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Understanding the Legal Aspects of Maritime Transaction Risks in International Sales

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Abstract

Commercial transactions at the international level, especially by sea, have certain risks, because the companies that enter into these transactions, for various reasons, including not studying the laws and laws of the opposite country and not predicting the risks caused by the economic, political, cultural, etc. crisis, as well as Because the process of sending goods and receiving money between distant countries has a higher risk than domestic transactions or through air and land, they suffer harmful and sometimes irreparable effects. Planning and knowledge of legal solutions to reduce and prevent risk can pave the way for safe transactions. Risks can be transferred or minimized. In this article, the types of transaction risks in international sales contracts are discussed. Legal solutions to reduce and prevent them are also suggested. Having an international lawyer in the first place can identify these risks and prevent financial damages. But many risks are predictable, and some of the ways to identify them are mentioned in this article.

Keywords: transaction risks, international sale, international trade, legal approaches, foreign markets

1. Introduction

Almost most of the economists and business elites believe that no business is purely domestic, and even the smallest companies are affected by competition and global events. The realities of the modern world make all businesses

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international. Economic and political changes in a country can no longer happen without reverberations throughout the world markets. Terrorist operations in London or the Philippines are reflected in the stock markets and bring their entire economy to its knees. War in the Middle East halts international shipping. Civil war in Africa affects house prices in London and New York. Interest rate changes in Germany affect the flow of investment and exchange rates in America. Any break in the supply chain of manufacturing plants will stop a chain of assembly lines in long distances (Romein, A, 2003).

The interdependence of financial markets, the flow of capital around the world and the coordination of international economic policies have had a significant impact on the global economy. Large multinational companies now move people, money and technology across borders in the blink of an eye, but this is subject to risks that affect both buyers and sellers of the transaction.

For new companies entering the foreign market, the method of entry may depend on a series of considerations including their foreign expertise and experience, the nature of products and services, the commitments of capital resources and the amount of risk they want to bear.

The process of controlling international business transactions is considered a risk management process. Business risks are higher in rapidly developing countries, in Eastern Europe, in the newly independent republics of the former Soviet Union, and in China than in other countries. Economic and social problems in these areas require caution and experience to enter their market. By studying international trade law, one can be prepared to recognize risks and problems and strategic business planning.

2 .The concept of risk

Risk or hazard actually provides a basis for an opportunity (Khairi, Gitinejad, Akhwanfar 2014). The concept of risk has entered the literature of financial management since the beginning of this century. The life cycle of this concept started from the level of theoretical foundations and then reached the level of presenting different thought patterns of risk. After the course of these two stages, from the levels of subjective analysis to objective analysis, and using statistics and mathematics, it has led to quantitative risk measurement.

Harry Markowitz (Live 1927), an American scientist, was the first person to quantify risk. He stated that financial decisions should be made based on risk and return. That is, at a certain level of return, the lowest risk and at a certain level of risk, the highest return is given to the investor.

3 .Definition of trading risk

The literal meaning of transaction risk can be the possibility of loss that a company or business person may incur in connection with business in a foreign country. This commercial issue can manifest itself due to currency, political, economic, etc. changes. Therefore, transactional risk refers to the impact of changes on contractual obligations and making it impossible or difficult to fulfill obligations. This risk actually reverses the path of fulfilling obligations.

Investors and businessmen who engage in import and export or investment activities in foreign countries are likely to face such risks, which can have severe financial consequences for them

4 .Types of trading risks

Trading risks cannot be precisely named or quantified. These risks can manifest themselves in different ways in different countries and regions. Perhaps the risks that exist in developing countries will never show themselves in developed countries. Also, investing in an advanced country like South Korea, which is always threatened by its neighbor's nuclear missiles, can be much more dangerous than a third world dictatorial country. But some risks are known and more obvious, which are discussed in this section.

4.1 .Political risk

Political risk is generally called the risk of the company's business interests, which is caused by political instability or internal rebellion, political change, war or terrorism in the country where the company does business. Political risk is sometimes, but not always, unpredictable, and in countries undergoing rapid economic and political changes, this risk is very high. These risks include the adverse actions and behaviors of foreign governments and the institutionalized policies of the company's internal government.

For example, an American company that has subsidiaries in the Middle East may face restrictions from the laws of the United States in doing business there, because terrorism is rampant in some of these countries. Political risk can affect all aspects of international trade, such as the right to send goods to another country or to own and operate a factory in that country or the immunity of foreign employees from terrorist acts.

Political risk can be called geopolitical risk, and the country's political uncertainty, war, being in a political zone, and economic sanctions can be considered among political risks (Atchison, David W, 2003).

4.1.1. Causes of political risk

Political changes can create a perceived hostile environment for business transactions. Instability is a particular problem in countries undergoing rapid changes in government. Whether it is a democratic government or less democratic developing countries. With the change of governments, it is possible to change commercial, investment, tax and economic policies. When changes result from democratic elections, the impact of trade is usually gradual. In Italy, since World War II, different democratic governments have come to power. This has forced the commercial companies to adapt to the economic policy of the new government. These changes are much more in developing countries. While foreign business interests may take a different view, a government may spend years welcoming foreign investment, foreign products, and Western culture, but overnight things turn around and any foreign influence is limited. Countries like Cuba, Libya, Iran and Iraq are clear examples. In the past, American companies had friendly relations and extensive investments in these countries. But after the political transformation, each of these countries saw America as an enemy (Shafer et al. 2007).

A change in the government can be caused by a popular revolution or a military coup. In the 1950s, communist revolutions caused sudden changes in some governments. Fidel Castro's rise to the presidency in Cuba is a clear example. The property of American companies in Cuba was confiscated and they were expelled from this land. Changes in Islamic countries, such as the Islamic Revolution of Iran in the late seventies, when the Shah Dictator was overthrown, caused dramatic political changes, and American trade contracts with these countries were canceled.

4.1.2 .The risk of war and international hostilities

A war or revolution can disrupt the best business plans by disrupting transportation and communications. For example, we can point to the war between Egypt and Israel in 1956, when Egypt closed the Suez Canal to international ships, and because the most important waterway was closed, the cargo ships bypassed the " Cape of Good Hope " at the southern end, which was a very expensive trip. It was a long distance and caused a lot of losses to the companies that used this channel. In today's world, the impact of war on trade can be seen in the conflict in the Balkans in the nineties, wars in Africa, and America's actions in the Middle East (Shafer et al. 2007).

4.3. Economic risk

The risk of not paying the price of the goods by the buyer, causing damage to the goods or wasting them, disputes in the contract or rejection of the goods by the buyer are the only economic risks of transactions (Chemawat & Reiche 2011).

Economic risk reflects the long-term effect of exchange rate fluctuations on the cash flow and in general the market value of the company. Long-term exchange rate fluctuations have a profound effect on the company's cash flow, because it can affect the company's ability to generate cash flow (by affecting sales levels, prices, and input costs). The company's long-term market value is also it is threatened by exchange rate changes (Dhanani, 2003).

In addition to the legal concept, the term risk also has an economic concept and is common in business and economic activities, and in this sense, it has a substantive and fundamental difference in the legal concept from risk; Because in the legal sense, it means "responsibility" and "transaction or transportation of goods under the condition of the responsibility of the owner of the goods" and the like, but in the economic realm, "a decision is associated with risk when there are different possible outcomes with certain and assumed probabilities. It is orderly. In this way, risk is different from "uncertainty", which means a set of results to which certain probabilities cannot be attributed."

Making a decision about accepting the results of an economic activity that has two modes is considered a risk; because it is possible that there is more than one state in it and the inequality of the results can be calculated and predicted anyway. The term risk has a broader and at the same time more precise meaning than its common use. A risky situation in daily circulation is usually a situation in which one of the results of decision-making is associated with loss (Rafi'i Mohammad Taqi, p. 18).

For example, an investor who expects two different amounts of profit from two investment methods (one 10 million and the other 50 million riyals) does not see himself in a risky situation, while in fact he is in such a situation. Is. Contrary to the impossibility of assigning certain probabilities to a decision, it is indicative of the fact that many situations are not considered risky in the true sense of the word and are closer to uncertainty.

In the realm of economic activity, there is a type of risk that cannot be measured by any method. In addition, the fear of loss and the hope of gaining profit are both associated with this type of risk; For example, a product that a manufacturer decides to produce today will be available for sale in the market a few months later; The income of this producer is not known exactly and it can only be guessed to some extent. On the other hand, the cost of producing these goods is known and must be paid now. (Sadighi, p. 24)

In any case, every producer and trader, according to the economic situation, makes calculations that may be right or wrong, as a result of which he may gain a profit or suffer a loss, in any case, the amount Accurately predict profit and loss at the time of production. This is an example of pure economic uncertainty and risk (Rafii, p. 18).

There is another type of risk that only includes the fear of loss, while there is no possibility of gaining profit in it. The occurrence of such risks can be calculated and measured; For example, a manufacturer of glassware and crystal accessories is certain that some of his crystal artifacts will naturally break. (Sadighi, p. 25)

Some economic risks include an event that affects macroeconomic conditions such as exchange rate conversion, political stability, administrative regulations governing transactions in a foreign country (Ghanni De, Honohan & IZ 2003). The economic growth of a country that has economic stability, compared to countries that have economic fluctuations, is considered a better source for business (Love & Lottimore, 2003).

The economic risks of international trade can be reflected in various ways, including the acquisition of the same property by the foreign government or changes in tariffs and customs duties (Chemawat & Reiche, 2011).

4.4 .Payment or credit risk

Two of the clearest forms of transaction risks in the international sale of goods are delivery risk and payment risk (Shaffer et al. 2007, p. 162). First, the payment risk is explained. Whenever the buyer does not fulfill his obligations in the sales contract and refuses to pay the contract amount, he commits payment risk, which is often called credit risk. The risk of payment in a transaction is caused by failure to pay on time and according to the financial obligations of the contract, which causes losses to the other party. The type and amount of this loss, the consequences of the buyer's negligence in the international contract can be very catastrophic. Because a company that generally incurs high costs in selling goods abroad, failure to fulfill financial obligations can be considered as a huge loss. In the international sale of goods, travel expenses, foreign marketing and advertising, providing foreign licenses, having foreign consultants, distributor fees and representative commissions, packaging and product insurance, communication costs and forwarding costs, are additional costs. Future. One of the main considerations in this regard is air freight or sea freight. For example, the cost of sea freight is determined by the weight and volume. Therefore, it is not possible to separate heavy bulk cargo or to unload air and water and goods before the cost of loading is expensive (Richard Shafer, Agosti et al. 2007).

In some cases, the rental costs are equal to the replacement value of the item itself that the export manager who cannot find an alternative buyer in a foreign country, has to leave the goods in a foreign port to bear the return costs.

Non-payment or negligence of the buyer can occur in sales transactions for various reasons. The buyer may conclude that he can buy cheaper goods from another source. Perhaps the currency fluctuations completely undermine the expected profits of the buyer. It is possible that the buyer will go bankrupt. A seller must plan for these potential risks for any reason. If sellers fail to do so, world trade will soon suffer a terrible halt.

4.5 .Delivery risk

The transaction risk that a buyer does not receive the required goods according to the contract is called delivery risk. It is a risk that is faced by the buyer and the seller refuses to send the goods according to the contract

(Kamisan Gaadar, 20013, p 94). It can also be caused by adverse working conditions, labor strikes, maritime disaster or seller's unethical practices. There are many cases of big frauds in international trade. For any reason, buyers should assess the risk of dealing with foreign suppliers. Business credit reports, business references, product samples and factory visits are very important in evaluating a seller. An experienced purchasing manager of an international company should put this phrase in his mind that nothing can replace knowing the seller (Richard Shafer, Augusti et al., 2007, p. 167).

4.6. Currency risk and exchange rate

Currency risk is a type of risk that companies are exposed to as a result of buying and selling, maintaining foreign currency or conducting international transactions in a foreign country. Currency risk includes 1) exchange rate risk. 2) The risk is currency control. Other risks, such as inflation risk, interest rate risk, are not included in the discussion of this book. Many international business transactions involve the use or transfer of foreign currency. Currency risk is created when a company must convert a currency into another country's currency before using it (Shafer et al., p. 35).

The risk of exchange rate fluctuations is one of the major risks for companies that operate in the international arena, but its management is also one of the key components in financial management. The goal of the company in this case is to minimize the losses caused by the fluctuations in exchange rates and maximize the income from these fluctuations. It is also necessary to take into account that fluctuations in the exchange rate have effects on the prices of other financial assets. In fact, the price fluctuations of assets such as stocks, real estate, and gold are more affected by systematic risks, one of which is the exchange rate fluctuations (Dunya Ekhtaz newspaper).

4.7. Property or marine risk.

A special form of delivery risk is known as property risk or marine risk, which is the potential for loss or damage to freight cargo during transportation over great distances. Between the time when the parties initially conclude their contract and when the goods arrive at the destination, unforeseen events may cause losses to the party or parties of the contract. For example, sea breeze or salt air, ship sinking, plane collision, food spoilage, insect attack on grain and workers' strike, which can delay the movement of the ship and can cause damages. Some of these damages are surprising. Suppose an exporter ships goods by ocean liner. The ship hits a rock in the port and its hull is damaged. Because Kaptian did not understand and turned the steering wheel to the side. When the exporter realized that not only could he not recover damages from the carrier, but he was also participating in the damage caused to the ship owner, saving the passengers and even saving the cargo that belonged to others (Richard Shafer, Augusti and others).

4.7.1 .Theft and container shipping.

Robbery has been a problem for international businessmen for years. In the days of shipping, when shipments were loaded or loaded in boxes or pallets, it was relatively easy to steal them. However, over the past few decades, the practice of shipping has changed dramatically. Today, almost all goods are transported by shippers in large, important containers. And only buyer or customs authorities are allowed to open it. This practice has helped to reduce cargo damage and theft, although theft is still a big problem. Especially in the port of developing countries. It has been said that in recent years, no operator of American mobile phones to Latin America can put a mark on the boxes or packages to indicate their contents, because then they will never reach their destination (Richard Shaffer, Augusti and others p. 56).

Distance and communication. The risk of doing business in a foreign country is different from domestic risks. Certainly, internal trade that has common customs, common currency and uniform trade rules and similar network communication system, etc., is much easier than with a foreign and distant country. These parallels do not exist in the distant country, and what is encountered is the opposite of the above: communication difficulties, language and cultural barriers, differences in moral and religious laws, the existence of strange laws and government regulations, as well as foreign currency. All these factors affect the risks of doing business abroad.

Face-to-face sales. Parties to international transactions should look for ways to reduce the distance between them. International sales managers should be asked about the importance of face-to-face meetings, and most likely the answer will be that you cannot sell products to the world from the four walls of your office. Although the existence of the Internet and modern communication of people have brought businessmen closer than ever before, however, nothing can replace face-to-face meetings. Doing business in Asia may require constant travel and years of negotiation so that the parties can trust each other. Face-to-face meetings are very necessary for negotiations, because they allow the parties to better describe their needs, capabilities, and products and services. They can communicate better and explain their situations, and more importantly, they can be better acquainted with intentions, vision and honesty. These benefits of face-to-face meetings are also useful in banking and other industries. International bankers often travel extensively abroad to meet with foreign bankers, government representatives, and foreign clients, so they can better personally assess the risks of lending or mobile banking business.

5. Risks of foreign laws and courts

This proverb is familiar to everyone. "You don't want to be disgraced, become the same color as the congregation." Whether you're trying to get along with your business associates in a foreign culture, control foreign programs, plan marketing plans for your product there, or dream of doing business with local rules, you need to follow this old adage. Think of it as fact.

We are all responsible for conforming our behavior to the laws of the state or country in which we are present. The criminal laws of each country are different according to social, political, cultural and historical traditions. Many laws that are completely legal in some countries can be illegal in another country. In fact, many foreign travelers may violate the law without knowing it. The same applies to contract rights. It is impossible to mention the conflict and legal differences of countries. For example, loan interest is not legitimate according to Islamic jurisprudence. Something that forms a part of daily life in western business. Worse, many foreign laws are not accessible or comprehensible to foreigners. Some of these laws are unwritten and only local residents know them.

We refer to another case. In America, no one thinks that a government license is needed to open a retail store. It's true that sales tax permits are mandatory in America, but we don't have to seek a government permit to open a store. But in many countries, including European countries, which have a long history of strong trade unions, shopkeepers and apprentices, the situation is very different. In a country like Italy, obtaining permission from the municipality and committees before opening a store is mandatory.

Resolving disputes between companies in international trade is more difficult than in domestic trade. Filing a lawsuit in a foreign court is both expensive and time consuming. In addition, the laws of the foreign country can be very different from the laws of the country where the business is located. There can be differences in the law of contracts, crimes, civil liability, intellectual property, securities and investments. The issue of language and logic is another problem. To file a lawsuit, you must choose a lawyer from the country where the business is located. Constant presence in the courts costs a lot. International projects have complex procedural issues. Which country's courts should hear the case? Which country's law governs? What is the status of witness or commercial registration in that country? Is the case referred to arbitration in some neutral countries? When a company negotiates a contract with a foreign party, such as the sale of goods or the granting of a business franchise, both parties usually intend to agree on these issues, so consultation with a lawyer and the advice of legal advisors are very important at this stage.

6. Legal solutions to reduce risks

The first step in reducing the risks of international sales is that companies should determine the origin of possible risks and then manage and minimize those risks. Managing risks in international sales is the process of regular thinking about all possible adverse consequences before the event and then providing a solution that avoids these risks. It either brings them to the fore or helps companies cope with its effects. (Alemannoa, 2012).

There are six basic elements in the risk management process: 1. creating a risk environment 2. Risk identification 3. Assessment of the possible consequences of the risk. 4. Development of strategies to reduce these risks. 5. Monitoring and evaluation of consequences 6. Notification and consultation with relevant partners (leeE.S.2013). It is very important that all company employees are aware of possible risks. Risk reduction means recognizing the risks that can affect business goals and taking appropriate action to reduce those risks to the appropriate level. Identifying some risks is very important. With the explanations given above, political and economic risks cause the most damage to large companies. First, the solutions to deal with these two risks are discussed. Before taking any action, international managers often need to get help from professional advisors and customs brokers, bankers, customs brokers and others in order to reduce and prevent risk with their help.

7. Planning for the transaction

Planning can help reduce the risks in the above cases with research, caution, contract negotiations, insurance or trust in experts. Risks can be transferred to the other party of the transfer contract or to brokers and intermediaries (Roth, P.M, 1979). For a better understanding of the above topics, three examples of combined risks and their control methods are given in this section:

•A company importing camping tents thought that the customs tariff rate of the tent is the same as the rate of sports goods, but it realized too late that its tariff rate is in the miscellaneous textile products group and had to pay very high customs duties. Now, if this importer had forced the seller to pay duties during the negotiation and contract signing, he would not have suffered much financial loss. Assuming the seller was unwilling to pay, the importer could consult with a customs expert or lawyer who knew the duty rate. Or he could get an inquiry from the customs office.

•The owner of a cargo ship that loaded cargo from Asia refused to declare the true value of his cargo in the loading documents, and while unloading the goods, damage was done to the cargo ship and he was able to receive only five hundred thousand dollars from the insurance. This is despite the fact that the ship owner could, during the negotiation, complete the shipment of the goods in the bill of lading in his favor and oblige the buyer to bear the loss and damage caused by loading and shipping the goods. Or he could have resorted to the advice of marine insurance companies or even an authorized forwarder.

•An American company sends goods to a customer against an irrevocable commitment from a well-known bank, and it is agreed that the bank will pay the amount as soon as it sees the ownership of the documents. After the ship has traveled half way, the exporter realizes that he cannot receive the amount of the goods as promised, because the loading on the ship was delayed by one day. In this example, if the American exporter was aware that the loading date might be delayed, he would try to get additional time from the buyer's bank.

Contract negotiations play a decisive role in reducing risk. Risks can be minimized by relying on insureds, banks, and expert intermediaries (Richard Shafer et al., p. 33).

8. Political risk

Political risk control requires planning and vigilance. First, companies must have sufficient knowledge of the internal affairs of a country. Important issues can be raised: Is the country politically stable? Does democracy rule that country? Isn't that country involved in ethnic and religious conflicts? How minorities treated and what are is the attitude of the more democratic countries of the world towards their behavior? What is the economic condition of the country?

Companies should be aware of the regional policies of that country. Is the region stable? Are neighboring countries in the region at war? Is it possible that border disputes will end in war? These considerations are especially important in the Middle East. Finally, attention should be paid to international affairs. Does that country comply with international human rights criteria and standards? Is their country a member of international organizations? Does that country respect international law?

International investment agreements are more exposed to political risks than other contracts, including the sale of goods. Therefore, in this agreement, efforts are made to identify and minimize all kinds of political risks. Canada and the United States have signed investment agreements with many countries, and one of the most important issues included in that agreement is that if the assets of American and Canadian companies in the invested countries are destroyed, those countries are obligated to provide financial compensation and it is stipulated that the amount of this compensation will be determined fairly and justly. According to Chapter 11 of Nafta, companies can sue NAFTA governments if they ignore "fair and equitable treatment" and cause damages. These types of agreements can partially guarantee the return of investment (David W. Conklin, 2011, 22).

Political risk insurance can be the next solution to reduce this type of risks. Insurance and political risk can cover companies against certain consequences such as capital return problems, expropriation or war and insurgency. Organizations or companies will make a grave mistake if they ignore political risk. Crises like the Arab Spring in the past years or the clashes that are happening in Turkey today, which the government itself gives in to, are a big warning to companies and organizations not to underestimate the political risks. If the Iranian government closes the Strait of Hormuz, it will have a direct impact on the price of oil, which will definitely affect many companies.

Political risks are not limited to third world countries. Following Trump in the US presidential election and his actions towards nationalization is considered a big political risk for this country. Nationalization is one of the biggest obstacles to international trade. Many companies pay attention to financial and market risks and do not care about political risks at all, and they suddenly reach a crisis with the above developments. Political risk management enables companies to enter new markets and business environment with authority (Ibid, 24).

There are many ways to reduce or prevent political risks. The easiest way before any transaction or investment is to do research about the country's risk tolerance. It is quite clear that investing or exporting goods to a country like Afghanistan, which does not have political and economic stability, is very different from a country like the Netherlands or Germany, which has high economic and political stability.

The next approach is to hire legal consultants to provide comprehensive information about the domestic laws of that country. It is very important for companies to have a legal advisor from the beginning of business or investment. The lawyer or legal advisor of the company can negotiate with the other party regarding the terms of compensation for damages caused by political risk. The big problem in international trade for many multinational companies and investors is the legal system of the host country, which is not very developed and does not conform to international customs. So that the occurrence of a revolution can trample all the actions of the previous government.

According to what was said above, it can be concluded that political risk cannot be avoided, but it can be managed with study and awareness. It has been said that one of the solutions is covered by political income insurance. However, this insurance does not guarantee that the damages can be taken from the insurance immediately after the accident risk event.

Therefore, international managers must keep pace with issues that may affect their activities and interests around the world. Access to the latest information is essential. Reviewing economic and political magazines and newspapers is important. The study of political analysis provides robust assessments and predictions of future stability. Risk consulting companies, reports of the insurance industry, reports of government enterprises, and consulting with reputable international banks and shipping companies can be considered as important sources of information. In some cases, political risk insurance is suggested for investing companies in foreign countries. A company that moves with strategic planning should pay attention to these issues and information when developing its global business and conducting transactions.

9. Forwarder

The duty of the goods forwarder or customs broker is to expedite the physical transportation of the goods or prepare the shipment or customs documents. Doing work related to paper import and export documents or some kind of necessary paperwork is very expensive. However, every business needs to know the legal nature and importance of all the documents used to sell goods and transfer money in international transactions, however, the forwarder does most of the paperwork. Forwarders actually act as the agent of the sender of goods (seller) for export. By doing all these things, they actually rush to stabilize the cargo, carry out sea price list formalities, reserve shipping space with minimum fare and sometimes prepare bank collection documents, upon seeing which the amount of the goods is paid. Usually, in many cases, a good and experienced lawyer accompanies these intermediaries to perform his services in a way that benefits both the exporter and the importer. Of course, there are institutions that take on these responsibilities with experienced staff (Shafer, 2007, 173).

10. International banks

Now it plays a significant role in all international transactions. Many documents of sending goods and paying money are exchanged between banks, and this makes international affairs more reliable. They are not only the source of financial resources, but also provide specialized banking and conversion services in the international arena. Some banks have very valuable experts who can smooth the way of transactions by providing advice in the field of international trade.

Conclusion

Contract of sale is recognized all over the world as a legal mechanism for conducting business in goods. The purchase and sale contract is an agreement between the buyer and the seller that expresses the intention of the parties to commit to its terms. It obliges the parties to undertake a part of the transaction and makes them responsible for the previous breach of contractual obligation. The sales contract is the original, because rights and responsibilities are specified in it, which can continue until the future.

At the beginning of this research, it was said that international trade management is risk management. This phrase will be more objective in this chapter and stories will be defined that the sellers have sent goods to the other side of the world and the buyer has refused to receive it or has disappeared despite the written agreement. The same risk can be realized by the buyer who has paid in advance and faces a handful of garbage when receiving the goods. The risks do not end there. Almost every day there are reports of damage due to weather, spoilage, contamination with salt water or chemicals, insect infestation, improper packaging, etc.

These are just a few of the transaction risks involved in international sales. The business environment has changed dramatically since the end of World War II. International managers and businessmen need to be familiar with economics, culture, politics and law in order to keep up with the competition of global markets. Multinational companies have adopted business strategies that are global. Even small and medium manufacturing or service companies are considered important competitors in international markets and will become more important in the future.

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