

If problems do arise in getting paid, and if the importer is clearly the one at fault, there are several avenues of recourse.

- Try to collect through persistent persuasion.
- Lodge a formal protest to register the debt. This establishes your legal claim on an importer who is unable or unwilling to pay. A notary in the buyer's city will prepare and present the protest documents demanding payment.
- If the above does not bring results, take the claim to court or to commercial arbitration. Most industrialized countries have standing arbitration procedures that apply in the case of defaults or other commercial disputes.

EXCHANGE RATE RISK

International trade can put either the importer or the exporter at significant foreign exchange risk. A contract that is to be paid in dollars — the preferred option for the Canadian exporter — would leave the importer at risk of currency fluctuations. By contrast, the Canadian exporter is put at risk when the contract specifies payment in pesos. Such risks can be mitigated or avoided through hedging or coverage in the foreign exchange market.

For the exporter expecting payment in Mexican pesos, hedging involves negotiating the future payment by the importer at the exchange rate prevailing at the time the contract is signed. This eliminates the exporter's exposure to the risk of possible fluctuations in the value of the peso vis-à-vis the Canadian dollar. Banks and other financial institutions can help in taking steps to manage exchange rate risks. Ideally, however, the firm should try to transfer exchange rate risk to the foreign importer of the product by persuading it to agree that it will make payment in Canadian (or American) dollars.

EXPORT CREDIT INSURANCE

Apart from the payment terms mentioned earlier, there are other forms of security. The most common is export insurance. Both the Export Development Corporation (EDC) and private insurance firms will offer policies to protect export receivables from non-payment by foreign buyers. Key factors to be considered when purchasing export credit insurance include the risks covered, the extent to which risks are shared between the insurer and the insured party, the premiums charged, and the services provided by the insurer.