

# [Turkish market](https://assignbuster.com/turkish-market/)

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The most important risk associated with such an operation, most notably with the exchange and repatriation of funds from Turkey to the US, is the currency exchange risk.  What exactly does this type of risk refer to?  In the cases of international commercial operations, most notably in direct implementations in other countries, the operator needs to consider two or more different currencies with which the organization will need to deal with.  The relationship between these currencies is determined by the exchange rate between them.

In general, the production costs are supported in the currency of the country where the implementation was made, in this particular case, in Turkey, which means that these costs will be paid for in Turkish Liras.  On the other hand, we should also consider the fact that much of the commercial activity will take place on the Turkish market, which means that the income will also be obtained in Turkish liras. Nevertheless, the funds are needed in the US, so income in Turkish Liras will need to be transformed in US Dollars when repatriated.  This is where the problem might appear.

In this particular case, if the Turkish Lira appreciates as compared to the US Dollar, this would mean that less US Dollars would be obtained for a certain amount of Turkish Liras.  At the same time, the production costs will increase in relation to the dollar, because these are supported in the local, strong currency.  The risk is, as such, the local Turkish national currency will become stronger than the dollar and the relative earnings in the US currency will be lower than if the Lira was constant or if it depreciated.