

Expertise makes a world of difference when you do business internationally



Bin Liao
INTERNATIONAL BANKING MANAGER

If you have an opportunity to do business with a client in another country where business practices are not necessarily the same as they are here in Canada, what criteria should you use to analyze the project's advantages and risks?

That was the question facing a Quebec manufacturer of fibre optic switches as it tried to land a contract with a transmission line installation company in Algeria. The Algerian company needed some assurance that the Quebec supplier would be able to fulfill its contractual obligations if it was awarded the contract.

The Quebec manufacturer contacted the National Bank International Services Manager for the region. Drawing on his extensive experience with international trade, the Bank's manager immediately did a detailed analysis of the project in order to determine all the risks associated with the transaction.

GROUNDWORK PAVES THE WAY TO SUCCESS

The first step was to review the various aspects of the transaction: the contract terms and conditions, the financing structure needed to complete the contract, and the payment methods to ensure a secure transaction. Of course, it was also important to decide on a foreign exchange strategy to limit the risks related to currency fluctuations.

After reviewing the contract, National Bank's manager suggested that a new clause be added to confirm that any legal proceedings would be governed by Canadian legislation. For the financing structure and payment methods, he proposed combining a letter of credit and a letter of guarantee to cover the progressive payments and the company's performance. In addition, since the contract was in U.S. dollars, he recommended a foreign exchange strategy that took into account the fact that foreign currency payments would be received throughout the contract term.

ACCESSIBLE SERVICES AND VALUABLE ADVICE

While the President of the Quebec company was in Algeria to meet with the buyers, he realized that the contract clauses concerning payment terms did not accurately reflect the parties' previous discussions. His company would be paid by a related company rather than the Algerian parent. He made a point of faxing the contract to the National Bank manager responsible for his file.

"A few hours later," said the company president, "I received the

recommendations and changes proposed by my international manager. I asked that the corrections be made to the agreement, and was very pleased to see that the changes were considered improvements. Three times during the negotiations, I contacted the person I now refer to as my *international banker*. I have to say that when it comes to recognition and trust, if you have a reputable bank involved in the file and playing an integral role in the transaction, it makes a big difference in getting the deal done."

AMBITION AND CAUTION CAN GO HAND IN HAND

As Bin Liao, National Bank International Banking Manager, explained, "Our role is to give clients advice on international trade, whether they're importing or exporting. The goal is clear: do everything we can to reduce the risks in order to ensure a win/win partnership with the company. We're also able to evaluate the risks associated with the foreign financial institutions involved in the file and help our client make a well informed decision based on the facts."

With the spread of globalization, import and export markets are developing rapidly. As a result, countries that until recently were not potential international markets for our local entrepreneurs have been opening their doors for business. According to Bin Liao, "In that respect, the advice and services we offer are becoming more important. They are essential in terms of supporting our local businesses. Those companies are groundbreakers and deserve to have access to services that reflect their drive to grow and succeed."

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