. To this end, within the scope of Horizon Europe, 10 billion euros will be invested in research and development (R&D) in the fields of food, bio-economy, natural resources, agriculture, fisheries, aquaculture and environment.

Another issue addressed within the scope of the Green Deal is the reduction of methane emissions. Methane is the second most important greenhouse gas in terms of its impact on climate change and constitutes 10% of all greenhouse gas emissions. The agricultural production and food sector also stands out as the sector that emits the most methane. Therefore, the measurement and reporting of methane emissions is a priority. It will be beneficial for those exporting to the EU to establish a system that will provide methane gas measurements and reporting in this regard and to consider methane emissions when making new investments.

It is emphasised that by 2030, all packaging should be produced from biodegradable and plant-based plastics while sanctions will be imposed on single-use plastics. At this point, it may be necessary for exporters to change their packaging and packaging issues.

Textile sector

The EU's current strategy supports the recycling of textile products, the development of eco-design measures, the increased uptake of secondary raw materials and the reduction of harmful chemicals. Within the scope of the Green Agreement, it is anticipated that sanctions will be imposed on disposable plastics and non-recyclable packaging materials, which are also widely used in the textile industry.

To this end, the development of yarn separation technologies in the textile sector in exports to the EU, the increased use of cotton-alternative yarn materials, the use of biodegradable and plant-based packaging and the establishment of supply chains that facilitate recycling will allow exporters to attain an advantageous position in trade.

4.3.3. Measures to be Taken within the Scope of Green Deal Target

The general measures that exporters can take to adapt to the regulations and innovations brought by the Memorandum and thus to maintain their competitive positions can be summarised as follows:

I.In anticipation of the Carbon Border Adjustment regulation, both nationwide and company-specific preparations should be made, and the regulations to be issued by the EU in this regard should be followed closely.
II.A system should be established to measure and regularly report companies' carbon emissions.
III.A carbon emission accounting strategy should be created within the company and the additional costs of the carbon tax should be revealed.
IV. New investments should consider the Green Deal targets and carbon emission rates.
V. Carbon emissions, energy consumption and waste should be reduced through the use of modern technologies/
VI.. Sustainable and recyclable materials should be used in production processes.
VII. Clean and renewable energy should be prioritised in both production and distribution processes.

It is not only the private sector that needs to take action in this regard; not all threads are in the hands of exporters in the production and distribution processes. Many factors in the reduction of carbon emissions depend on the state. In this context, the measures that may be taken at the state level include the following:

I. Decarbonisation policy should be determined throughout the country, and this policy should be implemented effectively.
II. The targets and actions taken by the EU in the energy sector should be followed, and the energy sector should be directed towards renewable energy sources.
III. Accessible credit opportunities and incentives for investments should be provided to comply with the Green Deal.
IV. Benefiting from funding offered by Europe, such as Horizon 2021
V. International advertising regarding the transition of Turkey's exporting sectors towards green production.

MODULE 4: MANAGE

Module 3 covers the following topics;
1.Stress Management for Young Traders
2.Leadership and Management
3.Time Management
4.Customer Relatıonship and Communication Competencies.

Students completing this module will acquire the following skills;

- Recognise stress triggers and how to manage them
- Utilise effective relaxation and stress reduction techniques
- Develop a personal action Plan for stress management
- Recognise leadership and management activities
- Utilise the management process
- Planning and developing a strategic plan
- Recognise time management strategies in order to use time productively and efficiently.
- Develop effective time management techniques to assign specific time slots to activities as per their importance.
- Recognise activities, strategies and technologies that companies use to manage interactions with current and potential customers.
- Develop businesses to build a relationship with customers that creates loyalty and customer retention

CHAPTER 1: STRESS MANAGEMENT FOR YOUNG TRADERS

1.The Definition and Scope of Stress
2.The Factors Affecting Young Traders' Stress
3.Tips for Stress Management

1.1. The Definition and Scope of Stress

The word 'stress' comes from the Latin estrica and French estrece. The word was not found in the French language until the 20th century. However, it has been used in English since the 17th century to describe pain, poverty, destruction, distress, disaster and hostility, allowing all the consequences of a difficult life to be expressed in a single word. In the 18th century, however, a semantic transformation took place, shifting the focus from the emotional consequences of stress to its factors and roots. (Stora, 1994, p. 7).

The concept of stress, first proposed by Hans Selye in the 1930s, is defined as 'the individual's mental and physical action and reaction in order to provide the necessary adaptation to any physical or psychological stimulus'. According to Selye, organisms exhibit a common biological response to negative emotional and physiological events. Events that drive stress are referred to as 'stressors', and human psychological reactions to these events are expressed as 'stress' (Baltaş, 2004, p.23).

Stress encompasses the individual's mental and physical attempt to adapt to such events through the creation of special bio-chemical secretions in the body in response to the effects of the environmental and working conditions (Eren, 2004).

When a person is faced with a situation in which they are threatened with stress, the body automatically seeks to avoid or expel that stress. The brain instructs the body to release hormones that increase heart rate, breathing rate and blood pressure. At the same time, the body's metabolism intensifies its preparations for increased energy demand. This situation is known as the 'fight or flight' mechanism (Howard and Joint, 1994, p.4).

An examination of the definitions of stress reveals that a triple distinction is made (Güler et al., 2001, p.3):

• **Stress According to Stimulus Definitions:** This concerns the power or stimulus experienced by the individual that results in a tension response. The emphasis here is on situations and events that can cause stress. However, this definition falters in view of the fact that two individuals who encounter the same stressful stimuli may exhibit different levels of tension. Therefore, the definition of stress exclusively in relation to stimuli (external situations or events) fails to fully explain the concept.

• **Stress According to Response Definitions**: This concerns the individual's physical or psychological reaction to environmental stressors, such as undesirable external events or situations. The key point here is that the reaction is entirely personal. Therefore, without knowing the stimulus, the stress cannot be explained by simply observing the reaction. In other words, since the stimulus is not considered, it is not possible to determine whether the individual's response is a stress response.

• **Stress According to the Definitions of Stimulating Response:** While individual differences, environment and relationship were prioritised in the first definition, this approach focuses on the relationship between environment and individual. It is the organism's response to environmental stimuli and the interaction between this response and the stimulus. While certain situations may be stressful for every individual (natural illnesses, life-threatening illnesses, or the loss of a loved one), some life events that deeply affect some individuals (exams, traffic jams, or family problems), not all people will experience these as stressful.

Each of these three definitions provides important insights into the genesis of stress. Stress encompasses stimulus, reaction and the interaction between these. The most widely used and accepted definition today considers these three elements and their functioning together. As a result, stress is the result of any external activity, situation or event that exerts special physical and/or psychological demands (Güler vd., 2001, s.3).

1.1.1. Stress-Like Concepts

Some concepts that are similar to 'stress' are frequently cited in daily life. It is worth examining these concepts briefly to distinguish them from stress.

Anxiety:

While stress is the strain that occurs as a result of physical, mental or emotional loads, anxiety is a response to real or imaginary threats. It generally manifests itself in the form of restlessness or fear, and can often present as muscle twitching, tremors, tension, headache, sweating, increased sensitivity, tiredness, nightmares, memory impairment, dry mouth or difficulty swallowing. The degree and severity of anxiety often depends on the intensity of the stress. (Altuntaş, 2003, p.10).

Inhibition:

Inhibition is a negative emotion that arises when the individual is prevented from obtaining an object, achieving a certain goal to be achieved or meeting a need. Anxiety and frustration can often go hand in hand. However, while anxiety focuses on the future, the consequences of a situation or behaviour and is aimed at protecting the individual from possible negative situations, frustration is a process in which feelings of anger and aggression predominate (Cüceloğlu, 1999, p.279).

Worry:

The word 'worry' is derived from Latin. Anxiety is a psychobiological reaction to a feeling of fear. Anxiety is generally defined based on the distinction between worry and fear or anxiety and frustration. Fear is a reaction to an existing danger while anxiety is a physical or psychological reaction that prepares the individual for expected dangers. The relationship between worry and stress is greater than those between other similar concepts. As such, it is difficult to distinguish between worry and stress in terms of their effects and consequences for humans (Güler et al., 2001, p.5).

Conflict:

Conflict occurs when two or more incompatible motives affect the individual simultaneously and presents differently depending on the type, intensity and situation of the motives. An individual who feels nervous as a result of their difficulty in reaching a decision on a particular issue is most likely in conflict. There are different types of conflicts, and all kinds come with specific problems (Cüceloğlu, 1999, p.282). Conflicts can be monitored in terms of their beginnings, causes and consequences and are generally not continuous. By contrast, one of the most important characteristics of stress is its longevity (Güler et al, 2001, p.5).

Burnout:

Burnout is defined as emotional exhaustion, depersonalisation and decreased personal accomplishment that can occur in individuals working with people with all their capacities. Emotional exhaustion involves the depletion of one's emotional resources and a sense of being overloaded; depersonalisation manifests in negative, rigid and unemotional behaviour towards other people to whom the individual delivers care, service and training; personal success encompasses an individual's feelings of competency and success in their job (Barut, Kalkan, 2002, p.66).

1.1.2. Characteristics of Stress

The definitions of stress indicate the following characteristics (Işıkhan, 2004, p.37):

Stress is a twofold phenomenon: Although stress is generally perceived as negative, it also has a positive value. It can positively impact performance as well as negatively impacting it. Many psychological and physiological conditions in the organism have causes and consequences. Therefore, it is necessary to understand the basic nature of stress (wants, responses and consequences) by examining it more closely.

Stress is often an inevitable situation: The society in which the individual lives, family relations, the structure of the institution in which they work, the job itself, colleagues, superiors, subordinates, lifestyle in the society, heat, noise, inability to reach goals and inability to make decisions are all potential stress factors. Situations associated with happines, such as achievements, getting married, winning awards, passing classes and finishing school can also cause stress.

Stress concerns the goals an individual want to achieve and the limitations they face in this regard: While desires cause the loss of some desired things, restrictions prevent one from doing the desired things. For example, a student who takes an exam at school will become stressed because they are facing opportunities, constraints and demands. Their success will allow them to advance, assume more responsibility, move up the class and earn higher wages in their working life. Failure, conversely, may result in expulsion from school or work.

Stress affects people psychologically and physiologically in various ways: Individuals experiencing stress may react differently. Their reactions may trigger feelings such as irritability, fatigue, hatred, aggression and pleasure as well as behaviours such as excessive food and drink consumption, eating disorders or withdrawal from society. Stress includes both physiological and psychological states.

Stress is one of the most important factors affecting organisational performance: Employees working at various levels of both the public and private sectors are greatly affected by stress.

1.1.3. Symptoms of Stress

Stressful lifestyles cause discomfort through the temporary or non-temporary interaction process it causes in the individual. In cases of excessive stress, various symptoms develop that damage employees' performance and health in different dimensions. The individual's attempts to cope with stress may naturally lead to irritability and chronic sadness. Although the individual may be quickly provoked to anger and to action, they cannot easily relax. The symptoms of stress may be organised into three basic categories: physical, psychological and behavioural (Aksoylar, 2003).

1.1.3.1. Physical Symptoms of Stress

Several physical changes occur in the individual as a natural result of the interactions created by stress. These changes vary depending on the inividual's age and height and as a result of problems such as excess weight, high blood pressure, eating disorders, frequent burning sensations in the throat, constipation and chronic diarrhoea, insomnia, increased headaches with constant fatigue, muscle spasms, breathlessness, nausea and predisposition to unprompted crying. Physical symptoms such as impeded nervous activity may also manifest (Aksoylar, 2003).

1.1.3.2. Psychological Symptoms of Stress

Individuals living with constant feelings of anxiety will exhibit negative interactions, such as irascibility, failure to enjoy life, boredom, inconsistency in relations with their environment, disconnection from the dimension of daily social life, fear of serious illnesses, such as cancer and heart disease, and fear of death. As a natural consequence of this, feelings of insecurity emerge in the individual. For this reason, the individual may feel incompetent, inadequate and indifferent towards their external environment (Aksoylar, 2003).

1.1.3.3. Behavioural Symptoms of Stress

As a natural consequence of stress, changes occur in individual behaviour dimensions, including decreased productivity and absenteeism. These changes usually include externally visible symptoms reflected in the employee's behaviour. Behavioural stress symptoms include changes in eating habits, loss of appetite, increased smoking or alcohol consumption, rapid speech, restlessness and decreased productivity as a result of sleep disturbance and absenteeism (Aksoylar, 2003).

1.2.The Factors Affecting Young Traders Stress

1.2.1. Work stress

Work stress poses a significant problem for both the organisation's employees and for the organisation itself. A large organisation can lose $60 million annually as a result of stress-related illnesses. Work stress occurs when individuals are unable to cope with physical sources of stress in tandem with the job itself and results in negative mental and physical illness consequences (Leong et al, 1996, p.1).

Almost any job can be a potential source of stress. All jobs have several requirements according to their structure and scope, and the behaviour that individuals must adopt to comply with and fulfil these requirements may be a source of stress (Artan, 1987, p. 470).

The degree to which individuals are affected by stresses in working life is generally closely related to the following factors (Duymaz, 1999, p.5):

- How the individual perceives the stressful situation
- Past experiences of the individual
- Relationships between stress and the nature of the work
- Relationships between individuals in the workplace
- Different behaviours of individuals against stress

Work stress is generally considered in three categories (Özdevecioğlu, 2004, p. 211):

Sudden Stress: This is a state of reaction that occurs based on an uncomplicated, unexpected and easily identifiable cause. In sudden stress situations, the individual experiences a rapidly increasing drive state but eventually calms down. This is common in the business world. Interactions between customers and vendors can lead to sudden stress situations.

Deeply Shocking Stress: This type of stress significantly affects individuals' lives. It typically occurs in individuals working under threat-to-life circumstances, such as military personnel, police, firefighters and emergency paramedics. Delayed responses may occur here. Individuals do not react immediately to the situations they are in. While individuals can express their reactions immediately in sudden stress situations, their responses may be delayed or suppressed when in shock. Anxiety and depression are common consequences for those exposed to this stress.

Chronic Stress: Chronic stress occurs as a result of accumulated stress over time. In sudden stress, individuals are expected to return to normal within a short period, while in deep stress, irregularity is expected in the individual. However, chronic stress progresses slowly and represents a total reaction to situations that put the individual under pressure. The effects of chronic stress may not be immediately apparent. Chronic stress causes psychological and physical consequences, such as insomnia, high blood pressure, depression and dissolution.

Job stress may be considered as an important concept for several reasons, such as investigating organisational behaviour and ensuring effective management of resources. Work stress is significant for the following reasons (Aktaş, 1992, p. 156):

- Work stress will negatively affect individuals' health and contributions to the success of the organisation, as it can cause physiological and psychological damage to employees, particularly managers.
- Stress is the key factor in employee turnover and absenteeism.
- Stress in one worker may also affect the safety of other workers or the community: for example, a worker or air traffic controller operating a dangerous vehicle or machine can threaten the safety of the community in a stressful moment.
- Abundant information indicates that much of the stress experienced by employees is unnecessary and can be managed. When detrimental stress is brought under control, organisations can be managed more effectively.

The potential costs of work stress include absenteeism, high turnover of the workforce, low morale and low work efficiency. According to a study conducted by the American Medical Association (AMA), 95 million Americans use drugs for stress-related problems, and 80% of health problems are related to stress. According to the same research, 150 million dollars of drugs are consumed annually for stress-related ailments with1.6 million dollars spent on medication to treat depression-related disorders. The list of those included in these costs ranges from employees to managers (Orneal & Kleiner, 2003, p.66).

Various studies have indicated that employees are under the influence of physical and mental stressors relating to their jobs. If psychosocial stress factors in the workplace persist for a long time or are repeated frequently, this may cause behavioural and psychological problems in addition to physical ailments, such as migraine, hypertension and coronary artery disease. As a result, these can cause a deterioration in the individual's performance at work and increase substance abuse tendencies, obsessive behaviours, tension, anxiety and depression (Işıkhan, 2004, p.71).

Work stress is experienced when differences arise between the work environment and the person. If the person's needs and abilities match the payoff and requirements of the job, the person-environment fit is considered to be good, and job satisfaction is high. However, if the individual's needs and abilities do not match the job's terms and requirements, person-environment harmony is weak, and this situation causes job stress (Allison, 1997).

Not all work stress is bad. As mentioned above, a certain level of work stress has a positive effect on productivity and performance. For example, promotion presents an opportunity and a stimulating challenge. However, mismanaged occupational stress can cause individual stress and can strain individuals and organisations, harming both the person and the organisation. Excessive work stress causes job dissatisfaction and can also lead to physiological, psychological and behavioural problems (Larson, 2004).

It is necessary to make a planned change in the organisation to reduce work stress. While these changes may appear to have a devastating effect on organisational functioning, they challenge the fundamentals of traditional power, as organisations tend to be resistant to change and adaptation in all aspects (Dewe, 1994, p.23).

Considering the work of Angola-Saxons regarding stress in the work environment, a classification as follows is obtained. Sources of stress or tension depend on the work environment and may include working in shifts, too much or too little work, physical danger, adaptation to the environment and work/family relationships (Stora, 1994).

1.2.2. Sources of Work Stress

Sources of work stress may be classified according to the work environment, stress related to shift-based work, stress sources associated with too much or too little work, stress sources associated with physical danger and stress sources associated with personal/environmental adaptation.

Stress Sources Linked to Work Environment

The work environment and working conditions have been studied for half a century and have been discussed by occupational physicians and ergonomics (business scientists). Studies examining nuclear power plants in the US have demonstrated that the arrangements in control rooms are a stress factor and that the excessive importance given to alarm systems, in particular, has caused a decline in the attention of workers and engineers who run the works. The psychological and social consequences of the feelings of isolation that arise as a result of wearing ear protectors, together with physical factors, such as noise, smoke emissions and high temperatures during the steel production process— particularly liquefaction, which takes about 70 minutes—were also included in the examinations.

Shift-Based Stress

Shift work affects body temperature, blood sugar rate, metabolism, mental efficiency and work motivation—in short, it paralyses the neuropsychological rhythm. A study of air traffic controllers found that stomach ulcers, mild diabetes and high blood pressure were four times higher. Although it is believed that shift work is less physically stressful if people become accustomed to their working conditions, this does not prevent the people who are pouring out of "being out of the company" from always working in shifts.

Stress Sources of Too Much or Too Little Work

French and Caplan (1973) considered excessive work to be a stress factor and found that it was quantitative or qualitative (for example, thinking that work was too difficult) and was associated with functional disorders. In another study, they observed a strong relationship between excessive work and excessive cigarette consumption, which is a major contributor to coronary disease. Another study found that overworking was linked to symptoms of decreased self-esteem, such as alcohol dependency.

Physical Hazard Stress Sources

Physical danger is another source of stress encountered in occupational groups with high risk rates, such as police, miners, soldiers and firefighters. A study conducted by Cooper, Davidson and Robinson (1978) among officers in charge of demining in Northern Ireland revealed that officers who were extremely successful during the operation had difficulty in establishing long-term personal relationships and had little adaptation to classical values. This character structure enables them to create a distance in their relationships with their colleagues, thus easily overcoming the terrifying experiences of their colleagues, such as severe injury or death, during the dangerous experiences they encountered in their professional lives.

Stress Sources Related to Person/Environment Compliance

Another criterion of the definition of stress-tension is the satisfaction obtained from the job that can be improved by the concept of person/environment—that is, whether the individual's psychosocial characteristics are suited to the working conditions in their environment. In cases of incompatibility, symptoms such as distress, depression, discontentment and somatic diseases emerge (Stora, 1994, p. 177).

1.3. Responses of Stress in the Individual

Today, stress is associated with changes in society at the same level due to rapid urbanisation, the ubiquity of concrete and the detachment of individuals from nature on a daily basis. Problems occur in our bodies as a result of excessive stress. The most key responses caused by stress can be examined under three headings: nonspecific response, general adaptation syndrome and fight or flight response.

1.3.1. Nonspecific Response

Selye (1907) saw stress as the 'environmental stimulus affecting the individual'. However, over time, this assessment was deemed unsatisfactory, and stress came to be defined as 'the situation taken against the environment in the organism'. Along with the concept of stress, the word 'stressor', which means the source of stress, has been emphasised. Selye (1907) defended the definition of stress as a 'nonspecific response' and argued that stress is 'an individual's general nonspecific response to different environmental stressors'.

1.3.2. General Adaptation Syndrome

According to medical science, stressful events trigger a stress response chain in a classical style to ensure the organism's continuity. For this reason, stress causes the balance element of the organism to deteriorate as a result of interaction with the threatening element, as the boundaries of the organism are forced in the physical and mental dimensions. This deteriorating balance element is re-established and harmonised. Such stress responses are defined as general adaptation syndrome (GAS). This reaction is handled in three stages: alarm reaction, resistance period and exhaustion period.

1.3.3. Fight or Flight Response

The 'fight or flight' response has been identified in studies of the organisms' reactions against stress. If the individual encounters a dangerous situation that they cannot fight, they will run away; otherwise they will fight. As a result of this response, the heart rate increases, blood pressure rises, breathing increases and the body releases adrenaline. The less severe flight response directs the individual toward positive stress rather than fighting, and different hormones are secreted.

1.3.4. Individual Consequences of Stress

The extent to which an individual is affected by various stress sources varies from person to person and may vary from time to time in a single individual. Studies on the subject indicate that a low level of stress positively affects success at work. Those who hold certain roles, particularly those that require creativity, benefit from mild stress. However, as stress levels increase, they negatively affect employees' health and organisational success, causing physiological and psychological damage to managers in particular. Stress is the prevalent cause of workforce turnover and absenteeism. Evident stress in one employee may impact the safety of other employees or the society (Sabuncuoğlu, Tüz, 2003, p. 239).

1.3.4.1. Physiological Results

Evidence for the relationship between several diseases and stress is increasing. Studies aiming to determine the relationship between stress and the immune system have also examined the effects of various factors, such as poverty, divorce, unemployment, mental balance and Alzheimer's disease. These studies found that stress is related to both the quality of the antibody in the blood and changes in the white blood cell count. Stress is also associated with changes in immune cell function. It is thought that both the proliferation of lymphocytes and the activity of the cell in individuals experiencing stress excessively destroys natural killers. A relationship has been observed between the duration of stress and the extent of immune cell change. For example, the longer the stress persists, the greater the decline in the number of specific types of white blood cells will be. This has been observed in relation to stress created by interpersonal stress (such as divorce or poverty), examination or unemployment. (Işıkhan, 2004, p.56).

Since 2000, doctors have recognised an important relationship between stress and the development of diseases. In the 19th century, British doctors believed that emotional distress was the leading cause of cancer and that the illness's increased prevalence was related to the psychosocial stresses associated with 'contemporary' lifestyles. According to a report by the American Stress Institute, studies conducted over the last 15 years have demonstrated that stress significantly accelerates the development and growth of various types of diseases.

The psychological consequences of stress manifest as anxiety, depression, insomnia and exhaustion.

- **Anxiety:** The term 'anxiety' is applied to individuals who are restless, anxious, fearful and pessimistic in their current situation. As long as the stressful situation continues, the individual will be restless and unhappy. While anxiety is temporary in certain periods of life, it is internal and is constantly present in some people. Individuals experiencing chronic anxiety are prone to perceiving events as stressful while stressed individuals are susceptible to anxiety (Sabuncuoğlu & Tüz, 2003, p. 243).
- **Depression:** Depression may occur as a result of professional failure, job loss, dealing with some problems for a long time, loss of someone close and some illnesses. While people can overcome many troublesome events with short-term unrest, it is sometimes impossible to ward off the crisis for a long time. Symptoms of this type of chronic depression include sleep disturbances, loss of appetite, sexual problems, aversion to social relationships, indecision and delay, the desire to change one's clothing and appearance, a general tendency towards disorder and disorganisation, fatigue and poor concentration, reduced interest in enjoyable activities and a sense of awkwardness. A study has revealed that one in every six women and one in twelve men have experienced chronic depression. This suggests that each manager has worked with depressive personnel and superiors in their long-term working life.
- **Insomnia:** Sleep is a fundamental and indispensable human needs. An adult person needs an average of 6–7 hours of sleep. Regardless of the cause, even minor mental health problems have a negative impact on sleep patterns. While sleep problems are a psychological consequence of stress, insomnia causes people to become more stressed and further increases stress by causing a deterioration in performance and attention.
- **Burnout Syndrome:** The sense that one's life as unbearable is a key sign of exhaustion. Symptoms include insomnia, loss of vitality, headache, chest pains, sudden anger, explosion, constant anger, helplessness, feeling of loneliness, helplessness, frustration, scepticism, demoralisation and boredom. Burnout is mostly seen in professionals.

1.3.4.2. Behavioural Results

The effects of organisational stress on the individual also manifest in certain behaviours. The most prominent behavioural reflections of stress include smoking, alcohol and drug abuse and dietary irregularities (Yılmaz, Ekici, 2003, p.6):

●Smoking: Individuals often start smoking or increase their smoking habits in response to stress. However, smoking should not be regarded as a means of coping with stress but rather as a negative consequence of stress.

●Alcohol and Drug Habits: A study conducted among small and medium-sized organisations in the US found that 15% of employees had alcohol and drug problems. Statistics also indicate that this problem is becoming increasingly widespread.

●Irregular Nutrition: Stress also affects individuals' diets. Some individuals tend to eat more when exposed to stress. Irregular eating habits can cause several serious conditions, such as cardiovascular diseases, cancer and diabetes.

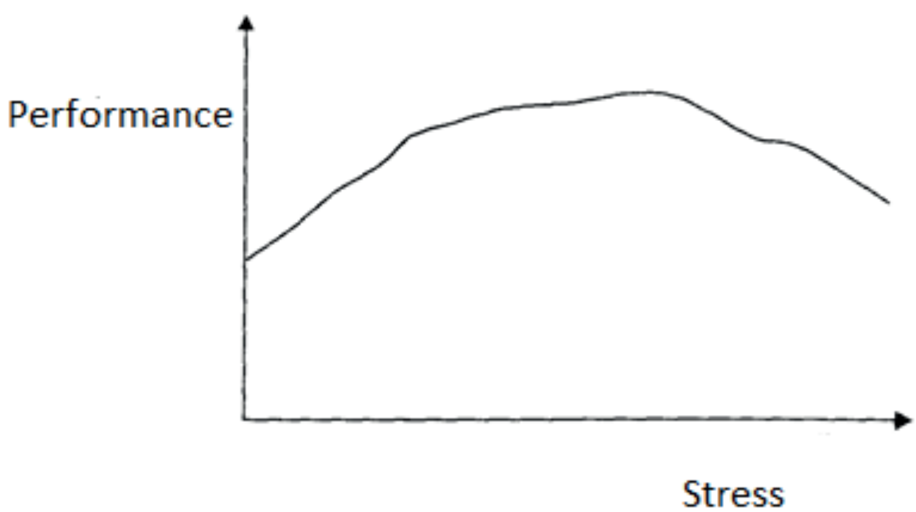
1.4. Organisational Consequences of Stress

Organisations whose employees have poor health and low morale as a result of stress are susceptible to poor performance, high employee turnover, absenteeism and alienation.

1.4.1. Poor Performance

Stress has beneficial and detrimental effects on performance and efficiency. Yerkes and Dadson conducted research on this subject for the first time in 1908 and found a linear relationship between stress and performance and activity up to a certain point. Known as the Law of Y-D, their findings indicated that if the stress increases after a certain point (breaking point), performance and efficiency decrease. Excessive stress, particularly in jobs that require mental skills such as mental ability, judgement and decision-making, have detrimental consequences for the business as a result of employees' decreased attention. This relationship can be seen in the figure below.

Figure 1: Law of Y-D



Source: Sabuncuoğlu & Tüz, 2003, s.245

1.4.2. Employee Turnover Speed

High employee turnover rate may indicate that employees are under stress. Working under constant stress in an organisation prevents people from integrating with the organisation and hinders their job satisfaction. Various stress factors will cause the employee turnover to be high. Organisations that adopt an autocratic management approach, wherein individuals cannot use their skills and have problems with career development, may be particularly stressfull. When employee turnover is at the optimum level, it is effective in terms of attracting fresh blood and achieving organisational goals. However, a ratio that is higher than the general average is considered a sign of danger.

1.4.3. Absenteeism

To cope with stress, employees may try to stay away from their environment by not going to work. Absenteeism generally results from employees' inability to work due to various illnesses. Absence from work may be due to unwillingness, irresponsibility, indolence and alcoholism as well as serious diseases, such as heart attacks, hypertension and ulcers. When the diseases that contributed to absenteeism were investigated, 40% of them were found to be diseases caused by stress. To eliminate or minimise absenteeism, contributing diseases must be corrected using institutional resources.

1.4.4. Alienation

Employees often feel like prisoners of the institutions for which they work and the means of production used in the institution, and thus they may remain unfamiliar with the institution's structure, goals and development. This situation may cause employees to experience feelings of emptiness and depression. The employee may not perceive themselves as part of the institution they work for and may feel pushed and distanced from their workplace. Some factors that may cause stress in the institution also contribute to the problem of alienation.

1.5. Tips for Stress Management

Coping with stress, or stress management, is essential for maintaining one's mental and physical health and leading a productive life. The purpose of stress management is not to avoid stress entirely, as this is impossible. However, it is possible to convert stress into a positive force for efficiency, energy and agility with stress management. The goal is thus to create an optimum stress level that is neither inadequate nor excessive.

Escapism, aggression, introversion, alcohol and cigarette addiction and malnutrition are ineffective ways of coping with stress. Ignoring and blaming others for one's problems, denial and suppression are defined as 'attitudes towards self-deception'. Worrying about minor disappointments or being negatively affected by changes, tantrums towards others and being hurtful and anxious cause the individual to become habitually lonely and more susceptible to stress. Failure to respond and the accumulation of internal distress can unexpectedly turn a relatively minor incident into a stressful event.

The most effective means of coping with stress is to establish a positive dialogue with oneself and discuss one's problems. Stress causes increased heart rate, elevated blood pressure, nervous breakdowns, intolerance and reduced productivity in the short term. However, just as any two individuals will respond differently under identical conditions, everyone's approach to managing stress will also differ.

It is impossible for individuals to eliminate all stressors that they face in their professional lives life. As such, coping methods will be necessary to manage the negative effects of stress. If the business's organisers and managers can eliminate some stressors, the employee will will be able to work in a more peaceful environment.

1.5.1. Individual Stress Management Techniques

These strategies are reactive in nature and are aimed at combating immediate stress. Various strategies may be used to eliminate long-term stress. The most prominent techniques are as follows:

• **Exercise, Sports and Massage:** Exercise stimulates the entire body by using the muscles and promoting deep breathing. Options include running, tennis, cycling, gymnastics, aerobics and swimming. While many types of exercise exist, movements that bring the person's body into balance can be categorised into four groups: sports and recreational movements, aerobics, enhancing muscle health using special equipment, and tension-relieving movement, such as yoga. Massage is used in the treatment of various diseases and is particularly effective in reducing stress (Sabuncuoğlu ve Tüz, 2003, p.246, Işıkhan, 2004, p.213).

•**Meditation:** Meditation involves the cultivation of inner concentration and calm to rest the body physically and emotionally. Meditation helps individuals to cope with stressful situations or reduce stress symptoms. Necessary elements for meditation include a calm environment, a relaxed posture, a repetitive mental stimulus and a passive attitude. The purpose in meditation is the individual's attainment of comfort and calm by moving away from mental anxiety, tension and delusions (Işıkhan, 2004, p.214).

• **Relaxation Techniques:** As relaxation techniques are learned and applied, the chemical substances that are triggered during stress dissipate. Feelings of deep relaxation may ensue depending on the individual's physical condition and characteristics. A person who has managed to really relax breathes deeply and comfortably. Their hands and feet will feel warm and heavy, their heartbeat calm and regular, their stomach warm and their forehead cool. Their muscles will have relaxed, their hormonal balance will be restored and their metabolism will have slowed down. Relaxation is associated with many positive outcomes for general health, such as reduced heart rate and a decrease in blood pressure. Numerous studies have particularly noted the benefits of relaxation in the treatment of high blood pressure (Baltaş, 2004, s.187).

• **Psychological Counselling and Psychotherapy:** Psychological counselling helps the individual to recognise themselves, encourages them to confront their behaviours, eliminate emotional pressure and help them change their relationships with others by understanding their own attitudes and habits. Psychotherapy has a wider application area and is aimed at treating mental disorders. Psychotherapy is a therapeutic interaction that requires expertise and was established to help individuals cope with the situations they encounter by treating the symptoms of mental disorders, psychosocial pressure, and relationship problems with the social environment (Işıkhan, 2004, p.218).

• **Empathic Approach:** An empathic approach involves the evaluation of the person's events by putting oneself in their place and seeing things from their perspective. As the sensitivity promoted by the empathic approach becomes widespread among the employees, their perceptions of one another will expand and the roles they fulfil will become more defined. Problems may can be solved more easily and a more peaceful working and social climate can be achieved using an empathic approach (Işıkhan, 2004, p.226).

• **Biological Feedback**: Biological feedback is a well-known method used to measure the effects of stress and to provide guidance in dealing with stress. Biofeedback includes the measurement of heart rate and muscle tension using an electronic device. These measurements provide information about several processes in the body in the form of light or sound signals. Using this feedback system, it is possible to conduct more holistic inspections of the body's internal state (Işıkhan, 2004, p.222).

• **Behavioural Self-Control: I**ndividuals can cultivate self-control by reflecting on the reasons for and consequences of their behaviour. In addition to regulating one's own behaviour to reduce stress, the avoidance of situations that may cause stress also constitutes a strategy whereby the individual can control the situation (Sabuncuoğlu ve Tüz, 2003, s.247).

• **Relaxation:** More time spent simply sitting and resting can help individuals to release their burdens. Proper relaxation reduces the heart and breathing rates, promotes the flow of blood throughout the bodies and increases the brain's access to clean air, amounting to a metabolic reset for the individual. Relaxation techniques are used to eliminate or manage the stressors in the environment and include watching television, reading books and meditation (Işıkhan, 2004, p.220).

• **Social Support:** Another factor that contributes to stress sensitivity is the social support mechanisms present in a person's family and social environment. Compared to individuals with strong social relationships, those who perceive themselves as physically and psychologically lonely are more affected by stress. Social support stems primarily from the family and the work environment. Familial support has a healing effect by reducing dissatisfaction with one's work and thereby promoting success (Işıkhan, 2004, p.224).

• **Nutrition:** Smart eating is another key stress management techniques. A good diet is beneficial for the resources that the body can use when necessary. Vitamin deficiency increases stress, and it is necessary to learn about one's daily nutritional needs and invest time in meeting them (Işıkhan, 2004, p.212).

1.5.2. Organisational Stress Management Techniques

Organisational stress encompasses the tension, anxiety, fear and restlessness people face in their workplaces and while performing their jobs. Everyone requires a normal level of stress to do their job well, and this is also true for organisations. When people move beyond their normal stress levels, not only are they uncomfortable but their performance is also affected. Therefore, organisations should invest effort in the effective management of stress in organisations rather than its complete elimination. The organisational techniques used in stress management are listed below (Barutçugil, 2004, s.417).

• **Reorganisation of Jobs and Tasks (Job Redesign):** The negative effects of stress can be reduced by providing more responsibilities, greater participation in decisions, more meaningful jobs, greater autonomy and more feedback to employees.

• **Job Rotation:** Employees' fears around growing old at work, the availability of fewer or more jobs, insufficient promotion opportunities, routine jobs and insufficient opportunities can be alleviated by assigning them new tasks. In new jobs, the likelihood of experiencing these fears is reduced.

• **Job Restructuring:** The job restructuring method used to cope with stress in the working environment is effective in preventing stress caused by excessively high and low workloads, time pressures, job deliveries, role conflicts and role ambiguities.

• **Job Enlargement:** By means of job enlargement, which entails synthesising multiple related tasks centrally, the job and the time invested in the job can be better controlled.

• **Job Enrichment:** While job enrichment mostly causes conflict, it also helps employees derive greater satisfaction from their jobs and they can thus perform their tasks better and experience greater motivation in their work. With job enrichment, an advantage is obtained against the stress experienced in more routine jobs. With this application, factors such as responsibility, opportunities, different skills, significance of tasks and autonomy are enriched.

• **Internal Communication:** One of the key factors that creates stress at work is inadequate and poor communication within the organisation. Poor communication within the organisation, the loss of information or information exchange that occurs during the transfer of an activity or during the transfer of the subject between individuals causes different results or outputs as a result of the process, leading to stress.

• **Creating a Supportive Organisational Air:** A key approach to stress management at the organisational level is to create a supportive organisational atmosphere. Many organisations are characterised by a strict and impersonal air with a bureaucratic and formal structure. Such situations are a major source of stress. A less centralised structure will allow greater participation in decisions and upward communication, which can effective in dealing with organisational stress. Management should develop a supportive organisational structure for employees. While planning the functioning of the organisation, the creation of the structure in a decentralised way that supports participation and encourages joint decision-making will reduce organisational stress.

• **Improvement of Physical Working Conditions:** The physical working conditions in the work environment include noise, lighting and weather conditions. Engineering techniques and employee precautions can be applied to reduce noise. Natural sunlight is healthiest in terms of lighting and colour scheme. In addition, the climate should not be too hot or too cold, too dry or too humid. Air flow should be minimized.

• **Humanising the Work Environment:** Most organisation members should feel satisfied with their jobs and roles. They should relate well to one another and to their supervisors and engage in effective and efficient work. Top managers should understand their members' values and wishes, ensure their participation in decision-making and planning processes and be able to communicate easily with them.

• **Social Support Systems:** The provision of social support to employees can help reduce the extent to which they are impacted by stress. This can be achieved by creating a supportive group in the work environment and training foremen to provide support and understanding to those working under their command. In addition, activities in the workplace between rest and meals are highly effective in terms of psychological relaxation. Such activities may include tennis, running, handball and swimming.

• **Education:** By teaching individual stress control techniques to stressful employees, it is possible to try to regain them by creating opportunities for them to do physical exercises that rest their bodies. On the other hand, a number of skills can be taught to the worker to do his job with less effort, without feeling tension, and to be more effective.

• **Improvement Programmes:** Improvement programmes that provide health support to employees focus on improving individuals' mental and physical conditions. Recovery programmes occupy an important place in stress prevention as an effective stress management strategy. Effective improvement programmes can provide many benefits to both the individual and the organisation, including reduced occupational accidents and absenteeism, increased productivity, increased job satisfaction, motivation, reduced health expenditures and reductions in the workforce conversion rate.

• **Employee Assistance Programmes:** Employee assistance programmes mostly include methods such as relaxation methods, biological feedback and the improvement of perception skills. These programmes reduce the psychological impact on participants, relieve their tension, make them more harmonious and increase their success in their individual efforts to manage stress.

• **Stress Counselling:** Stress counselling entails mutual meetings with employees with the aim of resolving emotional problems. Stress counselling is thus a communication strategy that works on understanding and allieviating employees' emotional distress. The reactions caused by the employees' emotional problems are directly related to their performance. For this reason, organisations and managers should direct their employees towards ways of maintaining a certain emotional balance and work in a productive environment that offers economic, social and psychological satisfaction. Counselling services can be provided in ways that include giving advice, communicating, providing reassurance and relieving emotional tension.

CHAPTER 2: LEADERSHIP AND MANAGEMENT

1.Introduction to Leadership and Management
2.Strategic Management
3.Teamwork in Business

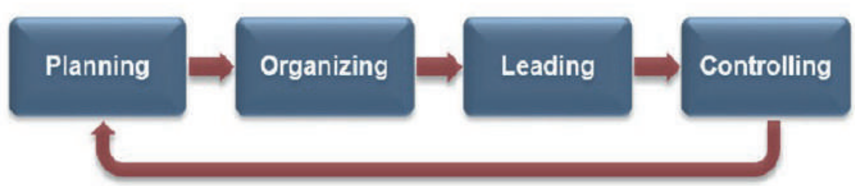
2.1. Introduction to Leadership and Management
The term "leadership" refers to a person's ability to engage others in a certain way. The leadership process includes the mission, the direction of some people through communication and beliefs and the trust invested in people going in the same direction. Management activity assumes leadership that is constrained and determined by the leader's personal characteristics, organisational climate and business environment.

Some theorists approach management as an art, while others perceive it as a science. In fact, management is a process used to achieve organisational goals. In this respect, management is used to realise what the business wants to achieve.

Persons to whom management tasks are given are called managers. Managers often seek to achieve desired goals through functions such as planning and budgeting, organising and directing, problem solving and controlling. In contrast, leaders set direction, align, motivate and inspire. Other researchers believe that a leader must have spirit, passion, and creativity, while a manager is intellectual, rational and persistent. A leader should be inspiring, innovative, flexible, courageous and independent. A good manager should be analytical, advisory, balancing and authoritative (https://ets.anadolu.edu.tr).

Businesses need sound management for effective performance. Management includes the processes of planning, organising, directing and controlling resources to achieve specific goals. A good plan allows the organisation to push its business goals beyond the idea stage. However, good planning is not enough to get the job done: work must also be organised effectively. That is, it is necessary to properly organise people and other resources for things to happen correctly. For the work that takes place under your supervision to improve, you must be a leader who can motivate your employees to perform well. Finally, to verify that things are really going well, it is necessary to to check your operations—to measure the results and compare them with those set out in the plan. Figure 1 illustrates the entire process described here, namely, the interrelationship between planning and other functions performed by managers.

Figure 1. The Management Process



Source: http://hdl.handle.net/10919/70961

Without a proper plan, it is not easy to be successful in any business. Without a roadmap for action, you cannot move forward. Successful managers decide in advance where they want to be and how they will get there. they set goals for these processes and determine the best way to achieve them. One of the results of the planning process is that everyone in the organisation knows what work must be done, who should do it and how.

2.2.Strategic Management

The strategic management approach should be adopted as a future planning and change management tool in all businesses today. It is applicable not only to businesses but to all organisations. Strategic management or synonymous strategic planning is more commonly referred to as business administration. Although it is a management subject that is widely applied in international businesses, holdings and company groups consisting of various business lines and branches, it covers all organisations with or without profit (https://ets.anadolu.edu.tr).

2.2.1. Main Concepts of Strategic Management

The main concepts of strategic management are vision, mission, purpose, target, plan, budget and strategy. The vision concerns the future state in which the organisation wants to be. That is, long-term goals to be reached after many years have passed but to be worked towards now comprise the vision. In this respect, vision is distinctly different from prediction. It is the mission that justifies the organisation's existence and explains its main task. The more tangible outcomes that ultimately fulfil the vision and mission are goals and targets. These are plans for short-term activities that will help achieve objectives through actions.

The budget is the numerical, monetary expression of the plan, involving the allocation of resources to vision, mission, goals and objectives. Strategy concerns the various approaches used to achieve the vision, mission, goals and objectives. Tactics are activities and decisions made in accordance with the competition and conditions encountered during the implementation of the strategies, which are not focused on the final result and which take into account the competitors' behaviours, which cover shorter periods. Policy is a set of guidelines that inform the decisions employees must make and the activities that must be undertaken during the implementation of the strategies with the aim of achieving the organisation's desired goals.

Through policy, the behaviours of individuals and employees align with the organisation's strategy. Performance appraisal sets ratios to measure the extent to which the planned goals have been achieved. For example, the market share ratio is a performance evaluation criterion for the growth target. In addition, sales analysis, profit and profitability analysis, stock valuation analysis, consumer satisfaction analysis, product quality analysis and product portfolio analysis are the main analytical elements of performance valuation (https://ets.anadolu.edu.tr).

2.2.2. Objectives of Strategic Management

Strategic management has a wide variety of objectives, four of which are detailed below: prioritising both financial goals and social goals, creating economic added value, creating competitive advantage, growth and change.

- **Prioritising Financial and Social Goals**: In strategic management, managers have financial obligations to business owners and partners with respect to the achievement of social goals because the partners who invest resources in the business want to be financially successful and expect a return on their investments. Undoubtedly, businesses also have environmental goals and social goals for other stakeholders. However, an unprofitable or incomeless business cannot be expected to fulfil its social responsibilities. In a sense, it may be possible to achieve social goals and financial goals together, synonymously. Businesses or organisations that engage in good dialogue with all their stakeholders can also achieve their financial goals. However, the prerequisite is to generate profit for business organisations and income for non-profit organisations. Of course, the only way to make a profit is to create economic value. This is the second strategic management objective.
- **Creating Economic Added Value:** This is the second goal of strategic management. For this reason, strategic management is called value-based management. For businesses and their managers to fulfil their responsibilities to business owners and partners, they must benefit from the concept of 'creating economic added value'. In strategic management, managers create wealth for partners and owners by increasing the value of their business partners' investments and fulfilling their financial obligations. We measure this performance using the concept of 'market added value'. The most effective way to increase market value is to earn on the capital invested in the business. Economic value added is calculated as [return on the capital invested by the business - (weighted average cost of capital X amount of capital invested]. The remaining economic value added after a business covers the cost of all factors of production including taxes, general manufacturing expenses, interest expenses, operating expenses) for its investors. Economic added value, in a way, emerges only in the accounting statements, such as in taxes, interest and operating expenses. It takes into account all expenses related to the business and makes an evaluation. With this aspect, the measurement of economic value added is a measurement of net profit. To determine whether real value has been created, it is absolutely necessary to benefit from the concept of economic added value and its calculations.
- **Creating Competitive Advantage:** The next goal is to create competitive advantage, which is necessary to create economic value. In other words, besides creating value for the owners for the partners, it is necessary to generate profit by creating value for the services' customers and users beyond that of competitors. In other words, it is necessary to ensure better, cheaper and faster production. This can be in three ways: cost leadership, differentiation and rapid response. Having a low cost relative to competitors yields benefits from economies of scale. Such businesses have low R&D expenditures and low advertising expenses owing to their low prices. Differentiation distinguishes a company's product or service in the eyes of the customer. This makes the product more attractive and valuable, giving them the opportunity to offer it at a special price. Private label cars are an example of this. Branded cars, which are superior in function and aesthetics, easily find buyers at high prices. Large retail stores (chains) offer their products at low prices because they have a cost advantage. This gives them leadership. Another competitive advantage is to offer the same service more quickly for the same price or at a higher/lower price. Express cargo companies may be cited as an example of this superiority, which is called fast response.

• **Growing and Creating Change**: It is absolutely necessary to grow and change to adequately fulfil these three purposes. The very existence of the company, group or business that does not grow is under threat. If it exceeds, it is not possible to continue in the long run. Long-term asset gains are more important than short-term profits. Because those who invest in company stocks have started to think long-term, growth will not only increase profitability, but will also increase the value of assets, the market value of stocks, and customer value. Company owners can continue these processes and growth is imperative for managers to maintain their managerial duties. Change is necessary for growth. Strategic management concerns the future and change. A company (meaning group and holding), can either add new businesses to its portfolio or terminate some of them. While manufacturing businesses are dominant, the company can become a service producing company. Important executives may be fired. New managers may be hired, and the vision and mission may evolve. Strong leadership can break resistance to change, and the most important task that leaders undertake is to instigate change.

2.2.3. Strategic Management Process

The process of preparing and realising strategic management is as follows:

1. Determining the need for strategic management and forming the strategic management team
2. Strategic analysis: internal and external environmental analysis
3. Mission and vision analysis
4. Determination of strategic goals: hierarchy of strategic intent
5. Identifying strategies: strategy hierarchy
6. Analysis and selection of strategies
7. Implementation of strategies
8. Strategic evaluation and control

All phases of the Strategic Management process come into play within the framework of certain questions. These phases are created in response to the question or questions. The phases of the process during which questions and answers are given are as follows: Who will prepare strategic management? What are we? What will happen? What do we want to be? What are the criteria? What have we achieved? These questions are answered within the framework of the strategic management process: for example, the 'who' question is answered in the first stage. In the second phase, the questions 'What are we?' and 'What will happen?' are answered. In addition, the mission phase is also the answer to the question 'What are we?' The strategic goal setting phase and the vision phase answer the questions 'What will we be?' or 'What do we want to be?'. Determination of strategies, evaluation of strategies and response are given in the implementation and leadership phases.

2.2.4. Strategic Management Tools

Although strategic management is prepared with the participation of experts, consultants, senior managers and employees and managers from different levels, it requires the use of certain tools, particularly participatory management tools and techniques. Some of these techniques can be listed as Q Sort, SWOT analysis, portfolio analysis, scenario analysis, the Delphi technique, nominal group technique, search conference, multiple voting technique, open group, quality control circles, benefit/cost analysis and risk analysis.

• *SWOT Analysis:* This method is widely used in organisations to determine the strengths and weaknesses of organisations or businesses and to identify opportunities and dangers through participatory processes and brainstorming. By looking at the external environment, the macroeconomic, socio-cultural, political, technological, demographic and global environments of the enterprises are analysed and recorded as opportunities and threats or dangers. Strengths and weaknesses are then evaluated based on the internal environment. In other words, companies' production, marketing, finance, human resources, etc. strengths and weaknesses are identified. By taking advantage of weaknesses, opportunities and dangers, other studies and plans are completed.

• *Q Sort analysis*: In all studies, while determining the alternatives and choosing among them, they are ranked from the most important to the least important, from 1 to 10 or from 1 to 5, and the choice is made. For example, a list can be drawn up for the five critical factors of entrepreneurship culture, management culture, human resources, finance and technology: entrepreneurship culture 4.4, management culture 4.1, human resources 3.5, technology 3.2 and finance 3.1.

• *Scenario analysis:* In cases of intense uncertainty, organisations can try and clarify the future using experts' competencies. By writing scenarios from the most positive to the most negative, an infrastructure for alternative behaviour patterns is created.

• *Delphi technique:* Developed by the Rand Corporation, the Delphi technique aims to benefit from the experts' opinions and thoughts on the subject by consensus method. Before the experts are brought together, their opinions are taken through the forms sent. A new classification is made by the senders, the forms are sent again and the process continues until a consensus is reached, and finally the problems and solutions are categorised.

• *Nominal group technique:* Unlike the Delphi technique, experts are brought together, their opinions are taken in writing and a vote is taken for the priorities.

• *Search conference:* The search conference a common wisdom determination method that has been widely used in recent years to determine problems, the priorities of the problems and the solutions. It is widely used in the preparation of strategic planning. The company's strategic plan, vision, mission statements, values and principles, goals, objectives and strategies are determined by all employees. Collective brainstorming in groups may be organised for determinations. Using these data, the strategic planning is then finalised by experts. In most cases, vision and mission statements determined by common sense are announced as declarations and placed on corporate Web pages and books.

• *Multiple voting:* While determining the priorities of the problems and solutions, the participants identify the problems by voting repeatedly and at various stages. Afterwards, votes are taken with respect to solutions. The purpose of multiple voting is to increase the effectiveness of participatory processes.

• *Open group:* Open groups are organised to enable employees to come together outside of work and discuss work-related problems in informal settings.

• *Quality control circles:* Quality control circles were developed in Japan and are now widely used all over the world with the total quality management method. Typically, five to seven people come together after working hours to discuss efficiency, effectiveness, absenteeism and quality problems and present their suggestions to senior management. Each quality control circle has a leader and a guide among the managers. Various quality control circles can be established in production departments according to theme and subject.

• *Benefit/cost analysis:* This is widely used in evaluating investment projects. Over the years, the incomes and expenses of each investment alternative are calculated and one option is selected.

• *Risk analysis:* This method has been frequently used by credit rating agencies in recent years. Economic risk, political risk and country risk are calculated and the countries are assigned grades with letter ratings from A to D. Countries with AAA grades are deemed reliable, while those with AA and A grades are also reliable at a decreasing rate. While BBB, BB and B ratings are open to speculation, they are risky countries for investment. Investment returns are high due to high interest rates in speculative countries. In countries with AAA, AA and A grades, the risk is low and the return on investment is certain and low. Countries with CCC, CC and C grades are high-risk and will probably not be able to fulfil their obligations. For this reason, it is not recommended to lend to them or to invest. D grades are used for countries that cannot fulfil their obligations. Since the grading system is similar to that used for university students, the significance of the A grades and D grades is easily grasped.

2.3. Teamwork in Business

A group that works together to achieve a specific goal and has complementary skills is called a team. As organisational development consultant Bonnie Edelstein says, 'A group is a group of people in an elevator. A crew is also a group of people in an elevator, but the elevator is out of order'. While this distinction may seem somewhat oversimplified, a team is definitely more than a group of individuals. In particular, members of a group, or rather a working group, run their businesses independently and come together primarily to work towards a common goal. For example, a group of store managers may meet on a monthly basis to discuss their progress in reducing costs. However, each manager focuses on the goals of their own department because the main responsibility of each is to achieve this goal.

Some key characteristics of teams can be classified as follows:

- Teams can share accountability for achieving specific common goals
- Teams can function interdependently
- Teams require stability
- Teams can hold authority and decision-making power
- Teams can operate in a social context.

Studies measuring the effects of teams on performance reveal that companies form teams because of their positive effects on workplace performance, both individually and institutionally. Team-based operations improve overall organisational performance.

Teams can improve company and individual performance in a wide variety of ways. Not all teams may have the same goals or have the same responsibilities. In fact, not all teams are organised in the same way. For example, some are more autonomous than others because they are less accountable to those higher up in the organisation. Some depend on a team leader responsible for defining the team's goals and making sure their activities are carried out effectively. Some teams are self-managed. For example, in line with the general goals and strategies chosen by a leader, the team itself selects and manages the strategies to achieve the goal.

Teams also vary according to their membership. Several categories can be classified as follows:

- Manager-Led Teams: In manager-led teams, the manager is also the team leader, setting team goals, assigning tasks and monitoring the team's performance. Individual team members have relatively little autonomy. For example, the key employees of a professional football team (a manager-led team) are highly trained (and highly paid) athletes, but their activities on the field are tightly controlled by a head coach. As team manager, the coach is responsible for both developing the strategies with which the team pursues its goal of winning matches and the outcome of each game and season. He is also solely responsible for interacting with senior managers in the organisation. Players are primarily responsible for running the games.
- Self-Managing Teams: Self-managing teams (also known as self-directed teams) have

considerable autonomy. These teams are often small and perform activities that were once performed by traditional managers. A manager or team leader sets the overall goals, and members of the self-directed team control the activities needed to achieve these goals. Whole Foods Market, the largest natural foods market in the US, offers an example of self-directed teams. Each store is managed by ten departmental teams, and nearly every store employee is a member of a team. Each team has a designated leader and its own performance goals. (Team leaders also belong to a store team, and store team leaders to a regional team.) To do their job, each team has access to all kinds of information, including sales and even salary figures that most companies traditionally set aside for managers. Not all self-directed teams have the same degree of autonomy. Companies vary widely in choosing which tasks teams are allowed to manage and which are best left to senior management.

- Cross-Functional Teams: Many companies use cross-functional teams that cut across an organisation's functional areas (operations, marketing, finance, etc.). In a cross-functional team, the specific expertise of selected members from different functional areas of the company is utilised. For example, the Internal Revenue Service creates a cross-functional team of people from a wide variety of departments when it wants to examine the effects of a major change in information systems on employees. An example of cross-functional teams is Nike's product development process, whereby they draw on expertise from both inside and outside the company.
- Virtual Teams: Thanks to technology, teams can function beyond institutional boundaries without distinction of time and place. Internet technologies, such as video conferencing, allow people to interact remotely and provide numerous advantages to virtual teams. Members can attend meetings at any time of the day, from any location. Thus, teams can come together for as long as it takes to achieve a goal.

Factors in effective teamwork

We can identify several factors that contribute to effective teamwork. Teams are most effective when the following factors are met:

- Members depend on one another. When team members rely on one another to get the job done, team productivity and efficiency tend to be high.
- Members trust one another.
- Members work better together than individually. When team members perform better as a group than alone, collective performance exceeds individual performance.
- Members become boosters. When each member is encouraged by the other team members to do their best, collective results improve.
- Team members enjoy being on the team.
- Leadership rotates.

Some of these factors may seem intuitive. Because such issues are rarely clear-cut, we must examine the issue of group effectiveness from another perspective—one that considers the effects of factors that are'nt quite so straightforward.

Group Cohesiveness

A team's ability to be attractive to its members is called group cohesion. If a group has a high level of commitment, group members will also have higher levels of satisfaction. Otherwise, group members are likely to be unhappy and try to leave the group.

What Makes a Team Cohesive?

The factors may contribute to team cohesiveness can be listed as follows:

- Size. The larger the team, the less satisfied its members tend to be. When teams grow too large, members find it more difficult to interact closely with other members; some members may tend to dominate team activities, and conflict becomes more likely.
- Similarity. People usually get along better with others similar to themselves, and teams are generally more cohesive when members perceive fellow members as people who share their own attitudes and experiences.
- Success. When teams are successful, members are satisfied, and other people are more likely to be attracted to their teams.
- Exclusiveness. The harder it is to get into a group, the happier the people who are already in it. Team status also increases members' satisfaction.
- Competition. Membership is valued more highly when there is motivation to achieve common goals and outperform other teams.

Maintaining team focus on broad organisational goals is crucial. If members become too wrapped up in immediate team goals, the entire team may lose sight of the larger organisational goals towards which it is supposed to be working. The factors that can erode team performance are listed below:

- Groupthink: It is easy for leaders to direct members toward team goals when members are all on the same page—when there's a basic willingness to conform to the team's rules. With too much conformity, however, the group can become ineffective: it may resist fresh ideas and, even worse, may end up adopting its own dysfunctional tendencies as its way of doing things. Such tendencies may also encourage a phenomenon known as groupthink —the tendency to conform to group pressure in making decisions, while failing to think critically or to consider outside influences. Groupthink is often cited as a factor in the explosion of the space shuttle Challenger in January 1986: engineers from a supplier of components for the rocket booster warned that the launch might be risky because of the weather but were persuaded to set aside their warning by NASA officials who wanted the launch to proceed as scheduled.

- Motivation and Frustration: Remember that teams are composed of people, and regardless of the roles they happen to be playing at a given time, people are subject to psychological ups and downs. As members of workplace teams, they require motivation, and when motivation is low, so are effectiveness and productivity. The difficulty in maintaining a high level of motivation is the chief cause of frustration among team members. As such, it is also a chief cause of ineffective teamwork. This is one reason why more employers now look for the ability to develop and sustain motivation when hiring new managers.

CHAPTER 3: TIME MANAGEMENT

1.Definition and Scope of Time Management
2.Development of Time Management Skills

3.1. Definition and Scope of Time Management
The allocation of the right time to the right activity is at the core of time management. Individuals allocate certain time slots according to the importance of the activities with effective time management. Since the concept of time refers to a limited process, time management allows the optimal use of this limited resource.

A key aspect of time management is the ability to use limited time effectively and efficiently. It is also possible to think of this as an art that allows one to accomplish everything necessary without stress. Although time management may sound simple in theory, it presents several difficulties in practice. First, the individual requires time management skills, because not everyone has enough time to do everything. Sometimes, although individuals work efficiently, they may not be able to complete the tasks they want to complete. Here, time management is a holistic concept that consists of using time well and working efficiently.

The most distinctive feature of people who are good at time management is that they are good at maintaining and doing things. They are also good at identifying what tasks have priority and which of them really need to be finished. They are also good at throwing out leftovers. The most important element here is to distinguish between important and urgent work.
Urgent jobs, as the name suggests, require immediate completion. Whether or not the individual is interested in these jobs is often irrelevant. Important things are important, and failure to do them can have serious consequences for the individual or others.

For example:

- Answering the phone is urgent. If you fail to answer, the caller will ring off, and you will not know why they called—and it might be important. It may also, however, be an automated voice telling you that you may be eligible for compensation for having been mis-sold insurance. That is not important.
- Going to the dentist regularly is important (or so we are told). If you do not, you may get

gum disease or other problems. It is not urgent. If you leave it too long, however, it may become urgent because you may get a toothache.

- Picking your children up from school is both urgent and important. If you are not there at the right time, they will be waiting in the playground or the classroom, worrying about where you are. You may also inconvenience others, such as the teachers who are waiting with your children for you to arrive.
- Reading funny e-mails or checking Facebook is neither urgent nor important. So why is it the first thing that you do each day? See our page on minimising distractions to help you recognise and avoid other things that may distract you from getting your urgent and important tasks done.

This distinction between urgent and important is key to prioritising your time and workload, whether at work, at home or studying.

3.2. Development of Time Management Skills

More than 50-time management techniques are known, catering for different personality traits, productivity issues and business needs. Some of the best time management techniques are really simple and straightforward, others a little more complex, but all can actually be easily implemented into daily practice.

3.2.1. SMART Goals

To manage time in the best way, it is essential to set a goal and determine the results to be reached. One of the most effective target setting techniques in this regard is the SMART targets technique. This technique was published by George T. Doran in 'A S.M.A.R.T. Way of Writing the Goals and Goals of Management' in 1981.

The idea is pretty simple: every SMART written goal should be written down following these criteria:

- Specific – clearly defined desired outcome, what you want to achieve
- Measurable – there must be a way to measure progress
- Achievable – the goal can be met with available resources
- Relevant – it must fit a bigger picture and you must know why you want to achieve something
- Time-bound – a clear deadline for when the goal will be achieved

Most people don't need to set goals in daily life. Only around 10% of people have written goals. This is because it takes effort and real reflection to write down meaningful goals in the right way. So, if you decide to write down your goals, you should avoid vague resolutions that will not give you a sense of direction and proper motivation. That would be an exercise in vain. You should write down your goals in a smart way. Some detailed examples of how to set SMART goals are as follows:

SMART Targets

SPECIFIC – Specific target answer these questions easily; "what? Why? Where? Who?".
Wrong Destination – I am going to write a book. (Everyone can think differently about what the target's book will be about)
Right Target – By the end of December 2030 I will write a 300-page book using at least 30 sources

through the Performance Evaluation System.
MEASURABLE – It should be measurable—that is, it should be able to answer the questions of 'how much?' and 'where to plan?'.
Wrong Target – Too rich. (The amount and amount of wealth is not clear.)
Right Target – I will earn $1 million by 2025.
ACCESSIBLE – Must be compelling, accessible. So it should be clear that the target will be met.
Wrong Target – 100% dominating the market with my new company. (???)
Right Target – Within the next two years, I will learn about management and set up a performance-based compensation system in my business until 2024.
RELEVANT – It must be appropriate. Is this goal worth the effort? Are you the right person to achieve this goal?" Is it the target realistic?.
False Goal - I will build a world where all people are equal. (????)
The Right Destination – Free education/seminar for 10,000 young people over the next three years.
TIMED – It should be time-dependent.
Wrong Target – I will write the reports.
Right Target - I will prepare the report by the end of the working day on the 30th of the month (https://www.kaynagiminsan.com/tag/smart-hedefler).

3.2.2. The Eisenhower Matrix / The Eisenhower box

SMARTly written goals should be broken down into concrete and actionable tasks. These tasks should then be ranked according to their priority. One of the most commonly used methods for this is the Eisenhower Matrix.

The method's creator, Dwight D. Eisenhower, was the 34th President of the United States, serving between 1953 and 1961. His matrix suggests that tasks be arranged in one of following four quadrants:

1.Urgent + Important (Do first)
2.Not Urgent + Important (Schedule)
3.Urgent + Not Important(Delegate)
4.Not Important + Not Urgent (Eliminate)

Figure 1: The Priority Matrix

Source: https://www.skillsyouneed.com

Urgent tasks are the those that you feel you must react to (like e-mails, phone calls, meetings etc.) and tasks that are time-sensitive, meaning that they have strict deadlines.

Important tasks are those that contribute to your long-term goals and things you really want to do in life. Important tasks are the ones that are part of your business or life vision and mission.

Of course, you should always tackle urgent and important tasks. It is important that you spend most of your working time in this quadrant (urgent + important).

Tasks that are important but not urgent, such as sports, learning, creating and socialising with people, you should schedule in your calendar (and ensure that you do them regularly). All other tasks you should delegate or simply delete. This method is also often used by recruiters.

3.2.3. Kanban Board

Kanban is a Japanese word meaning 'billboard' or 'signboard'. The Kanban board is a visual board that helps you to track progress on your goals. People who are fans of Kanban usually use a large dry-wipe whiteboard to visualise their goals or software that supports Kanban visualisation. In fact, a physical Kanban board works much better.

You should draw several columns on the whiteboard, visualising the stages for each specific task. The columns on the blackboard are usually

- To Do
- In Progress
- Done

You then need sticky notes. Every sticky note represents a task that needs to be completed. You simply write the name of the task that needs to be completed. You can use different coloured sticky notes for different types of tasks and simply stick the notes in one of the columns, depending on the phase the task is in. If you have followed all the steps, you should have a visual representation of your tasks and the stages they are at. As you progress, you can move the sticky notes through these columns. Figure 2 shows an example of a Kanban board.

Figure 2: Example of a Kanban Board

Source: https://productivityland.com/what-is-kanban-board/

Software that supports the Kanban method includes the following:

- Trello
- KanbanFlow
- Kanbanize
- Kanban Tool

3.2.4. Do Deep Work/Avoid Half-Work or Shallow Work

If you employ all the previously mentioned techniques, your goals should be clearly written down, broken down into concrete and actionable tasks and properly prioritised and visualised on a Kanban board.

Now you should be able to easily select the most important task to work on. To successfully complete the task in the most productive way possible, 'deep work' comes into play.

The concept of deep work was developed by Cal Newport, who stated that all intellectual activities should be performed in a state of distraction-free concentration that pushes your cognitive capabilities to their limit. Only when you engage in deep work can you can create new value, improve your skills and do things that are difficult to replicate. Many people call this psychological state that enables you to do deep work 'flow'.

The opposite of deep work is 'half-work' or 'shallow work'. Such low-value work is usually associated with multitasking, working on many projects and having many distractions in the environment (e-mail, telephone, chat and other interruptions). The best way to overcome 'half-work' is by focusing for a significant amount of time on one thing and eliminating all other distractions.

Software that can help you do deep work:

- FocusList
- One Big Thing

3.2.5. The Pomodoro Technique

When you do deep work, you should never forget to take breaks. Tomatoes can remind you to take your breaks. The Pomodoro (Tomato) Technique is a popular time management method invented by the software developer and author Francesco Cirillo during the late 1980s. Pomodoro is now one of the most popular time management techniques.

The Pomodoro idea is very simple. You should break down your daily work and complete it in intervals separated by short breaks. You work for 25 minutes straight, which is called one Pomodoro, and then take a 3–5-minute break. After four Pomodori, you take a longer break of 15–30 minutes to recharge. You should use a simple timer to follow the Pomodoro Technique. Following the technique should give you sufficient focus and recovery time to maximise your productivity. Here is a summary of the six Pomodoro steps:

1.Decide on a task to be completed
2.Set the Pomodoro timer
3.Work on the task
4.Stop working when the timer rings after 25 minutes (one Pomodoro)
5.If you have completed fewer than four Pomodori, take a short break (3–5 minutes)
6.After four Pomodori, take a longer break (15–30 minutes). Then go back to step 1.

The Flowtime Technique - A more flexible Pomodoro Technique – The Flowtime Technique is an interesting variation of the traditional Pomodoro Technique. The name comes from the term 'flow', which is the state achieved when an individual is engaged in deep work and wholly focused on and immersed in a task.

The main idea of the flowtime technique is that you set a specific time period (usually between 10 and 90 minutes) and use it as an experimental time frame to see how long you can work in focus and when you need a break. Simply put, when you cannot focus or work in the flow anymore, you take a break. At the same time, you keep a record with an input of your start time, end time, break time, work time and whether or not you were interrupted.

3.2.6. Track how you spend your time

A good time tracker makes you more productive, analyzes how you spend your time and reports on it. It is a known fact that you cannot manage what you do not measure. If you use time tracking, you can better analyse how you spend your time and how much time you spend on which tasks. In this way, you can better determine the processes that will save you time.

With the right statistics, you can better optimise your time. If you use a time tracker, you will be more inclined to use other time management techniques on an ongoing basis.

3.2.7. GTD - Getting things done

Getting things done is one of the most popular comprehensive time management frameworks. It is a five-step method that helps you to break bigger tasks into smaller manageable steps and then to finish doing those small steps immediately. The tagline for the framework is '"the art of stress-free productivity'. Using the system should help you to be more relaxed at work, accomplish more, be more creative and keep track of all relevant issues.

The framework is based on the following five steps:

- **Capture** – First, you capture everything that comes to your mind—every idea, task or anything else that is worth remembering (things to read, watch, notes, bills, etc.). You capture everything in the inbox, to unload your mind. The important thing is to empty the inbox regularly.

- **Process** – After you capture all the items, the next step is to analyse them and decide what to do with every specific item. If the item is not actionable, you must decide whether to delete, archive or delay it. If the item is actionable, you must decide whether to do it, delegate it or defer it. If it takes less than two minutes, you should do it immediately.

- **Organise** – After processing, the next step is to organise items and actions. When organising, you should do at least four things. Put items on four main action lists (projects, next action, waiting for, calendar), file tasks under different labels and provide them with context. Non-actionable items should be stored in a digital or paper-based archive.

- **Reviewing** – The goal of reflecting is to ensure that everything is up to date. When reviewing, you should update your lists and remove irrelevant items. You should conduct a review on a weekly basis at least.

- **Engage –** The final step after capturing and identifying actionable items, properly filing them and reviewing your tasks is to begin working on the selected tasks. Before engaging, you should ensure that you have the right context for the tasks (context is what you need to be able to carry out an action, it can be a place, a tool or a person), enough time and energy and that the tasks have the highest priority.

Software that supports the GTD time management system includes the following:
- nTask
- FacileThings
- Todoist
- Nirvana
- Flow-E

3.2.8. OKR - Objectives and key results

OKR is a very popular framework, particularly in business, that is used by companies such as Google, LinkedIn, Uber and Intel (OKR was developed by Andy Groove, the famous CEO of Intel). The framework is quite simple: objectives are goals, and key results indicate how you will achieve these goals. To set OKRs, you can use the formula ‘I will (Objective) as measured by (this set of Key Results)’.

- **Objectives** are descriptions of what you want to achieve. They should be short, inspirational and engaging. An organisation should have three to five high-level objectives.

- **Key Results** are metrics of how you measure your progress towards your objectives. There should be a set of three to five key results per objective. When you look at the key results at the end, you should have a clear idea of whether you have accomplished the objective.

OKRs should be part of the quarterly planning process and, once defined, they should be communicated to all team members. It is important that OKRs are frequently set, tracked and reviewed. Several different examples and templates for OKRs may be found. Software that supports OKR includes the following:

- Weekdone
- Perdoo
- Workfront
- 15Five
- 7Geese

3.2.9. SCRUM - the most popular agile management framework

SCRUM is the most popular agile productivity framework, particularly in software development. While is is not exactly a time management technique, it can definitely help to properly address productivity issues. The most important element here is that you must stay flexible and adapt regularly to changing conditions. You learn the most when you implement and not when you plan, so you should constantly update your plans according to new feedback in the implementation phase.

SCRUM emphasises relationships within teams, the creation of valuable results, collaboration with all stakeholders, responding to change, and continually improving how you work. It also provides a clear set of tools for implementing the framework. It is more of a team-based than person-based technique, but it can certainly be adapted for use on an individual level.

The roles in SCRUM teams are as follows:
- **Product owne**r – Manages priorities, talks to all stakeholders, takes care of products
- **SCRUM master** – Facilitates the SCRUM framework, removes obstacles
- **The team** – Cross-factual, fully committed team

The workflow is based on:
- **Sprint Planning** – Defining the scope of work for the next 2–4 weeks
- **Daily SCRUM** – Short 15-minute daily meetings to keep commitment among peers
- **Sprint Revie**w – Review of the work completed after the sprint
- **Sprint Retrospective** – A discussion of what went well and what could be improved

And the artefacts of SCRUM are:

- **Product Backlog –** A list of everything that will be delivered
- **Sprint Backlog –** A list of tasks that will be delivered in the next sprint
- **User Stories –** Small, independent, valuable, estimable, testable delivery features
- **Burn-down Chart** (Total effort, Velocity) **–** Progress plan based on the actual capability of the team

Project management software that supports SCRUM or similar agile principles:

- Backlog
- Zoho
- Jira
- VivifyScrum

3.2.10. BoJo - The Bullet Journal

The Pomodoro Technique and The Bullet Journal Method are the most frequently searched-for time management techniques in web browsers. The bullet journal must be among the top ten time management techniques. Its tagline is "to help you track the past, organise the present, and plan for the future". All you need are a notebook and a pen.

The core principles of the method are that you cannot make time, you can only take time; happiness is the byproduct of meaning; you should cultivate curiosity through goals, implement small changes that lead to big changes over time and look inward to reveal a way forward.

The key components of BoJo are:

- Index page, for which you need to number the pages
- Three different main collections of logs (daily log of tasks, events and notes; monthly log consisting of a calendar and a to-do list; future log to list long-term goals and commitments)
- Other different collections, namely groups of related ideas (lists, logs, notes, trackers, mind maps, plans, sketches)

In your logs, you should implement rapid logging. You should write things down in short notations. For logging, you should use different types of bullet points and signifiers to add context.
Every month, you should conduct a review and migrate tasks from one log to another (for example, cross out irrelevant tasks, schedule new tasks, migrate tasks from daily logs to a new monthly log, etc.).

3.2.11. Be structured: time block your work

A structured schedule is crucial for actually delivering what you set yourself. It helps you protect space for your work and exerts a healthy pressure to actually complete it. Time blocking is one of the most productive approaches to achieving this, as it prevents one task from taking over your entire day and stops you from multitasking. You just need a simple calendar tool like Week Plan to time block your week in advance (see Figure 3).

Figure 3: Week Plan

Source: https://memory.ai/

Many of us juggle multiple jobs at the same time, believing that we will get more done while in fact the opposite is true: we are most productive when we focus on one thing at a time. Time blocking is essentially a thoughtful approach to dividing your attention across all your work. Set aside short periods of time for admin-style tasks, such as e-mail, scheduling and returning calls, and longer periods for more detailed, in-depth or analytical work.

3.2.12. Prioritising

It may not be possible to perform every task expected of you. You may also want to complete multiple tasks at once. In such situations, you must prioritise important tasks so that you can put them in an appropriate order. When prioritising, you should consider factors such as how long each task might take, when it needs to be done, its importance to others in the organisation, what may happen if a task is not completed and whether any task will be interrupted.

3.2.13. Scheduling

Scheduling is important, because some tasks must be completed at specific times. Scheduling affects your day, your week and your month as well as other people's work flow. Most people have specific times of the day when they are more or less productive as a result of energy levels and the demands of the day. Schedules can be a good way to avoid procrastination, too.

- Scheduling software
- Intentionality
- Punctuality
- Breaking broader goals into milestones
- Breaking up milestones into projects

3.2.14. Task Management

To-do lists (properly prioritised and integrated with your schedule) are an excellent means of avoiding forgetting something important. They are also a good way to avoid spending all day thinking about everything you have to do. Remembering tasks takes energy and thinking about everything you have to do all week can be exhausting and overwhelming. Split all the necessary tasks up into a list for each day, and you will not have to worry about it all at once. Just take your tasks one day at a time.

- Proactive
- Batching
- Creating daily, weekly and monthly 'to do' lists
- Multitasking
- Thoroughness
- Organisation
- E-mail management

3.2.15. Workload Management

Pacing your work, even though it may seem an odd thing to call a skill, is an important time management concept. Although working long hours or skipping breaks can sometimes improve productivity in the short-term, your resulting exhaustion will ensure that your overall productivity actually drops. Except for rare emergencies, it is important to resist the temptation to over-work. Incorporate necessary breaks and a sensible quitting time into your schedule.

Knowing and enforcing an optimum workload for yourself ensures consistency in your performance and prevents burnout. Employers want to be able to count on you for the long-term.

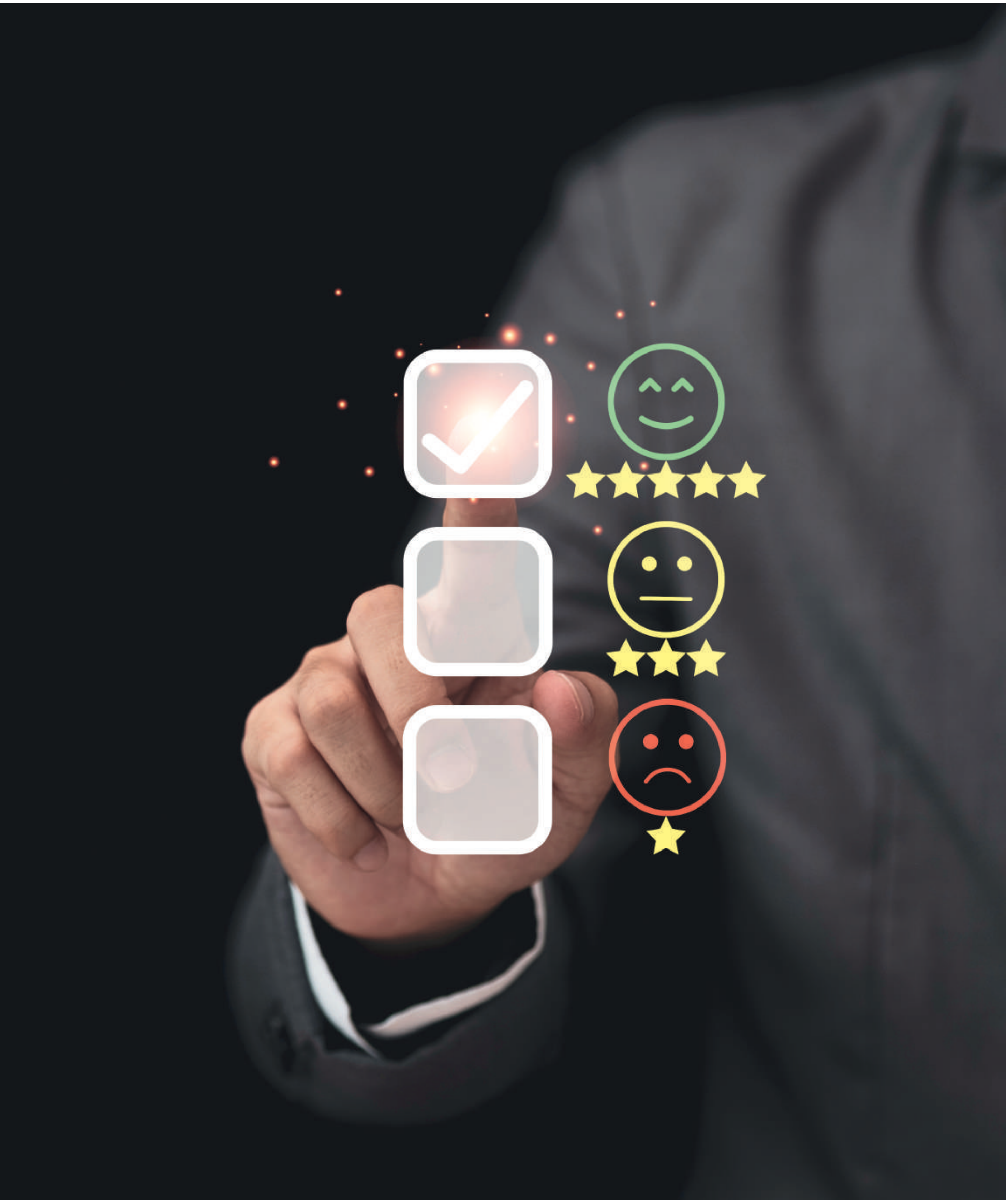
- Process management
- Assertiveness
- Eliminating waste
- Taking breaks

3.2.16. Delegation

Depending on the type of work you do, you may be able to delegate some tasks. Knowing what and when to delegate is an important skill. Some people resist delegating, either because they want to maintain control or because they want to save money by not hiring assistants. Both approaches ultimately harm productivity and raise costs.

Remember, however, that if you practice time management diligently and still struggle to get everything done, you may be trying to do too much. It is better to succeed at a few tasks than to attempt and fail at many.

- Seeking expert assistance
- Moderating meetings
- Presentation
- Teamwork
- Leadership
- Collaboration
- Motivation



__3.2.17. Practise the ‘4 Ds’__

One study found that one in three office workers suffers from e-mail-related stress. Making a decision the first time you open an e-mail is crucial for good time management. Below is presented some advice for practicing the ‘4 Ds’:

- Delete: you can probably delete half the e-mails you get immediately.
- Do: if the e-mail is urgent or can be completed quickly.
- Delegate: if the e-mail can be better dealt with by someone else.
- Defer: set aside time later to spend on e-mails that will take longer to deal with.

CHAPTER 4: CUSTOMER RELATIONSHIP AND COMMUNICATION COMPETENCIES

1.Theory and The Importance of Customer Relationships
2.The Customer Relationship Management Approach
3.Developing Effective Customer Relationship Management
4.Developing Effective Communication Competencies

4.1. Theory and The Importance of Customer Relationship and Communication

At its core, customer relationship management (CRM) consists of all the activities, strategies and technologies that companies use to manage their interactions with their current and potential customers. A saying frequently heard and uttered in many businesses is ‘customer is king’.

CRM helps businesses build a relationship with their customers that, in turn, creates loyalty and customer retention. Since customer loyalty and revenue are both qualities that affect a company’s revenue, CRM is a management strategy that results in increased profits for a business. At its core, a CRM tool creates a simple user interface for data collection that helps businesses recognise and communicate with customers in a scalable way.

At its core, CRM is simple. However, it can be implemented using a vast array of methods: websites, social media, telephone calls, chat, mail, e-mail and various marketing materials can all be integrated into a CRM solution. Owing to CRM's diversity, it does not only benefit larger businesses. Using and maintaining a CRM tool is the basis for a scalable sales and marketing system. Any company will benefit from maintaining a record of which conversations, purchases and marketing material can be associated with leads and customers.

4.2. Developing Effective Communication and Customer Relationship Management

Some of the major ways in which CRM accomplishes this goal are listed below (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2793758):

• **Learning.** CRM helps businesses learn about their customers, including who they are and why they purchase your products as well as trends in customers' purchasing histories. This allows businesses to better anticipate their customers' needs and thereby fulfil them. Effectively using customer relationship management can also provide a strategic advantage. Well-organised customer data help companies select the appropriate targets for promotions and new products.

• **Organisation.** CRM allows businesses to become more efficient by organising and automating certain aspects of the business. From sales processes to marketing campaigns and business analytics as well as customer data, CRM automates and streamlines these processes for businesses. This allows the businesses to organise these processes into simpler, easier to understand data.

• **Optimisation.** Finally, CRM software allows businesses to optimise their customer interactions. By simplifying and streamlining many of the more complex customer interaction processes, CRM increases customer satisfaction.

4.2.1. Types of Customer Relationship Management

There are many different types of CRM. However, most CRM software primarily focuses on one major category (https://www.forbes.com/sites/forbesagencycouncil/ 2017/10/24/why-is-customer-relationship-management-so-important/?sh= 3c73d42f 7dac):

• **Operational**. Operational CRM usually concerns one of the three types of operation: marketing, sales and service. Operational CRM is an important tool for lead generation because it frequently deals with past customer data, such as previous marketing campaigns, purchases and service satisfaction. CRM software also aims to automate these processes to create a better experience for both the businesses and their customers. Owing to its focus on efficiency, operational CRM is an excellent fit for companies with shorter sales cycles and high repeat sales, such as e-commerce or B2C retail verticals.

• **Analytical.** The main function of analytical CRM is to analyse customer data so that management can better understand market trends and customers' wants and needs. The goal of analytical CRM is to improve customer satisfaction. Analytical CRM frequently uses data mining and pattern recognition to accomplish this. It works well for companies in higher priced markets with a lot of competition.

• **Collaborative**. Collaborative CRM is when companies share customers' information with outside companies and businesses. By pooling their data, certain businesses are able to create an even greater experience for their customers by obtaining data to which they otherwise would not have had access. It is an excellent fit for markets for which innovation and new product development are paramount to success because the additional data create detailed pictures of what consumers are currently responding to.

4.3. Developing Effective Customer Relationship Management

We all know what it feels like to be a customer with a question or complaint. We are often frustrated or confused, and the last thing we want is an unhelpful interaction with an unprofessional customer support team. Therefore, 55% of customers become customers purely based on the company's reputation for great customer service. To put yourself far ahead of your competition, you must offer fantastic customer support (https://www.messagely.com/communication-concepts/).

Proper communication is at the heart of customer support. To address key issues, your customer service professionals must hone their listening skills, identify problems and offer clear, effective guidance that will resolve these problems. Below are the key concepts that will help you improve your customer support.

4.3.1. Constructivist Theory

Constructivist theory has its foundations in the work of Jean Piaget, a Swiss psychologist who focused on child development and education. Piaget was fascinated by humans' reliance on their previous experiences to construct new knowledge and meaning. If educators follow constructivist theory, they rely on this dynamic to help students discover new principles for themselves. They achieve this goal by engaging in active dialogue with students to translate information into a form that makes sense for them (https://www.messagely.com/communication-concepts/).

This idea is perhaps best demonstrated in Plato's Meno. In this work, Socrates delivered a lesson in geometry to a house slave by simply asking questions and encouraging him to build upon his existing knowledge.

How can we apply this concept to customer support?
If you offer a complex product or service, it is important that you structure your onboarding and customer support materials with this theory in mind. In other words, you must engage in an active dialogue to understand what your customers already know, and how you can help them elaborate on that existing knowledge.

If your customer has a problem, there is a good chance they already have the tools to fix the issue themselves. You should engage with them to understand what they know, and what information you need to give them (https://www.messagely.com/communication-concepts/).

4.3.2. Simulation Theory of Empathy

The simulation theory of empathy is a cutting-edge hypothesis that emerged from the nascent field of social neuroscience. This theory probes the foundations of empathy. Essentially, it revolves around the fact that the human brain contains 'mirror neurons' that activate when we observe and experience actions and emotions.

These mirror neurons allow us to truly feel what another person feels. Research into this theory is ongoing, but it is very promising, it makes sense. We are social creatures, and empathy is at the core of human interaction (https://www.messagely.com/communication-concepts/).

How can we apply this concept to customer support?

Empathy is a very powerful process. You should try to ensure that your customer support team understands this theory so that they can leverage their own natural tendency to empathise by helping customers. Empathetic customer service can help your customers feel as though they are really being cared for.

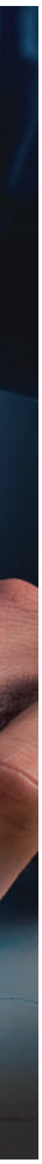
If your customer support professionals offer empathetic service, they will also be better able to put themselves in your customers' shoes. This endeavour will make their support more authentic and effective. Try to ensure that empathy is at the heart of your customer support (https://www.messagely.com/communication-concepts/).

4.3.3. Uncertainty Reduction Theory

Uncertainty reduction theory is a communication concept that was developed by Charles Berger and Richard Calabrese in 1975. This theory states that before two people interact with one another, they will try to reduce uncertainty as much as possible. We have this tendency because we want to be able to predict the other person's behaviour and actions (https://www.messagely.com/communication-concepts/).

The theory states that people use three methods people to try and reduce uncertainty: passive, active and interactive. Using these methods, we can build a picture of the other person, including their motivations and the actions they might perform.

How to apply this concept to customer support?



Customer support is all about reducing uncertainty and trying to effectively understand the customer's motivations and behaviours. If your customer support representatives are given the right tools and training, they will be able to effectively offer excellent customer support that almost makes them appear psychic!

You should empower your customer support team to strengthen these three key methods and reduce uncertainty. Excellent CRM can help them actively understand the customer's background, and quality training gives them the power to deduce motivations through interactions with your customers (https://www.messagely.com/communication-concepts/).

4.3.4. Affect Theory

Affect theory was originally created by American psychologist Silvan Tomkins in 1962. He referred to emotions and subjective feelings as 'affects'. This theory states that affects can be conveyed between people nonverbally. In fact, complex affects can resonate and be reflected without exchanging a single word.

This theory is often utilised in couples therapy. It helps couples identify the affects they transmit, the ways in which they respond and the ways in which their responses impact their relationships. There are positive and negative affects and people can indeed learn how to structure their nonverbal communication to improve their interpersonal relationships (https://www.messagely.com/communication-concepts/).

How to apply this concept to customer support?

You should help your customer support team to understand that not all communication is verbal. Numerous small nonverbal actions can transmit positive and negative affects. Here are just some of the smaller actions you could focus on:

- Quickly answering the phone
- Paying attention to the formatting of e-mails
- Appropriately using punctuation
- Observing small courtesies
- Facilitating customer requests

All of those small nonverbal communication techniques can help transmit positive affects to your customer and smooth out your interactions (https://www.messagely.com/communication-concepts/).

4.3.5. Social Penetration Theory

Social penetration theory was originally formulated by Irwin Altman and Dalmas Taylor in 1973. These two psychologists created this theory after they noticed that relationships between people often develop in a systematic, predictable way. Individuals share more revealing personal information as a relationship progresses (https://www.messagely.com/communication-concepts/).

As larger volumes of more personal information are exchanged, the relationship moves through superficial layers to more intimate ones. That exchange of information is referred to as 'self-disclosure', and it is a dynamic that provides a foundation for all human relationships. Many people intuitively understand this dynamic, and they use it to either grow or halt their relationships.

How can this concept be applied to customer support?

If you want to create a lasting relationship with your customers, it is important for your team to understand the social penetration theory. The best customer service representatives can read an interaction to understand when it is appropriate to self-disclose information that deepens a customer relationship.

A deeper relationship can help you create a sense of cordiality and even friendship. This development can help you retain your customers and add a sense of cooperation to all your interactions with them. On a basic level, it generally helps make life more pleasant for both your team and your customers (https://www.messagely.com/communication-concepts/).

4.3.6. Seven Cs of Communication

The seven Cs of communication form a useful checklist that helps people improve the quality and accuracy of their communication. It gives people the ability to properly convey their ideas and reduce the potential for confusion. The seven Cs are as follows (https://www.messagely.com/communication-concepts/):

- Correct: Communication must be free from grammatical and spelling mistakes.
- Complete: All of the necessary, relevant information should be included.
- Concrete: The message should leave no room for confusion.
- Concise: Communication should be precise and to the point.
- Consideration: The messenger should understand the recipient's mindset.
- Courteous: Messages should be respectful and polite.
- Clear: Communication should always be clear and easy to understand.

How can we apply this concept to customer support?

To improve the quality and accuracy of your customer support, you should teach your customer support representatives the seven Cs of communication. A short workshop can help your customer support team keep this simple rule of thumb in their minds whenever they communicate with customers.

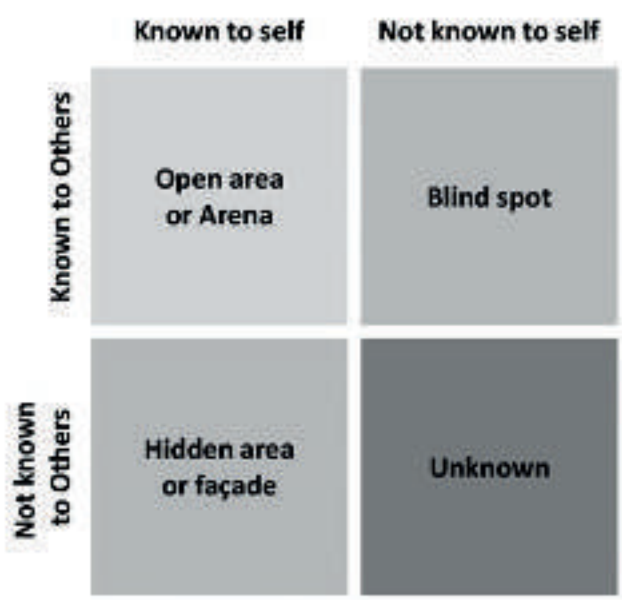
You may also decide to distribute small printouts to your team members that they can keep on their desks and regularly refer to this information. This tactic could improve the clarity of your support and help your customers avoid confusion (https://www.messagely.com/communication-concepts/).

4.3.7. Johari Window Model

The Johari Window Model is a tool that can be used to improve self-awareness and personal development among people in a group. This model was developed by Joseph Luft and Harry Ingham in 1955 and is used to enhance the way people look at others. This model operates on the assumption that people can build trust by sharing information about one another and learning from that feedback (https://www.messagely.com/communication-concepts/).

The model works by representing people as a window with four panes. Each window represents personal information, feelings, and motivations. The location of the pane determines whether that information is known or unknown to oneself and others.

Figure 1: Johari Window



Source: https://www.messagely.com

Through discourse, people can discover more about themselves and other people.

How can we apply this concept to customer support?
A major aspect of effective customer support is knowing when to ask for feedback from customers. Customer feedback is incredibly valuable and can help businesses learn more about the ways in which their own products or services are perceived by audiences.

Equipped with this theory, your customer support representatives will be able to categorise information and ask the right questions at the right time. This concept can help these representatives unlock additional insight and feedback that can make their support even more effective (https://www.messagely.com/communication-concepts/).

4.3.8. Inoculation Theory

Inoculation theory was developed by William J. McGuire in 1961 in an attempt to explain how people can preserve their attitudes and beliefs in the face of attempts to change them. People's attitudes and beliefs are often besieged by sources such as peer pressure, temptation, advertisements and personal relationships, among others.

As the name suggests, McGuire believed that the most effective method is for a person to expose themselves to weak counterarguments that will bolster their understanding of their own attitude or belief—in the same way that vaccines expose people to safe amounts of diseases (https://www.messagely.com/communication-concepts/).

How can we apply this concept to customer support?

It is useful for customer support representatives to understand inoculation theory. In fact, you might decide to structure parts of their training and onboarding around this theory. This concept can help your representatives be more resilient when they encounter challenges, and it can help them develop their own allegiance toward your product or service.

For instance, imagine that you know your customer support team will face tough questions and challenges from customers. You might decide to expose your customer support team to the most common objections and challenges that they may expect to encounter. This tactic can help them develop stronger responses and prepare themselves for future challenges (https://www.messagely.com/communication-concepts/).

4.3.9. Coordinated Management of Meaning Theory

The coordinated management of meaning theory posits that communication is a vital element in all human life. When we interact with others, we define our experiences and attribute meaning to them. However, that conversation is constant, and our social realities are in states of constant flux based on our conversations.

However, the CMM theory states that we can control the chaos and manage meaning in a productive way to clarify our communications and track the evolution of our social realities. This concept can help us accurately interpret the messages of others, resulting in an improved sense of harmony among social interactions (https://www.messagely.com/communication-concepts/).

How to apply this concept to customer support?

If you focus on CMM, you will understand that conversations are constantly evolving, and that your current conversation is influenced by the previous one. If you understand that you are creating a new reality when you interact with another person, you can focus on making sure that you communicate with clarity.

If your customer support representatives understand this concept, they can focus on interacting with your customers in a clear way that moves the conversation forward. This understanding can help them more effectively serve your customers (https://www.messagely.com/communication-concepts/).

4.4. Developing Effective Communication Competencies

Effective communication skills are fundamental to success in many aspects of life. Many jobs require strong communication skills. People with good communication skills usually also enjoy better interpersonal relationships with friends and family.

Effective communication is therefore a key interpersonal skill, and learning how to improve your communication has many benefits. However, many individuals find it difficult to know where to start. This section sets out the most common 'problem areas' and suggests where you might focus your attention (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2793758).

4.4.1. Be an Active Listener

Effective listening is the starting point for effective communication. 'Active listening is listening with all of one's senses', says physician communication expert Kenneth H. Cohn, MD, MBA, FACS. 'It's listening with one's eyes as well as one's ears. Only 8% of communication is related to content—the rest pertains to body language and tone of voice.' (https://www.skillsyouneed.com).

Cohn suggests creating a setting in which 'listening can be accommodating'. For example, it is better not to conduct a conversation when one person is standing and the other is sitting—make sure your eyes are at the same level. Eliminate physical barriers, such as desks, between you and the other party. Acknowledge the speaker with your own body language: lean forward slightly and maintain eye contact. Avoid crossing your arms, which conveys a guarded stance and may suggest arrogance, dislike, or disagreement.

When someone is speaking, put a premium on 'being present'. Take a deep breath (or drink some water to keep from speaking) and create a mental and emotional connection between you and the speaker. 'This is not a time for multitasking, but to devote all the time to that one person', Cohn advises. 'If you are thinking about the next thing you have to do or, worse, the next thing you plan to say, you aren't actively listening'.

Suspending judgement is also part of active listening, according to Cohn. Encourage the speaker to express themselves fully, free of interruption, criticism or direction. Show your interest by inviting the speaker to say more with expressions such as 'Can you tell me more about it?' or 'I'd like to hear about that.'
Finally, reflect back to the speaker your understanding of what has been said and invite elaboration and clarification. Responding is an integral aspect of active listening and is particularly important in situations that involve conflict (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2793758/).

In active listening, through both words and nonverbal behaviour, you convey the following messages to the speaker:

- I understand your problem.
- I know how you feel.
- I am interested in what you are saying.
- I am not judging you/

4.4.2. Communication Is a Process

Effective communication requires paying attention to the entire process and not just the content of the message. When you are the messenger in this process, you should consider potential barriers at several stages that might prevent your intended audience from receiving your message.

Be aware of how your own attitudes, emotions, knowledge and credibility with the receiver might impede or alter whether and how your message is received. Be aware of your own body language when speaking. Consider the attitudes and knowledge of your intended audience as well. Diversity with respect to age, sex and ethnicity or race can add to the communication challenges, as do different training backgrounds.

Individuals from different cultures may assign very different meanings to facial expressions, use of space and—in particular—gestures. For example, in some Asian cultures, women learn that it is disrespectful to look people in the eye and so they tend to keep their eues downcast during conversations. In the US, however, such body language could be misinterpreted as a lack of interest or lack of attention (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2793758/).

Choose the appropriate medium for the message you want to communicate: e-mail or phone call? Personal visit? Group discussion at a meeting? Notes in the margin or a typed review? Sometimes more than one medium is appropriate, such as when you give the customer written material to reinforce what you have said, or when you follow-up a telephone conversation with an e-mail beginning, 'As we discussed…'.

For one-on-one communication, the setting and timing can be critical to communicating effectively. Is a chat in the corridor alright, or should this be a closed-door discussion? Would it be best in your office or over lunch? Consider the mindset and milieu of the communication receiver. Defer communicating complex information on someone's first day back from vacation or if you are aware of situations that may be anxiety-inducing for that individual. Similarly, when calling someone on the phone, confirm that it is a convenient time to talk. Offer to set a specific time to call back later (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2793758/).

4.4.3. Be Attuned to Body Language—Your Own and Others

Many nonverbal cues, such as laughing, gasping, shoulder shrugging and scowling, have meanings that are well understood in our culture. However, the meaning of some of these other subtler behaviours may not be as well known (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2793758/).

Hand movements. Our hands are our most expressive body parts, conveying even more than our faces. In a conversation, moving your hand behind your head usually reflects negative thoughts, feelings, and moods. It may be a sign of uncertainty, conflict, disagreement, frustration, anger or dislike. Leaning back and clasping both hands behind the neck is often a sign of dominance.

Blank face. Though theoretically expressionless, a blank face sends a strong 'do not disturb' message and is a subtle sign to others to keep a distance. Moreover, many faces have naturally down turned lips and frown line creases, making an otherwise blank face appear angry or disapproving.

Smiling. Although a smile may show happiness, it is subject to conscious control. In the US and other societies, for example, we are taught to smile whether or not we actually feel happy, such as in giving a courteous greeting.

Tilting the head back. Lifting the chin and looking down the nose are used throughout the world as nonverbal signs of superiority, arrogance, and disdain.

Parting the lips. Suddenly parting one's lips may signal mild surprise, uncertainty, or unvoiced disagreement.

Lip compression. Pressing the lips together into a thin line may signal the onset of anger, dislike, grief, sadness or uncertainty (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2793758/).

4.4.4. Build a Team Culture

Communication within a team calls for clarifying goals, structuring responsibilities, and giving and receiving credible feedback. The key cues are as below (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2793758/):

Stated goals and team values. An effective team is one in which everyone works toward a common goal. This goal should be clearly articulated. Effective teams have explicit and appropriate norms, such as when meetings will be held and keeping information confidential. Keep in mind that it takes time for teams to mature and develop a climate of trust and mutual respect. Groups do not progress from forming to performing without undergoing a storming phase in which team members negotiate assumptions and expectations with respect to behaviour.

Clear individual expectations. All the team members must be clear about what is expected of them individually and must accept their responsibility for achieving the goal. They should also understand the roles of others. Some expectations may relate to their regular job duties; others may be one-time assignments specific to the team goal. Team leadership may rotate on the basis of expertise. Members must have resources available to accomplish their tasks, including the time, education and equipment needed to reach the goal. Members should openly discuss what is required to get the job done and find solutions together as a team.

Empowerment. Everyone on the team should be empowered to work towards the goal in his or her own job in addition to contributing ideas for the team as a whole. Team members must trust one another with important tasks. This requires accepting others for who they are, being creative, and taking prudent risks. Invite team members to indicate areas in which they would like to take the initiative. Empower them by giving them the freedom to exercise their own discretion.

Feedback. The provision of feedback on performance is a basic tenet of motivation. Some goals warrant daily or weekly results. Decide together as a team what outcomes should be reported and how often.

Positive reinforcement. Team members should encourage one another. Take the lead and set an example by encouraging others when they are down and praising them when they do well. Thank individuals for their contributions, both one-on-one and with the team as a whole. Celebrate milestones as a way to sustain team communication and cohesion.

4.4.5. Effective E-mail

E-mail has numerous features that make it a wonderful tool for communicating with a team: it is immediate; it is automatically time-stamped; and filing and organising are easy. The e-mail subject line is a particularly useful feature that is typically underused. Make it your best friend. Use it like a newspaper headline to draw the reader in and convey your main point or alert the reader to a deadline.

As with all written communication, the most important aspect to consider is the audience. Consider the knowledge and biases of the individuals you are e-mailing. Where will the reader be when they receive your message? How important is your message to the reader? The purpose of writing is to engage the reader. You want the reader to do something, know something or feel something. Write in a way that helps the reader. Put the most important information—the e-mail's purpose—in the first paragraph (https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2793758/).

Except among friends who know you well, avoid using sarcasm in e-mail messages. The receiver does not have the benefit of your tone of voice and body language to help them interpret your communication. When delivering comments that are even slightly critical, it is better to communicate in person or via a phone call than to do so in an e-mail. Something you write with good intentions and an open mind or even with humour can be interpreted as nitpicky, negative and destructive and can be forwarded to others.

Because we use e-mail for its speed, it is easy to form the habit of dashing off a message and pressing the 'send' button. We rely on the automatic spell-check (and you should have it turned on as your default option) to catch our errors, but spelling typos are the least problematic aspect of communicating effectively via e-mail.

Take the time to read through your message. Is it clear? Is it organised? Is it concise? Check whether anything could be misinterpreted or raise unanswered questions. The very speed with which we dash off e-mail messages makes e-mail the medium via which we are most likely to communicate poorly. Finally, remember to supply appropriate contact information, including phone numbers or alternative e-mail addresses, for responses or questions (www.ncbi.nlm.nih.gov/pmc/ articles/ PMC2793758).

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Organize Sanayi Bölgesi Mavi Cadde 2. Sokak No: 2 16140 Nilüfer/BURSA
T: +90 224 294 85 47 F: +90 224 294 85 39
info@youngtraders.com

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AMBASSADORS