

## **PAYMENTS AND RISK ASSESSMENT**

**Payment methods** can be cash, by cheque, bank transfer, card or draft and their terms depend on how exporters rate and trust importers. If they have good credit standing, sales are made on open account terms, otherwise payment in advance is required. The basic terms of payment in international trade, listed from the safest for exporters to the least secure, and vice versa, from the riskiest for importers to the safest, are:

- 1. payment/cash in advance**
- 2. letter of credit**
- 3. documentary collection**
- 4. bank transfer**
- 5. bill of exchange/draft**
- 6. open account**
- 7. on consignment**

**Risks** in international trade can be:

- **economic**, due to the buyer's insolvency, protracted late payments, unpredictable business environment and fluctuating exchange rates;
- **political**, due to wars or changes in government policies commercial, due to non renewal of import and export licenses, trade embargoes or corruption;
- **unpredictable**, due to natural catastrophes, for example.