

# INTERNATIONAL LAW FOR BUSINESS

CAROLYN HOTCHKISS



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## INTERNATIONAL LAW FOR BUSINESS

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# ABOUT THE AUTHOR

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**Carolyn Hotchkiss** has taught at Babson College since 1986 and is currently the Wilson Payne Term Chair and an associate professor of law. She was one of the founding members of the International Law Section of the Academy of Legal Studies in Business and has served as the section president. She has also been the president of the North Atlantic Regional Business Law Association. A graduate of Mount Holyoke College and Columbia Law School, she has practiced law with a large law firm and as an in-house counsel. She is a member of the Bar in New York and Massachusetts. As much as she enjoys writing books, she also enjoys sailing, canoeing, and fly fishing.

*To my grandmother, Jeanette Kennan Hotchkiss,  
who inspired my lifelong love of books.*

# PREFACE

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At the end of the twentieth century, the marketplace for goods, services, and technology has become global. Even the most traditional local businesses import goods from other countries and use the products of global corporations to enhance their ability to serve their local customers. Business markets are in a time of unprecedented change.

In colleges and universities around the world, students are finding that they must study international business in order to prepare for careers in industries ranging from banking to consumer products. New classes in international marketing, finance, economics, and other subjects have become part of the standard course of study for business students at both undergraduate and graduate levels.

The study of the international legal environment of business is an integral part of the study of global markets. Law provides the ground rules for international trade and investment in goods, services, and technology. An understanding of the ground rules for that trade and investment allows managers to compete successfully in the most competitive global markets. A working understanding of the international legal environment allows managers to make judgments about the political and business risk of doing business in countries around the world. It also serves to help managers to clarify their ethical values in a world of multiple ethical and legal paradigms.

This book is designed to provide a survey of the most significant areas of the international legal environment of business, for students studying business at both graduate and undergraduate levels. It should be useful to students planning careers in many different areas including finance, bank-

ing, marketing, entrepreneurship, sales, and operations. The book examines problems in each one of these areas. Although the focus is primarily one of a U.S. businessperson, the book uses cases, examples, and problems relating to a variety of important trading countries.

As you read this book, you will notice that it emphasizes the principles and underlying assumptions of international business and the law. In the current atmosphere of unprecedented change in global business, the principles of the law are the most important factors for students to learn. By the time you use these principles in your careers, the applications are likely to be very different than what we now know. However, the underlying principles will remain useful and relevant, even as new applications develop.

No one person can write a text without the help of many others. Many people have contributed ideas, read drafts, helped me articulate concepts, and otherwise assisted in the writing of this book. Their contributions have immensely enriched the final product.

At Babson, the Board of Research granted me release time to work on preparing the manuscript. Gordon Prichett and Allen Cohen were supportive of my work during their terms as vice president for academic affairs. Mike Fetters, my department chair, was very helpful in the completion of this work. His encouragement, reminders, course releases, and protection were all crucial to the creation of the text. Les Livingstone, when he was department chair, encouraged me to begin this daunting task. I owe a great debt to my colleagues Richard Mandel, Ross Petty, and Toni Lester, who encouraged my writing and my teaching in this area. Toni was the first person other than me to teach from the entire manuscript. I am indebted also to the department secretaries, Sandy Teixeira and Elly Gross, for their help in the production of the book, and to the word processing department for its good humor and efficient service in the face of many rush requests for copies.

I have also profited from academic and professional colleagues. The Boston-based group International Business Advisors and the International Law Committee of the Massachusetts Bar Association have been very helpful in my education on a variety of topics that ended up in the text. Virginia Reiberg spent much time with me on the documentation of commercial transactions. My colleagues in the Academy of Legal Studies in Business have given me much encouragement, and their research across all the areas of international law has been quite helpful. I would particularly like to thank Michael Jones of the University of Massachusetts at Lowell, Carter Manny of the University of Southern Maine, Jere Morehead of the University of Georgia, and Mark Baker of the University of Texas for their early support. Susan Grady, of the University of Massachusetts at Amherst, also deserves special thanks for her reminders to write for my student audience. I would also like to thank my friends, especially Kathy Cole, for putting up with a lot of antisocial behavior on my part while this book was in progress, and my cats Bopper and Whizzer for sitting on the manuscript at crucial points.



I have benefited greatly from the reviews of the manuscript from Mark B. Baker, University of Texas at Austin; Georgia L. Holmes, Mankato State University; Carter Manny, University of Southern Maine; Jere W. Morehead, University of Georgia; Gregory Naples, Marquette University; Richard E. Olson, Washburn University; Dinah Payne, University of New Orleans; Patricia B. Rogers, San Francisco State University; Peter C. Ward, Millsaps College; and Russell L. Welch, University of North Texas. Their constructive comments really helped to make this a better book.

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I wish to express my thanks to the following publishers, who have granted permission for the reproduction of work in this text.

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Carolyn Hotchkiss



# INTERNATIONAL LAW FOR BUSINESS

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