



For the Businesses in international trade

Are you a member of GBCC+ICDT global ecosystem?
Have you registered your contract under “Document
Defense Scheme”? Are you following the rules of global
trade compliance program? Are you drafting contracts on
the basis of “Smart Contract Protocols” of GBCC+ICDT”?

Mitigating Risk of Compliance Failure

We are an institution devoted to the “Prevention of commercial risk caused due to changes in law and loosely drafted contracts”

Compliance is one of the most complex aspects of international trade. Every country has a unique set of laws and regulations that apply to international transactions conducted in different industries and sectors of the state economy.

GBCC+ICDT “Model Contract Drafts”, “Smart Contract Protocols” and other tools and resources help you in identifying potential risk of compliance failures due to ever changing laws in countries where you operate.

Preventing and Managing Disputes

Business operating in International markets can mostly prevent disputes and ensure safe transactions.

Dispute on the sale of goods or commodities

The dispute could arise from the issues on:

- Product quality and quantity;
- Pricing or costing issues;
- Payment issues, such as the conditions and modes of payment, as well as the timing of these payments;

- Transportation or logistics, including the conditions on delivery of commodities or products;
- Other contractual provisions or stipulations, including how they were presented in a contract. Often, disputes arise due to vague stipulations and references on written contracts.

Clearly, this type of business dispute can be easily avoided if the contract was prepared properly and accurately, eliminating any vagueness or ambiguity. Everything should be set out clearly in order to avoid confusion.

Dispute on the roles of distributors and agents

A distributor buys the products or commodities from the manufacturer or original seller, and proceeds to sell them. An agent, on the other hand, does not buy the products outright. Instead, they act on behalf of the manufacturer or original seller and promote the products or services and negotiate terms of sale. Agents do not sell the products; it's the manufacturer or original seller that sells them.

Disputes arise when the original seller does not conform to the terms of the distributorship contract, or vice versa. It is possible that the distributor may have overstepped his bounds and started manufacturing the same products or services, or even sold the products outside of the area or territories agreed upon. The manufacturer may also fail to deliver the agreed-upon quantity, or the distributor may not pay the amount she is due to pay in exchange for the products delivered to him. Similarly, the agent may also start taking on the role of a distributor, purchasing the products from the manufacturer, and selling them. These confusions in roles are potential roots of international business disputes.

Disputes on construction, engineering and infrastructure projects

Companies involved in these industries often find themselves working in foreign territories and being subjected to various international rules and regulations. International contracts of this scale are often seen to be riddled with disputes because of any of the following:

- Noncompliance with contractual requirements
- Impositions and requirements by various governments in countries where the construction projects are being conducted
- Disagreements over guarantees made between the parties

Again, these disputes will be avoided if the contract is prepared correctly, and the terms adhered to by the parties involved.

Disputes on Procurement

Even during the bidding stage, some disagreements may arise. In fact, in international trade, you will hear many disputes over the bidding process itself, since they cover sensitive topics such as deadlines and mandatory requirements to be complied with. Once the bidding process is done and they move on to the contract, disputes may still arise regarding the terms stated therein.

Disputes on Intellectual Property

Countries are becoming increasingly sensitive (and possessive) when it comes to intellectual property rights. Disputes include issues like terms of royalties, patent and trademark licensing, as well as the transfer of technology and/or technical know-how, and even the provision of technical assistance.

Disputes on Domain Name

International business disputes may also arise from disagreements over the ownership and registration of internet domain names.

Disputes on Joint Venture

Companies often enter into joint venture agreements when undertaking international business projects because they simply cannot handle these projects all on their own. As a result, they will be joining forces with other businesses, often also from other countries. The dispute is likely to result from disagreements over the terms of the agreement, particularly on the share or contribution of each participant.

Disputes on Maritime Contracts

International trade means bringing products overseas and oceans to and from foreign markets. Maritime disputes, then, are to be expected, especially if the terms of the maritime contract are not followed.

Disputes with Customs Authorities

Importers and exporters often find themselves in disagreement with authorities in customs offices of the countries they operate in. Most of the time, the disagreement is on valuation of the products being imported/exported, and the classification of the products, since they also have tax implications.

Possible Reasons - Common Causes of International Trade Disputes

Although every company might like to do business without encountering disputes with their counterparty, it is not always possible to

avoid situations where the trading partners disagree. Disputes can be time consuming and costly, but they are also a reality of doing business. While most trading partners enter in a contractual agreement with the best of intentions, disputes do happen and can have serious consequences.

Financial disputes arise when counterparties disagree on the amount outstanding amongst themselves. Contractual disputes arise when the counterparties disobey signed contractual agreements. Here are some of the very common reasons of financial disputes between parties in international trade:

Payment Terms

Offering payment terms as part of contract negotiations enables a company to be competitive. In many situations, the benefit of winning a contract by offering payment terms comes with the risk of being unable to collect the receivables from importers. When offering payment terms, an exporter requests minimal advance payment, leaving a portion of the contractual amount to be collected at a future date after the delivery on the contract has been completed. Importers can obtain payment terms that are long enough for them to receive the goods and inspect them. In some situations, an importer can argue that the quality of the products or services provided do not meet the standards promised in the contract. Disputes in contracts are not only caused by the quality of the goods and/or services provided, but also could be due to: Delays on contract completion.

Modifications to specifications without consent of all parties. Failure to comply with verbal agreements that were not signed for on the contract. Non-shipment or blockage at port due to change in laws or government.

Letter of Guarantee

While negotiating the contract, counterparties may require the issuance of letters of guarantees and letters of credit as a method to secure themselves against non-compliance on contractual terms. Disputes can arise in situations where the seller is performing as per the contractual terms; however the buyer drew on the letter of guarantee to obtain additional funds for liquidity purposes. This is known as a wrongful call.

Foreign Exchange Rates

In the international market, counterparties sign contracts in currencies other than their home currency. In these situations, the buyer and/or the seller face foreign exchange (FX) risks. The foreign market is unpredictable and swings in the FX rate are not uncommon. Every percent move of the FX rate can result in an increase/decrease of the profit margin on the contract. Disputes arise in situations where the currency of the buyer depreciates in value, resulting in the buyer to pay significantly more in converted currency than anticipated on the contract.

Documentation Error

Documents in trade such as the letter of credit, letter of guarantee, forward contracts, futures, and others, can be subject to errors. A letter of credit, for example, is issued by the bank of the importer and is used as a payment instrument. It has multiple conditions that must be fulfilled by the exporter and verified by the bank prior to releasing the payment to the exporter. An error on a letter of credit can have a direct impact on the bank releasing the payment. Such discrepancies must be rectified so that the exporter receives payment when it completes the performance on the contract.



The GBCC+ICDT membership is the sure fire approach to manage risk of compliance failure and unintended disputes in international markets.

Companies are now incorporating GBCC+ICDT preventive provisions and dispute resolution clauses into their contract agreements.