

# Financing foreign trade (slp)

Business



**FINANCING FOREIGN TRADE** We are in an era of globalization, and the world has become increasingly interconnected due to immense technological advancements. This development has enabled easy movement of goods and services across the world for commercial purposes; this is the essence of foreign trade. Countries have become interdependent; India imports mainly aircrafts and other machinery, precious stones that is diamond and gold, fertilizers and soybeans from America while she imports majorly agricultural products like rice, processed fruits and vegetables, essential oils, tree nuts, coupled with pharmaceutical products and diamonds from India.(Office of the United States Trade Representative, 2011). This foreign trade is mutually beneficial however there are myriad of problems associated to it. Let us look at some problems related particularly to financing the foreign trade.

According to Boland (2011), these financing issues or risks may include but not limited to: personal credit risks, country risks like economic and political stability coupled with any existing trade controls, fluctuating exchange rates that makes it difficult to predict the exact amount required for a given transaction, the varying degrees of stability of different banks for instance a bank may have a bad history of either delaying or reneging payments, fraud like cargo theft, forged documents, insurance scams and piracy, and the risks of documentary credits for example goods are released to the importer with an agreement of later payment supported by a draft, the risk being the goods may not be sellable, substandard or bogus but payment is still required by the exporter or the financing bank, or the importer may receive goods and fail to honor their commitments to pay for them later. Against this back drop, I desire to be admitted to your institution to be able to properly understand foreign trade, problems associated with it and their mitigations

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with the aim of using this knowledge to help the society to excel in foreign trade and it's financing.

#### References

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