

Risks of exporting

Exporters are faced with risks, such as political, legal, corruption and credit/financing which are not experienced on the domestic market.

1. **Political risk:** Some countries may experience major political instability, which could result in defaults on payments, exchange transfer blockages, nationalisation or confiscation of property. Civil disorder may affect personal security.
2. **Legal risk:** Differences in law can be expected in overseas countries. These may have an impact in such areas as import procedures, taxation, employment practices, currency dealings, property rights, the protection of intellectual property and agency/distributorship arrangements. Obtaining advice from respected legal practitioners in the countries concerned is imperative.
3. **Graft and corruption:** Graft and corruption are illegal in virtually all countries however may exist to varying degrees in some countries. Often, it is an offence to offer illegal payments and action can be taken against you on your return home.
4. **Credit/financing risks:** To protect yourself against payment default it is prudent, at least initially, to use payment methods which provide you with some security eg. irrevocable letters of credit. Your bank will be able to provide advice on payment options and their relative advantages. Banks also advise how you can protect yourself against changes in currency relativities as international trading exposes you to foreign exchange risks.
5. **Quarantine compliance:** Overseas countries have strict quarantine requirements and the need to ensure they are enforced.