

You must consider a number of factors when deciding on payment terms. These considerations include:

- the value of the sale in absolute and relative terms (as a percentage of total sales);
- the buyer's credit standing and relationship with the seller;
- market custom and intensity of competition;
- competitor policies;
- amount of money involved;
- availability of foreign exchange and presence of exchange controls in the buyer's country;
- political and economic stability in the buyer's country;
- type of merchandise and its availability from other sources; and
- availability of credit insurance.

You must weigh the above factors carefully, realizing that there is a trade-off between excessive caution and legitimate risk. Harder payment terms offer you more protection, but may alienate potential buyers.

Once your firm has decided to extend credit to its customers, it must decide on a credit policy. This policy will include payment terms, credit ceilings and time period as well as credit insurance. Finally, your firm must establish a collection policy.

EXPORT COLLECTIONS

The most important part of any business deal is getting paid. Exporting is no exception to this rule.

You should take certain precautions to avoid collection problems. The first is a thorough credit check of the buyer. The second is the sales contract; you must ensure that the goods shipped are exactly as described. You must take care in following the importer's instructions regarding documentation. The exporter's failure to pack, mark or ship as instructed are common reasons for importers to refuse payment.

If you do not receive payment, you must determine the reason. The goods may have been defective or they may have been incorrectly documented. In this case, prompt adjustment should be made.

If the importer is clearly at fault, you have certain avenues of recourse. The first step would be to collect through persuasion — the foreign bank and/or collection agency are the most likely allies in pressing your claim.

If this does not bring results, you should protest the draft. This is the legal process of registering the debt. The action establishes your claim on an importer who is unwilling or unable to pay. The buyer may have refused to pay a sight draft or accept a time draft, or may have failed to honour a time draft at maturity. In any one of these cases, protest is advisable. Your bank will arrange it for you on request.

The protest documents are prepared by a notary in the buyer's city. The notary presents them to the buyer, demanding payment. If the buyer still fails to pay, your legal rights against the buyer have been established and will be recognized by the courts. This is a valuable first step towards enforcing payment by the courts.

If protesting the draft does not bring results, arbitration may be employed. Countries which trade heavily tend to have standard arbitration procedures. The exporter can obtain information on arbitration from the Canadian Council of the International Chamber of Commerce.