



The Fine Print: The Legal Side of International Trade

“It takes years to build a market, but only days to lose it.”

— Canada Export Award Winner

Understanding international contracts

Once you and your client have agreed to the deal, you'll need to draw up a contract to cover the transaction. In essence, this means that one party makes an offer and the other accepts it. The arrangements governing this exchange constitute the contract and can be legally enforced.

In international trade, however, contractual arrangements can be much more prone to complications than domestic ones. You and your customer are usually from different countries. Language barriers may cause misunderstandings. Cultural and geographical impediments may crop up. Words may have different meanings in different places.

Most important, you both may be used to different laws and business practices. This is why international business contracts must be precise, specific and all-encompassing. This will go a long way toward reducing misunderstandings, misconceptions and disputes.

For further protection, it would be a *very* good idea to find a legal professional who specializes in international trade. This will help you sidestep pitfalls of regulation and law and, if necessary, resolve disputes. You, yourself should try to acquire some knowledge of international conventions, the business laws governing your target market, and trade agreements that may exist between this market and Canada.

EXPORT MYTH

Exporting is too risky

It doesn't have to be, because you can reduce risk to a safe level. Letters of credit will ensure that you get paid. Export credit insurance programs can protect you against customers who default on their loans. Reference checks through banks and international credit reporting agencies can detect a potential for fraud. Trade laws tend to be straightforward and legal advice about them is easily available. Exporting doesn't need to be more risky than doing business at home — it's just different.

Understanding the “proper law”

Certain basic issues are common to all international contracts, but the most fundamental principle is that of the “proper” law of the contract.

Problems in international business contracts occur because of differences in the laws of the countries involved. When different laws are applied, results may be inconsistent, and substantive rights may depend on whose law applies. For example, one law may require that a contract be written, whereas another may not. Or, under one law, persons who are not a party to the contract may have certain rights, whereas under another law they may have no rights. You absolutely must, therefore, establish from the outset which law is the “proper law.”