

8 International trade

Subject background

Why export? The two most important reasons are likely to be under-used capacity (exporting will allow you to increase production, reduce unit costs and increase profits) and diversity (relying on just your own domestic market is risky because the market may decline, there may be seasonal factors, etc. Selling in other countries allows you to spread the risk and develop opportunities abroad).

Before getting started, there is a lot of initial research to be done on the foreign market. The main concerns will include:

- background information (economic situation, political stability, currency risk)
- market size and likely product demand
- competitors' products already in the market
- tariffs or import restrictions (duties, quotas, taxes)
- distribution channels and methods (agents, distributors, wholesalers, retailers)
- technical, safety, environmental and other standards required by law
- packing and packaging issues (climate and time in transit, handling methods, need for different packaging to suit local market)
- sales literature and support material (translations needed)
- servicing arrangements (if needed)
- customer satisfaction policy (money back/replacement schemes).

A major question is then going to be the nature of the distribution channel. Options to consider will include:

- 1 Direct selling from manufacturer to customer without an intermediary.
- 2 Domestic export firms operating in foreign markets (with their own agents, local offices, etc). These firms will take your goods on a wholesale basis and do all the sales and paperwork. However, you have no control over the market and your products may receive little attention compared to others.
- 3 Agents working exclusively for you in the foreign market. An agent receives a commission for sales made on your behalf. The advantages of using agents are that you gain the services of an experienced local person with contacts and market experience. The disadvantages are that the agent will take a high commission and may lose interest quickly if sales do not arrive quickly.
- 4 Distributors. A distributor is different to an agent. A distributor is a customer – they have rights (usually exclusive) to purchase your products and resell them in their market. They are like a foreign wholesaler. An agent is just an intermediary and never actually buys any products on their own account.

With agents and distributors there will be many issues to discuss and negotiate on an ongoing basis. These include:

- which products are to be sold
- prices in the foreign market
- performance targets
- payment of local marketing costs
- transportation (taking into account speed, cost, security and efficiency)
- getting paid (cash in advance, letters of credit, bill of exchange, open account, etc.).

There are other more specialized export options:

- 5 Licensing. This means selling or leasing some industrial or commercial expertise (for which you own the patent).
- 6 Franchising. This is a form of licensing for products which do not have patents.
- 7 Joint venture. This is a company owned jointly by two or more companies – for example a foreign company with a local partner.

Useful websites

On the net, a good starting point to research international trade are these two government sites (one UK and one US):

<http://www.businesslink.gov.uk>

<http://www.unzco.com/basicguide>

The World Trade Organization site is also useful (explore the link to Resources):

<http://www.wto.org>

For the activities of individual companies, look at:

<http://www.corporateinformation.com>

8.1 About business

Export sales and payment

This module explores the theme of international trade and payments. Students also practise negotiating skills and using diplomatic language.

Internet research

A search using *Big Mac Index* will reveal it is an informal way of comparing the purchasing power of two currencies. It was introduced by *The Economist* magazine in 1986 in a light-hearted way, and has been published more or less every year since then. One way of predicting exchange rate movements is that the rate between two currencies should naturally adjust so that a sample basket of goods and services should cost the same in both currencies. In the Big Mac Index, a Big Mac hamburger from the McDonald's fast food restaurant chain is used as the single sample item.

Students could be asked to compare their own currency with one or more others using the Big Mac example. This research could be done at the end of this module.

LEAD-IN ACTIVITY

To get students thinking about overseas sales and payments, ask if they have any experience of shopping in a foreign country or if they have bought anything online from a company in another country. What happened? How did they pay? Did they have any problems with payment, shipment or delivery?

Alternatively, ask students about the use of credit cards in their country. Are they widely used? How many credit cards do people usually have? What do they use credit cards for? Are there any problems in their country with consumer debt?

Discussion

1 Circulate while students are discussing the question and assist where necessary. Make a note of any useful vocabulary to share with the whole class at the feedback stage. Ask one student in each pair to give you one aspect of the difficulty of selling in overseas markets. Make a list on the board.

SUGGESTED ANSWERS:

quotas, import taxes, exchange controls, local regulatory bodies like FDA, local customs for payment terms, difficulty of providing after-sales service, language barrier, corruption

Scan reading

2 Check that students know what a pinball machine is (a game in which small metal balls are shot across a board and points are scored when the ball hits a pin with lights). Ask some questions to establish the context, e.g.:

Are pinball machines popular in your country?

Where do you usually find them?

Do you play on them?

Get students to read the first paragraph of the article. Ask some simple questions to set the context, e.g.:

Why did Eisenhart Games expand into markets outside the US? (because of competition from video games and computers in the US)

What is Eisenhart's share of the Middle East market? (35%)

If necessary, explain *take on board* (take notice of, learn).

With lower-level classes, students could read the article one paragraph at a time and identify the mistake.

ANSWERS:

- 1 wasting a lot of time chasing payments
- 2 trying to sell on price
- 3 not managing an agent
- 4 not taking an enquiry seriously


Reading for detail

3 Students work with a partner to find the answers. They should underline the relevant phrases in the article. Students could also pick out any examples that Daryl Vincenti gives to illustrate his points.

ANSWERS:

- 1 Use a credit agency to check out your customer's creditworthiness and to insure against non-payment.
- 2 Be flexible, learn to think outside the box.
- 3 Don't assume that what works well on your domestic market will automatically go down well in another.
- 4 Be prepared to modify product specifications to meet local conditions.
- 5 Focus on different aspects of the marketing mix.
- 6 Focus on one market, rather than trying to sell all over the world.
- 7 Make a firm commitment to export / put in a lot of time, get out there and meet your customers.
- 8 Remember that appearances can be deceptive.

Listening for detail

4  3:16 Read the questions with the whole class. Students work with a partner to note down the answers to the questions. Play the recording as many times as necessary. Note that the terms *open account* and *letters of credit* are explained in exercise 5. Check answers with the whole class.

With lower-level classes, pause the recording after the answer to each question to give students more time to write.

ANSWERS:

- 1 Information and insurance.
- 2 There is information on over 50 million businesses worldwide, which allows N&H to provide information about financial performance, payment and possible problems.
- 3 They give a quick guide to how safely you can do business with a company or in a country.
- 4 70% of European firms, less than 5% of American firms.
- 5 Trading on open account with no need for letters of credit.
- 6 Between 0.25 and 1% of sales.

RECORDING SCRIPT

 3:16

Interviewer: Mr Sullivan, Daryl Vincenti of Eisenhart Games recommends using a credit agency like yours. But can you tell us first what exactly credit agencies do?

JS: Well, basically, we offer a range of services in two main areas: information and insurance. Some of our clients are interested in information to help them manage credit risk, and others come to us for insurance. But many companies, like Eisenhart, need both information and insurance.

I: What sort of information can you provide?

JS: We have details of over 50 million businesses in countries all over the world. So, for example, we can help Daryl by telling him how businesses and countries in the Middle East are doing financially; we can tell him if his prospective customers pay, and how quickly they pay; and, in particular, we can warn him if one of his customers gets into financial difficulty.

I: And you give each company a rating which indicates how reliable they are?

JS: Yes, companies – and also countries – are given a rating. This gives us a quick guide to how safely you can do business with a particular company or in a particular country. Actually, there's much more than just the rating. Clients like Daryl receive detailed credit reports which help them decide if and how to work with different companies.

I: I see. Now, what about credit insurance? Is that something new?

JS: Well, it's relatively new over here in the States, but not in Europe. European companies have been using it for a long time. 70% of European companies use credit insurance, whereas in the States the figure is below 5%.

I: Why is that?

JS: Essentially because European firms have to export, because their internal markets are too small. Until now, the majority of American firms have done most of their business in America, so they didn't need credit insurance unless the customer was very risky. Nowadays, companies like Eisenhart need to export, so they're discovering the advantages of credit insurance. For example, it means that in Saudi Arabia, Daryl can trade on open account, with no need for letters of credit, which take a lot of time and are relatively expensive.

I: I see. Talking of expense, what does credit insurance cost?

JS: Well, of course, it depends on the contract. The more risk the insurer takes on, the higher the premium will be. But, on average, I would say, for international credit insurance, between 0.25 and 1% of sales.

Reading for detail

5 Give students a few minutes to put the methods of payment in order, then check answers with the whole class. Get students to give reasons for their answers, if they can.

ANSWERS:

- 4 Open Account 1 Advance Payment 3 Bills for Collection
2 Letters of Credit (L/Cs), also known as *documentary credits* (DCs)

Discussion

6 Students work with a partner. Check answers with the whole class. Students may have different answers, but should be able to give reasons for their choice.

SUGGESTED ANSWERS:

- | | |
|-----------------------|-----------------------|
| 1 Open account | 4 Bill for collection |
| 2 Bill for collection | 5 Open account |
| 3 Advance payment | 6 Letter of credit |

7 Students work with a partner. Remind them of the discussion in exercise 1 and the points raised in the article on page 97. Circulate and assist where necessary. Take whole-class feedback and make a list of problems and solutions on the board.

SUGGESTED ANSWERS:

Problems:

Different customer expectations, financing and producing to meet increased demand, transport, payment, currency exchange, pricing and margins, tax and VAT issues, managing agents / distributors, insurance.

Possible solutions:

Pricing – item might be too expensive for some markets and priced too low for others. Would need to check going rate of similar articles in individual markets and adjust pricing accordingly.

Transport – increased risk of damage to / loss of goods in transit – get insurance.

Problems with payment – could go for advance payment, etc.

8.2 Vocabulary

International deals and payments

This module practises verb–noun collocations, phrasal verbs and other vocabulary to do with payments.

Internet research

One definition of a *thesaurus* is that it is a list of words showing similarities, differences, dependencies, and other relationships to each other. It will include synonyms (words with the same meaning), antonyms (words with opposite meanings) and collocations (combinations of words that are used together). With care, a thesaurus can be used to broaden one's vocabulary and provide variety in one's writing.

Students could do this research before they do this module or as a follow-up activity when they have finished.

Collocations

1 Students complete the first part of this exercise individually or with a partner. Allow them to use dictionaries, if they wish. Circulate while they are working and assist where necessary. Check answers with the whole class.

ANSWERS:

- | | | |
|--------------|----------|------------------|
| 1 an invoice | 2 goods | 3 an application |
| 4 conditions | 5 a deal | 6 a payment |

Then, ask students to pick out any collocations that are new to them or that they are unsure of, and review their meaning and use.

Do the second part of the exercise with the whole class, making two lists on the board under the headings: *Buyer* and *Seller*.

SUGGESTED ANSWERS:

- the seller issues / the buyer queries / settles an invoice
- the seller provides / loads / ships the goods
- the buyer submits / the seller vets / approves an application
- the buyer states / the seller meets / complies with the conditions
- the buyer and seller negotiate / make / sign / a deal
- the seller chases / the buyer makes / meets a payment

Phrasal verbs

2 and **3** Students work alone to do these exercises, then compare their answers with a partner. Check answers with the whole class by getting students to read the correct sentence aloud, followed by the definition.

ANSWERS:

Exercise 2

- Check up on** your new customer's creditworthiness.
- Take out** insurance if you have doubts about getting paid.
- Do not let customers **get behind with** their payments.
- Chase up** invoices as soon as they become overdue.
- Act quickly if your customer is **getting into** difficulties.

Exercise 3

- (take out)
- (getting into)
- (check up on)
- (chase up)
- (get behind with)

Listening

4 🎧 3:17–3:21 With higher-level classes, play the five conversations straight through and get students to make notes on their answers.

With lower-level classes, pause after each conversation to allow students to decide on their answers.

Check answers with the whole class. Accept any reasonable answers, as long as students include the correct target vocabulary.

SUGGESTED ANSWERS:

- 1 A Slovakian company has submitted an application for credit.
Bruno asks his colleague to check up on them.
- 2 They have to take out insurance to comply with the conditions in the contract.
- 3 Francesca's boss asks her to chase a payment from Kawasaki; she doesn't want them to get behind with their payments.
- 4 Mr Takahashi queries the invoice. He asks for more time to settle the invoice; the company seems to be getting into difficulties.
- 5 They talk about shipping goods, and finally reach a deal.

RECORDING SCRIPT

🎧 3:17–3:21

1

A: Bruno, have you seen this letter from those people in Slovakia?

B: No, what do they want?

A: Well, they say they're ready to place a large order now if they can pay next year.

B: Well, you'd better do some research on the company. Make sure they can pay! But be discrete. We don't want to upset them.

2

C: I'm still worried about sending these parts by sea. They're quite fragile, you know.

D: Well, don't worry. We're meeting the insurance people tomorrow. If anything goes wrong, we'll be covered.

C: But the insurance premium will be expensive, won't it?

D: Probably. But we have to do it anyway. It's one of the conditions in the contract. No insurance, no deal.

3

E: Francesca, have we received a payment from Kawasaki?

F: No. And I've already sent two reminders.

E: Two? Listen, could you give them a call? If we're not careful, they'll be late every month, and I don't want to have the same problems we had last year.

4

F: So, could you send the payment as soon as possible, Mr Takahashi?

G: Well, it's just that there seems to be a small problem with your invoice. It's more expensive than we expected.

F: I'm sorry, Mr Takahashi, but the invoice is for exactly the same amount as our quotation, which you accepted.

G: Ah, yes. Well, exceptionally, as we are regular customers, could you perhaps wait two or three weeks? We just have a small cashflow problem at the moment. I'm sure you understand, Ms Trevi. It's nothing to worry about ...

5

H: Well, we'll accept your terms providing you deliver direct to our factory.

I: Hm. Our customers normally collect the goods from the port of entry.

H: But you said yourself these parts are fragile, so surely it would be better for the same forwarder to deliver all the way to the door? That way there's less risk of damage.

I: Well, you have a point there, I suppose.

H: And this will be a regular order, so it means a lot of business for the forwarder. I'm sure you can negotiate good terms with them.

I: Yes. Yes, you're right. OK, then. It's a deal.

Collocations

5 Do this as a whole-class activity, listing the collocations on the board. Make sure that you have listed the collocations needed for exercise 6.

ANSWERS:

credit line, credit terms, credit period, credit sales, credit card, credit insurance, credit policy
insurance claim, insurance policy, insurance sales
customer credit, customer loyalty, customer portfolio

6 Students complete the sentences individually. Check answers by getting students to read the complete sentences aloud.

ANSWERS:

- 1 customer loyalty
- 2 credit policy
- 3 insurance policy
- 4 customer portfolio
- 5 credit insurance
- 6 insurance claim

Defining words

7 Student A's information is on the page so ask Student B to cover the crossword until they are ready to start.

To help students get started, do a few definitions with the whole class. Choose one of the terms in exercise 1, e.g. *negotiate a deal*, and give students a simple definition, e.g. *this means that two people or companies discuss things until they reach an agreement*. Students have to guess the term. Continue with one or two more terms, e.g. *vet an application*, *ship goods*, and get students to suggest definitions.

Students could use a dictionary or thesaurus to help them with any new words or phrases. While students are completing the crossword, circulate and assist where necessary.

When they have finished, get students to practise using the expressions by forming sentences of their own which include them.

ANSWERS:

1	H	A	V	E	D	O	U	B	T	S
2	A									
3	V									
4	E									
5	R	E	C	O	N	S	I	D	E	R
6	E									
7	S									
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FURTHER PRACTICE

Get students to close their books. Using some of the key words in this module, write a list of scrambled words on the board and get students to unscramble them, e.g.:

<u>o</u> <u>e</u> <u>i</u> <u>i</u> <u>v</u> <u>n</u> <u>c</u>	(invoice)
<u>n</u> <u>a</u> <u>p</u> <u>m</u> <u>y</u> <u>e</u> <u>t</u>	(payment)
<u>r</u> <u>d</u> <u>i</u> <u>t</u> <u>e</u> <u>c</u>	(credit)
<u>r</u> <u>d</u> <u>i</u> <u>r</u> <u>m</u> <u>n</u> <u>e</u> <u>e</u>	(reminder)
<u>o</u> <u>o</u> <u>n</u> <u>t</u> <u>i</u> <u>a</u> <u>e</u> <u>m</u> <u>c</u> <u>p</u> <u>s</u> <u>n</u>	(compensation)
<u>m</u> <u>l</u> <u>a</u> <u>c</u> <u>i</u>	(claim)
<u>l</u> <u>y</u> <u>o</u> <u>c</u> <u>i</u> <u>p</u>	(policy)
<u>o</u> <u>l</u> <u>p</u> <u>t</u> <u>f</u> <u>r</u> <u>o</u> <u>i</u> <u>o</u>	(portfolio)
<u>p</u> <u>o</u> <u>v</u> <u>e</u> <u>r</u> <u>p</u> <u>a</u>	(approve)
<u>u</u> <u>n</u> <u>i</u> <u>a</u> <u>c</u> <u>e</u> <u>n</u> <u>s</u>	(insurance).

When they have unscrambled the letters, get students to suggest collocations for them.

8.3 Grammar**Prepositions**

This module practises prepositions of time, verb + preposition and noun + preposition combinations in the context of international trade.

Internet research

A search for “*how to become a millionaire*” will reveal several websites offering advice. The words that students choose will vary, but some possible answers might be *take control of, decide on, make good use of, be certain of, willingness to, the best strategy for*.

Students could do this research before they do the speaking activity in exercise 7 or after they have completed this module.

Test yourself: Prepositions

1 Start by reading the notes on prepositions in the *Refresh your memory* box with the class. Get them to make simple sentences using some of the phrases in the box.

Students work alone to complete exercise 1 and then compare their answers with a partner. Check answers with the whole class by getting individual students to read the sentences or parts of the sentences aloud. If students seem unsure of the prepositions or would like further practice, work through some or all of exercises 1–8 in the *Grammar and practice* section (page 132 of the Student’s Book, answers on page 119 in this book).

ANSWERS:

- 1 from
- 2 During
- 3 by
- 4 until
- 5 on
- 6 for
- 7 in
- 8 within
- 9 at
- 10 after

2 Follow the same procedure as in exercise 1. Check answers by getting students to read the complete sentence aloud. For further practice, students could complete exercises 9–11 in the *Grammar and practice* section (page 133 of the Student’s Book, answers on page 119 in this book).

ANSWERS:

- 1 about, no preposition
- 2 no preposition, to
- 3 on, on
- 4 in, to
- 5 no preposition, on
- 6 to, from
- 7 no preposition, to
- 8 for, for

FURTHER PRACTICE

To consolidate use of the prepositions, get students to group the verbs according to the preposition used, e.g.:

about: *hear about*
 for: *apologize for, wait for*
 from: *hear from*
 in: *succeed in*
 on: *insist on, comment on, rely on*
 to: *look forward to, complain to, consent to, conform to*


Get students to explain the difference between *hear about* (you hear about something) and *hear from* (you hear from a person) and between *complain about* (you complain about something) and *complain to* (you complain to a person).

3 Follow the same procedure as in exercise 1. For further practice, students could complete exercises 12–13 in the *Grammar and practice* section (page 133 of the Student's Book, answers on page 119 in this book).

ANSWERS:

- 1 International negotiators should always show respect for other cultures.
- 2 Transparency in all dealings with foreign governments is essential to success in export.
- 3 Exporters should remember that certain countries levy special taxes on imports.
- 4 Any involvement with illegal trading practices can permanently damage a company's image.
- 5 Late payment can have a very damaging effect on a company's cash-flow.
- 6 The seller's bank may have access to information about the buyer's credit-worthiness.
- 7 In a confirmed documentary credit, the seller's bank takes responsibility for obtaining payment.
- 8 Bills of exchange and letters of credit are no substitute for careful credit checks.
- 9 Credit ratings and reports are a practical solution to the problem of evaluating risk.
- 10 Credit insurance can eliminate the need for letters of credit.

Listening for detail

4  3:22 Get students to read the schedule and try to predict the prepositions. In most cases, there is more than one possibility. Play the recording. Pause at appropriate places to allow students time to note down their answers. Check answers by getting students to say the complete sentence aloud.

ANSWERS:

- 2 by 6.30
- 3 at 23.10
- 4 not until 9.15 / at 9.15
- 5 at 7.30 or later
- 6 by 7.45
- 7 until Saturday
- 8 between tomorrow morning and Friday
- 9 on Saturday evening
- 10 before flying back / on Saturday
- 11 within three weeks
- 12 during the flight

RECORDING SCRIPT

 3:22

- Paul: Oh, Jenny, did you pick up my tickets?
 Jenny: No, I'm picking them up this evening. I have to be there before 6, so I'll be able to drop them off here by 6.30.
 P: That's great! What time's the flight?
 J: It's at 23.10. But it's OK – check-in doesn't open until 21.15. You've got plenty of time.
 P: Hm. I've got the finance committee tonight. That usually goes on until at least half seven. I'll only just have time to go home and pick up my suitcase. I probably won't see the kids for a week now. They'll be in bed by quarter to eight. When do I get back from the States again?
 J: On Sunday morning. You've got six meetings between tomorrow morning and Friday. That leaves you a day to visit New York, and you fly back late on Saturday evening.
 P: Well, I don't think I'll have much time to visit New York. I've got the Merosom pitch to prepare for next Monday. I'm going to be jetlagged on Sunday, so I'll have to do it before flying back.
 J: Oh, yes, that's right. When do you expect Merosom to announce their decision?
 P: Well, they said within three weeks. By the way, have you got the files for the New York meetings?
 J: Yes, they're all ready. Do want to look at them now?
 P: No, I've got another meeting!
 J: Well, you'll have to read them during the flight, then.
 P: Hm. I suppose so.
 J: OK. Well, I'll get on, then, unless you've got any other questions?
 P: Er, yes, just one. When am I going to sleep?

Dependent prepositions

5 Students work with a partner. They should refer back to the earlier exercises to remind them of some of the prepositions. Check answers with the whole class.

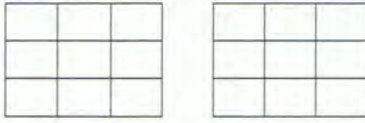
ANSWERS:

- 1 agree ask consent refer (to)
- 2 comply sympathize resort associate (with)
- 3 vote pay allow object (for)
- 4 depend rely insist attend (on)
- 5 result invest borrow succeed (in)
- 6 suffer emerge hear account (from)
- 7 discuss apply look apologize (for)
- 8 consist react approve think (of)
- 9 access call comment tell (o)
- 10 insure fight protect conform (against)

See next page for an extension activity on dependent prepositions.

EXTENSION ACTIVITY

Divide the class into pairs and get each pair to draw two 3x3 grids, each one on a separate piece of paper like this:



In the squares of one grid they should write nine verbs, and in the other grid nine prepositions, selected from the exercises in this module.

Collect all the completed grids and put the verb grids in one pile and the preposition grids in another pile. Mix each pile up and distribute them around the class so that each pair receives one of each.

The pairs see how many combinations of verb + preposition are possible from the words on the grids and make a list on a separate piece of paper. They can use their dictionaries to check their answers, if necessary.

When students cannot think of any more combinations (or you could set a time limit), they should pass their grids to the pair on their left and repeat the procedure again with a new pair of grids. They continue in this way until they have found 20 correct combinations. (You can adjust this total according to the level of your students or the time available.) The game stops when the first pair reaches this total. Circulate while students are working and check their answers.

Get the winning pair to read out their verb + preposition combinations.

Listening for gist

6 3:23–3:32 Play the ten short dialogues. Allow students to choose the correct words and add the prepositions individually, before checking answers with the whole class. Get students to pick out the words or phrases they heard which helped them arrive at the answer.

With lower-level classes, do this as a whole-class activity. Give students a few minutes to check the meanings of the words, using their dictionaries or referring back to earlier exercises. Play one conversation at a time and get students to choose the best word from the box, adding the correct preposition.

To consolidate understanding, students work with a partner to produce similar short conversations to show the meaning of these expressions.

ANSWERS:

- 1 investing in property
- 2 apologizing for saying something which upset someone
- 3 damage to a car
- 4 aptitude for languages
- 5 dependence on one customer
- 6 complying with regulations
- 7 insuring against non-payment
- 8 satisfaction with results
- 9 not hearing from Taiwan
- 10 access to data

RECORDING SCRIPT

3:23–3:32

- 1

A: It seems to me that with interest rates so low, property is still a better choice than the stock market.

B: Yes, you're right. I think a small flat in the town centre should give a good return.
- 2

C: I think you should talk to her. She's still upset.

D: OK, OK. I'll call her and tell her I'm sorry. I didn't mean what I said.
- 3

E: What state is it in after the accident?

F: Well, it could have been worse. Apart from a broken windscreen and headlights, there are only a few scratches on the paintwork. I was lucky.
- 4

G: It's amazing. She already speaks seven different languages, and she's picking up Chinese really fast!

H: Yeah, some people just have a gift, I guess.
- 5

I: You desperately need to get some more contracts. Relying on just one big firm is so dangerous.

J: Yes, I know. But we've always done most of our turnover with them.
- 6

K: The Americans are much more demanding. The food and drug administration are terribly strict. But if you want to sell in the States, there's no other way.

L: Yes, there's no choice. We'll have to adapt the product to their norms.
- 7

M: What if we deliver the goods, but they don't pay?

N: Well, we have a policy which covers that risk. For a small percentage of the value of the goods, we will guarantee to pay you if the customer defaults.
- 8

O: Well, sales are up 300%, we've reduced costs, our stock price has almost doubled and shareholders are delighted! Everything's worked out perfectly!

P: Yes. It doesn't get any better than this.
- 9

Q: Have you had any news from Taiwan?

R: No, not a word. It's strange. Usually they're in touch at least once a week.
- 10

S: Hey, Terry. Have you changed the passwords? I can't get into the database!

T: No, I'm having the same problem. I've tried everything, but the system won't let me in.

Speaking

7 Read the instructions with the whole class, including the instructions at the back of the book to make sure that students understand what to do. Each group should then choose one of the topics to discuss, or you could allocate a topic to each group.

Circulate while students are speaking and assist where necessary. Make a note of any mistakes in the target language for remedial teaching later.

Higher-level classes or groups who finish early could repeat the activity using a different subject and/or by choosing different words to put on another six slips of paper.

8.4 Speaking

Negotiations – diplomacy

This module explores the intercultural aspects of negotiating style and practises ways of using language diplomatically in negotiations to achieve a successful outcome.

Internet research

The anthropologist, Edward T. Hall, describes what are known as high- and low-context cultural factors. In a high-context culture, many contextual elements help people to understand the rules of society. In a high-context culture, meaning is not always put into words, and, for example, non-verbal clues will be as important. As a result, a lot of things are taken for granted. This can be confusing for people outside the culture who do not understand these 'unwritten rules'.

In a low-context culture, very little is taken for granted. Meaning is made explicit and put into words. This means that more explanation is needed, but there is also less chance of misunderstanding, particularly for people from outside the culture.

'Chronemics' is the term given to cultural attitudes towards time. In a monochronic culture, time is tightly controlled and measured. Punctuality is seen as a virtue and careful planning and scheduling are common. Monochronic cultures tend to be low context. In a polychronic culture, time is regarded more flexibly; meetings may not start on time and there is less concern for getting things done according to a schedule. Polychronic cultures tend to be high-context.

It would be best if students did this research before they start this module as it provides useful input for exercises 1–4.

Discussion

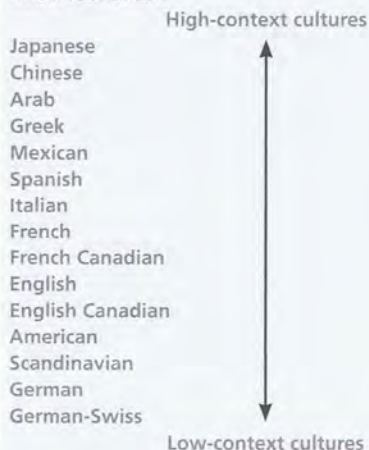
1 Read the information in the box with the whole class. If students have limited experience of these countries or regions, do this exercise with the whole class, encouraging them to share experiences they have from business trips, holidays, reading, etc.

Get students to describe the kind of culture they live in, according to the descriptions in the box and the information they found in their Internet research.

SUGGESTED ANSWERS:

China H, USA L, Australia L, N Europe L, Middle East H, Latin America H, UK L, Japan H

The following scale is suggested in GLOBALWORK: Bridging Distance, Culture, And Time by Mary O'Hara-Devereaux and Robert Johansen



Listening for gist

2 3:33–3:35 Play each extract one by one, getting students to note down what went wrong in each case. Check answers by getting students to give you at least one cultural factor and one example of a phrase which might have caused difficulties. Higher-level classes could also be asked to say how the individuals might have felt at the end of the conversation.

ANSWERS:

- 1 They fail to understand each other's different cultures regarding time and decision-making.
- 2 Frau Meier does not understand that Amal does not share her concern for deadlines and pushes Amal into an extreme position.
- 3 Misunderstandings lead to conflict, made worse by the use of undiplomatic language.

RECORDING SCRIPT

3:33–3:35

- 1

A: I'm afraid I think we might need more time to explore all the implications, and perhaps to include some of our senior management in the discussions.

B: Look, Mr. Yamada, I've already been here a week, and I have a plane to catch this evening. If you don't want to do this deal, just say so! I mean, when I get back, I have to tell my boss we have a contract, or explain why I failed to get one!
- 2

C: We feel there are still quite a large number of difficulties to face in this project, and these will take a very considerable amount of time and money to resolve.

D: OK, Amal, let's sit down and work out a schedule.

C: I am not sure that at this stage a schedule is appropriate, in view of the considerable, er, cultural differences between our companies.

D: Well, we need to start work soon if we want to meet the deadlines.

C: Frau Meier, perhaps we should talk again in a few days, by telephone?

D: Are you saying you're quitting the project?!

C: If you insist on putting it in those terms, then, yes, I think probably that is best.
- 3

E: And you pay the shipping costs.

F: No, as I told you, our prices are ex works. You pay for shipping.

E: So you don't want to sell us your machine tools?

F: No, why do you say that? I never said that!

E: Your terms with Auckland Industries last year included shipping, I believe.

F: Yes, but that was a much larger contract.

E: So our order is not very important for you?

3 3:36–3:38 Play the recordings and get students to listen for the ways in which the negotiators changed their language and approach in order to avoid misunderstandings, e.g. they use less direct language and a less confrontational approach.

ANSWERS:

This time they check and correct misunderstandings and reformulate their positions; in this way they are able to defuse potential conflict.

RECORDING SCRIPT

3:36–3:38

1

A: I'm afraid I think we might need more time to explore all the implications, and perhaps to include some of our senior management in the discussions.

B: Uh-huh. Yamada-san, correct me if I'm wrong, but you seem to be saying that you're not completely convinced by this deal.

A: I'm afraid there seems to be a slight misunderstanding, Mr Bryson. Let me put it another way. We are as enthusiastic about this deal as ever, but here in Japan, it is very important to take the time to consult everybody, and to be sure there is a consensus.

B: Ah, yes, I understand. It's important for me to keep my Board informed too.

2

C: I'm afraid we feel there are still quite a large number of difficulties to face in this project, and these will take a very considerable amount of time and money to resolve.

D: OK, Amal, have I got this right? You're saying that you're not sure we have the time or the money to make this project a success?

C: That's right. Especially in view of the considerable, er, cultural differences between our companies.

D: So, would I be right in saying that you are considering withdrawing from the project?

C: No, I'm sorry, Sabine, that isn't quite what I meant. What I was trying to say was, we need to take our different approaches to these problems into account, but I'm sure we can find solutions.

D: Yes, I'm sure we can. Perhaps we should talk again in a few days, by telephone?

C: Yes, that would be fine.

3

E: And if I've understood correctly, you will pay the shipping costs.

F: I'm sorry, perhaps I haven't made myself clear. The price we quoted was ex works. But we can quote including shipping if you like.

E: But didn't you say you would give us the same terms as for Auckland Industries last year?

F: Ah, I see, yes. Well, allow me to rephrase that. What I meant was, we would be very happy to give you the same terms as Auckland, if you were in a position to order the same volume.

Listening for detail

4 3:36–3:38 Play the recordings again, pausing if necessary to allow students time to complete the phrases. Check answers with the whole class. Get students to repeat the phrases, using the appropriate pronunciation, stress and intonation.

ANSWERS:

- 1 Correct me if I'm wrong, but you seem to be saying that ...
- 2 I'm afraid there seems to be a slight misunderstanding
- 3 Let me put it another way
- 4 Have I got this right?
- 5 Would I be right in saying that ...
- 6 I'm sorry, that isn't quite what I meant ...
- 7 What I was trying to say was ...
- 8 If I've understood correctly ...
- 9 Perhaps I haven't made myself clear.
- 10 Allow me to rephrase that.
- 11 What I meant was ...

Diplomatic language

5 Do this as a whole-class activity. Get one student to say the direct statement and another to say the matching diplomatic statement. Make sure students use appropriate stress and intonation in the diplomatic statements. Play 3:36–3:38 again so that students can hear the diplomatic statements in context.

ANSWERS:

1 b) 2 d) 3 a) 4 c)

6 Do this as a whole-class activity. Get students to review the phrases in exercises 4 and 5 to help them complete the summary.

As preparation for exercise 7, get students to identify the characteristics of the direct language, e.g. short sentences, absence of qualifiers or softeners, unambiguous messages.

ANSWERS:

Diplomatic language often uses:
 modal verbs like *could, would, might, should*
 softening adverbs like *maybe or perhaps*
 qualifiers like *a bit, rather, a little or quite*
 introductory warnings like *I'm sorry, actually, I'm afraid*
 (negative) questions rather than statements.

7 Students work with a partner. Remind students to use the features of direct and diplomatic language they have practised. Circulate and assist where necessary. Check answers by getting students to read out the statements they have written, using appropriate stress and intonation. Accept any reasonable answers.

SUGGESTED ANSWERS:

Direct	Diplomatic
1 <u>I don't want to risk going to Columbia for a meeting.</u>	I'm sorry, but wouldn't it be easier for everybody if we held the meeting here rather than in Columbia?
2 <u>If you don't want to do business, just say so!</u>	<u>Perhaps you feel that it's a little too soon to formalize our relationship, if not everybody is convinced?</u>
3 <u>You must be able to make a better offer than that.</u>	Actually, I was wondering whether you might possibly reconsider your position?
4 <u>So you don't want to sell us your products?</u>	<u>Do you perhaps have some reservations about doing business with my company?</u>
5 <u>If you people can get out of bed earlier we'll actually get some work done!</u>	I'm sorry, but couldn't we start a little earlier than 11 tomorrow? We might find we would make a bit more progress.
6 <u>That's not true. I never said that!</u>	<u>I'm afraid I don't remember actually using those words.</u>
7 <u>Look, I know lots of people think business trips are essential, but mostly they're a waste of time.</u>	To be perfectly honest, I'm inclined to think that business trips aren't quite as essential as everybody says they are.
8 <u>So you don't trust us to pay?</u>	<u>You wouldn't have doubts about our ability to pay our debts, would you?</u>

Negotiating

8 With lower-level classes, read the instructions with the whole class and elicit from them the kinds of things they might want to negotiate about. You could also remind students of the work they did in Unit 5 on bargaining in negotiations and the value of trying to reach a win-win conclusion.

While students are speaking, circulate and assist where necessary. Check that they are using the target language appropriately.

Allow students time to prepare and practise their conversation. Then take whole-class feedback. Ask what students agreed to do. Get one or more confident pairs to present their conversation to the rest of the class.

Alternatively, with higher-level classes, get one or two pairs to do their negotiating in real time, i.e. without preparing it beforehand. The rest of the class listens and comments on the performance and the outcome, giving two things that worked successfully and two things that could be improved.

8.5 Writing

Requests and reminders

This module explores formal and informal language use in the context of correspondence to do with payments.

Internet research

A search for *factoring receivables* will reveal that this is one way companies can improve their cash flow. For a fee, a factor provides a business with an advance payment based on their accounts receivable and invoices. The factor then waits to collect payment on the invoice and accepts any risks attached to it. This allows the company to get the cash flow and working capital it needs, without having to wait. Many businesses use factoring, among other things, to generate instant working capital; to help them predict and manage cash flow; and to increase sales by offering customers competitive extended credit terms.

Students could do this research as a follow-up to the work done in this module.

Discussion

1 Encourage students to give reasons for their answers, and to add any stories or anecdotes of their own to illustrate their answers. Take feedback from the whole class.

Reading and analysis

2 Read the instructions with the whole class. If necessary, explain or elicit the meanings of the four terms. Students do the exercise with a partner. Check answers by getting students to give you the number of the email and the phrases that helped them decide.

ANSWERS:

a request **4** a reminder **1** a refusal **2** a final demand **3**

3 Students work with a partner. They can use their dictionaries to check any unknown words. Check answers with the whole class by getting students to read the sentences aloud and to tell you in what kind of correspondence it would be found.

To check that students have fully understood these formal sentences, get them to rephrase them in a less formal style, e.g. (1) *Could you extend credit terms of 60 days?*, etc.

ANSWERS:

- I am writing to enquire whether you would be able to extend credit terms of 60 days.
- I am afraid group policy does not allow us to give more than 30 days' credit.
- We are pleased to agree to the terms you propose.
- May I remind you that the sum of €21,552 is still outstanding?
- We wrote to you on November 4 regarding the balance of €12,650 which is still outstanding.
- Would you let us know your decision as soon as possible?
- We would appreciate your early settlement of this outstanding balance.
- We shall have no alternative but to pass the matter on to our legal department.

a request **1**, **6** a reminder **4**, **7** a refusal **2**
an agreement **3** a final demand **5**, **8**

4 Do this exercise with the whole class. Get students to read out the more formal phrase or sentence.

ANSWERS:

1 a) 2 b) 3 b) 4 a)
5 b) 6 a) 7 a) 8 a)

5 Students work with a partner to complete these emails. Remind students to check that they have the correct spelling of the words they use. Circulate while students are working and assist where necessary. Check answers by getting students to read the complete emails aloud.

ANSWERS:

1
In view of the increase in our volume of business, I am writing to enquire whether you would be prepared to extend credit terms of 60 days.
Would you let us know your decision as soon as possible?

2
With regard to your request for improved credit terms, I am afraid that group policy does not allow us to extend more than 30 days credit.

3
Further to your email of 17 July, we are pleased to agree to the terms you propose, and we look forward to receiving your order.

4
May I remind you that the sum of €101,000 is still outstanding on your account.
We would appreciate your early settlement of this outstanding balance.

5
We would like to apologize for the delay in sending the enclosed cheque. This was an unfortunate oversight due to circumstances beyond our control, and we can assure you that it will not recur.

6
We wrote to you on 11 April regarding the balance of €15,550 which is still outstanding.
Unless we receive payment within seven days, we shall have no alternative but to pass the matter on to our legal department.

a request [1] a reminder [4] a refusal [2]
a final demand [6] an apology [5] an agreement [3]

FURTHER PRACTICE

Get students to rephrase the emails in exercise 5 in a less formal, but still polite way.

Writing

6 Give students a few minutes to read the instructions so that they can see the context for the correspondence they will write. Then get each student to read part 1 of their instructions.

While students are writing the first email, circulate and assist where necessary. Remind students to check what they have written for the best choice of vocabulary and formality of language before they deliver their correspondence. They should refer back to the exercises in this module if they need help.

With higher-level classes you could set a time limit for each phase of the correspondence.

When students have finished, get them to group each set of correspondence, i.e. three sets of four pieces of writing, and review them. Did they use and maintain an appropriate level of formality? Were there any grammatical errors? Are there any parts they could improve?

EXTENSION ACTIVITY

This activity practises some useful money idioms. Write the idioms and their explanations on the board in random order and get students to match them. The idioms and the explanations are given below:

Idiom	Explanation
<i>loaded</i>	<i>have a lot of money</i>
<i>hard up</i>	<i>don't have much money</i>
<i>nest egg</i>	<i>money that someone has saved</i>
<i>on a shoestring</i>	<i>with very little money to spend</i>
<i>pay through the nose</i>	<i>pay a high price for something</i>
<i>tighten your belt</i>	<i>live on less money than usual</i>
<i>ready cash</i>	<i>money that is available to spend</i>
<i>spend money like water</i>	<i>spend too much</i>

Once students have correctly matched the idioms and explanations, they can be used in various ways, e.g.:

- one student says the idiom, another says the matching explanation
- one student gives the explanation, another says the matching idiom
- students work with a partner or small groups to make short dialogues which include the idiom
- students pick an idiom and describe a situation which illustrates it.

Ask students if similar money idioms exist in their own language; get them to translate them into English and explain them.

8.6 Case study

Jeddah Royal Beach Resort

This case study explores issues to do with credit and cash flow at an international resort hotel. Students practise writing letters to customers about credit facilities.

Internet research

An Internet search for *collecting debt* will provide information on how to recover debts, including how to act within the law to contact a debtor; what to do if a debtor disputes the debt or refuses to pay; how to go about taking legal action. Students will also find websites for debt collection agencies who, for a fee, will undertake to recover debts on behalf of clients from debtors all over the world and who will provide legal advice if the client needs to pursue a debt through the courts.

Students could do this research before they start this module or after they have finished it, as a follow-up task.

Discussion

1 Do this as a whole-class activity. Make a list of the ideas on the board or get a student to do it.

SUGGESTED ANSWERS:

telephone and fax, restaurant and bar bills, leisure activities, limousines, airline tickets, cash advances, etc.


Reading for detail

2 Students read the article silently and answer the questions, then compare their answers with a partner. Check answers with the whole class. You could also ask students to consider the disadvantages of an in-house credit card for customers (e.g. it encourages them to spend more than they can afford; they lose track of how much they have spent; they don't pay attention to how much things cost).

ANSWERS:

- 1 Giving credit develops customer loyalty and makes it easier for customers to spend freely on the hotel's additional services.
- 2 To develop customer loyalty to their hotel or group and to avoid paying commission to credit card companies
- 3 It's easier to make bookings, it speeds up check-in and check-out, there are no exchange problems, no need to carry cash.
- 4 Credit Manager of the Jeddah Royal Beach Resort: his responsibilities include vetting applications, credit control and debt recovery.

Listening for detail

3  3:39 Read the instructions aloud. Get students to look at the database records and predict what the conversation is going to be about.

Play the recording through once so that students can complete the database entries. Check answers by getting students to form sentences, e.g. *Ms Koepple works for Cool Breeze, a record company. Her company credit rating is unknown. She doesn't have a current credit limit, etc.*

ANSWERS:

Customer: Ms Koepple
Company: Cool Breeze, record company
Company credit rating: good / average / poor / unknown
Current credit limit: 0
Credit limit requested: \$20,000
Notes: very friendly, wants to organize a big conference for executives

Customer: Mr Kobayashi
Company: Kobayashi Auto Sales
Company credit rating: good / average / poor / unknown
Current credit limit: \$50,000
Credit limit requested: \$100,000
Notes: difficult, unpleasant, Frederick doesn't trust him

Customer: Mrs Saman
Company: Black Nile
Company credit rating: good / average / poor / unknown
Current credit limit: \$30,000
Credit limit requested: \$100,000
Notes: charming old lady, very influential


RECORDING SCRIPT

 3:39

- Frederick: Good evening, Riaz!
Riaz: Oh, hello Frederick. Everything OK?
F: Yes, fine, thanks. I just wanted to give you these applications, if you've got a moment?
R: Yes, of course. Have a seat.
F: Thanks.
R: OK, so what have we got here?
F: Well, first of all, there's Ms Koepple in room 406. She's with Cool Breeze. It's a record label based in Buenos Aires. Now, I know you don't like record companies, but ...
R: Yes, Frederick, and you know very well why I don't like record companies and those vulgar rock groups they send us, always causing damage and disturbing the other guests: Argentina, you say?
F: Yes. But Ms Koepple says they want to organize a big conference for their executives. There won't be any rock groups or that kind of thing, just corporate executives. So, they're applying for our credit card.
R: Well, it's true we need to develop in the conference market. It's good business, and it often brings in more business by word of mouth. But Argentina ... OK, leave it with me and I'll look into it. How big is Ms Koepple's bill?
F: Well, she's been here for four nights. Leaving on Saturday. She's spending a lot of money – maybe six thousand dollars so far. But she's very nice, very friendly. I'm sure she won't leave without paying.
R: Hm, she's applying for a credit limit of twenty thousand. Let's keep an eye on her, anyway. Let me know if her account goes over ten thousand dollars, OK?
F: Sure.
R: What else have you got there?
F: The next one is Mr Kobayashi from Tokyo. Remember him?
R: Oh, yes. The second-hand car salesman?
F: Yes. He's a really difficult customer. We've had to move him to a different room three times this week because he didn't like the view, or it was too far from the restaurant ...
R: Well, he may be difficult, but his credit's good. He seems to have built himself quite an empire over there. Kobayashi Auto Sales is doing very well. We've never had any problem with his people.
F: Well, I wouldn't buy a car from him. He never looks you in the eye, never smiles, never says thank you. He wants us to raise his credit limit, but I don't trust him.
R: Let me see. From fifty up to a hundred thousand, eh? All right, I'll think about it.
F: Right. And this last one is our old friend Mrs Saman and her

team from Egypt.

- R: Oh, no. Are they still coming here? I thought we stopped their credit last year.
- F: No, the company paid up in the end, remember?
- R: Yes, I do now. Charming lady, of course, but that company – what's it called? Black Nile, that's it. They invented the concept of the slow payer! I think it took 18 months to get them to pay their last invoice. What does she want now?
- F: Well, she wants us to raise their credit limit to a hundred thousand, too.
- R: Oh, no way!
- F: But there are ten of them this time, and she's such a wonderful little old lady!
- R: I should really suspend their credit and insist on cash in advance. They're on, let's see ... (types on keyboard) thirty thousand dollars. It's just too big a risk. Have you seen the latest cash-flow figures? Our customers are taking longer and longer to pay, and uncollectibles have gone over 3%! I'm getting a lot of pressure from management to take firm action.
- F: Well, be careful: Mrs Saman told me yesterday that her brother is a very senior government official. And remember, we have a lot of guests from Egypt now. We don't want to upset them.
- R: Yes, that's true. You never know who Mrs Saman might talk to. She's a very influential old lady. All right, leave it with me, Frederick. I'll let you know what I decide tomorrow.

4 Read the questions aloud. Students try to answer them, on the basis of what they remember from the first listening. Play  3:39 again. Pause if necessary to allow students to note down their answers. Check answers with the whole class.

SUGGESTED ANSWERS:

- 1 Because they are vulgar, cause damage and disturb other guests.
- 2 About \$6,000
- 3 \$10,000
- 4 Because he has changed rooms three times.
- 5 He never looks you in the eye, never smiles, never says thank you.
- 6 The hotel almost stopped their credit because they took 18 months to pay.
- 7 Mrs Saman's brother is a senior government official; they are both influential in a country which is an important market for the hotel.

Discussion

5 Do this as a whole-class activity. You could remind students of the work they did in Unit 7, and encourage them to use some of the vocabulary they practised there, e.g. *fall*, *drop*, *jump*, *rise*, etc.

With lower-level classes you may need to remind students of adverbs which can be used to describe the nature of the change, e.g. *rapidly*, *slightly*, *significantly*, *sharply*. These were practised in Unit 7.

ANSWERS:

- 1 decreasing rapidly
- 2 increasing slightly
- 3 increasing significantly
- 4 increasing sharply

6 Give students a few minutes to discuss the three questions. In question 3, review the situation for each of the three customers by looking at the database entries in exercise 3. Students should also take into account the circumstances surrounding each customer and the likelihood of further business mentioned in the conversation.

Students could listen to the conversation again or read it in the recording script on page 147 in their books. Circulate and assist where necessary. Take whole-class feedback.

SUGGESTED ANSWERS:

- 1 Cash payments are decreasing; this is probably the price of the hotel's policy of offering credit cards to encourage customer loyalty.
Credits of less than 4 weeks are only increasing slightly; almost 40% of customers pay within 30 days of reception of their invoices.
Longer credits are increasing significantly, perhaps because a number of (larger?) customers are taking advantage of a competitive market to exploit the hotel's credit policy and pay more and more slowly. The increase in uncollectibles suggests some poor decisions have been made in allowing credit to unreliable customers.
- 2 The hotel could improve its cash flow by:
 - reducing credit to existing customers
 - avoiding giving credit to new customers
 - vetting customers more carefully before giving credit
 - paying suppliers more slowly
 - invoicing more quickly
 - giving discounts for cash payments
 - using a debt collection agency
 - factoring (selling invoices to a factor or agent in return for cash – the factor collects payment for the invoices and accepts any credit risk attached to them).

Writing

7 Remind students of the language they practised in module 8.5, i.e. the level of formality required in this kind of correspondence; the useful phrases in exercises 3 and 4 that they could reuse.

Students write a first draft, which they exchange with another student for feedback. When they are reading each other's drafts, students should check for grammar, spelling, appropriate use of language, and a clear message. Circulate while students are writing and assist where necessary.

Students then revise their texts using the feedback. Display the finished texts on a table or on the wall so that students can read them all. If you wish, get them to choose the best two or three letters and give reasons for their choice.