### International Principles and Doctrines

1. **The principle of comity**—Under this principle, nations give effect to the laws and judicial decrees of other nations for reasons of courtesy and international harmony.

2. **The act of state doctrine**—A doctrine under which American courts avoid passing judgment on the validity of public acts committed by a recognized foreign government within its own territory.

3. **The doctrine of sovereign immunity**—When certain conditions are satisfied, foreign nations are immune from U.S. jurisdiction under the Foreign Sovereign Immunities Act of 1976. Exceptions are made (a) when the foreign state has “waived its immunity either explicitly or by implication” or (b) when the action is “based upon a commercial activity carried on in the United States by the foreign state.”

### Doing Business Internationally

Ways in which U.S. domestic firms engage in international business transactions include (a) exporting, which may involve foreign agents or distributors, and (b) manufacturing abroad through licensing arrangements, franchising operations, wholly owned subsidiaries, or joint ventures.

### Commercial Contracts in an International Setting

Choice-of-language, forum-selection, and choice-of-law clauses are often included in international business contracts to reduce the uncertainties associated with interpreting the language of the agreement and dealing with legal differences. Force *majeure clauses* are included in most domestic and international contracts. They commonly stipulate that certain events, such as floods, fire, accidents, labor strikes, and shortages, may excuse a party from liability for nonperformance of the contract. Arbitration clauses are also frequently found in international contracts.

### Making Payment on international Transactions

1. **Currency conversion**—Because nations have different monetary systems, payment on international contracts requires currency conversion at a rate specified in a foreign exchange market.

2. **Correspondent banking**—Correspondent banks facilitate the transfer of funds from a buyer in one country to a seller in another.

3. **Letters of credit**—Letters of credit facilitate international transactions by ensuring payment to sellers and ensuring to buyers that payment will not be made until the sellers have complied with the terms of the letters of credit. Typically, compliance occurs when a bill of lading is delivered to the issuing bank.

### Regulation of Specific Business Activities

In the interests of their economies, foreign policies, domestic policies, or other national priorities, nations impose laws that restrict or facilitate international business. Such laws regulate foreign investments; exporting and importing activities, and in the United States, the bribery of foreign officials to obtain favorable contracts. The General Agreement on Tariffs and Trade (now the World Trade Organization) attempts to minimize trade barriers among nations, as do regional trade agreements, including the European Union and the North American Free Trade Agreement.

### U.S. Laws in a Global Context

1. **Antitrust laws**—U.S. antitrust laws may be applied beyond the borders of the United States. Any conspiracy that has a substantial effect on commerce within the United States may be subject to the Sherman Act, even if the violation occurs outside the United States.

The "Life Cycle" of a Letter of Credit

Although the letter of credit appears quite complex at first, it is not difficult to understand. This cycle merely involves the exchange of documents (and money) through intermediaries. The following steps depict the letter-of-credit procurement cycle.

step 1: The buyer and seller agree on the terms of sale. The sales contract dictates that a letter of credit is to be used to finance the transaction.

step 2: The buyer completes an application for a letter of credit and forwards it to his or her bank, which will issue the letter of credit.

Step 3: The issuing (buyer's) bank then forwards the letter of credit to a correspondent bank in the seller's country.

step 4: The correspondent's bank relays the letter of credit to the seller.

step 5: Having received assurance of payment, the seller makes the necessary shipping arrangements.

step 6: The seller prepares the documents required under the letter of credit and delivers them to the correspondent bank.

step 7: The correspondent bank examines the documents. If it finds them in order, it sends them to the issuing bank and pays the seller in accordance with the terms of the letter of credit.

step 8: The issuing bank, having received the documents, examines them. If they are in order, the issuing bank will charge the buyer's account and send the documents on to the buyer or his or her customs broker. The issuing bank also will reimburse the correspondent bank.

step 9: The buyer or broker receives the documents and picks up the merchandise from the shipper (carrier).

Source: National Association of Purchasing Management.