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I NTERNATIONAL B USINESS L AW AND ITS E NVIRONMENT R ICHARD S CHAFFER Professor Emeritus (Ret. ) Walker College of Business Appalachian State University F ILIBERTO A GUSTI Senior Partner Steptoe & Johnson LLP Attorneys at Law Washington, DC B EVERLEY E ARLE Professor Bentley College McCallum Graduate School of Business Australia • Brazil • Japan • Korea • Mexico • Singapore • Spain • United Kingdom • United States International Business Law and its Environment, 7e Richard Schaffer, Filiberto Agusti, and Beverly Earle VP/Editorial Director: Jack W.

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Printed in the United States of America 1 2 3 4 5 6 7 12 11 10 09 08 R. S. To Avery. And to John Phillip Reid, Russell D. Niles Professor of Law Emeritus at New York University, dear friend and mentor, whose lectures on the common law and English legal history have in? uenced my teaching and writing to this day. F. A. To my father, Filiberto, and my mother, Maria Luisa, who sacri? ced so much that I might be free to write and read as I wish; and to my wife, Susan, and our daughters, Caroline, Olivia, and Jordan, for their patience.

B. E. To my husband, John, for his support and to our daughter, Molly, for inspiring me with her dedication and hard work. ABOUT THE AUTHORS RICHARD SCHAFFER is Professor Emeritus of Business Law (retired) in the Department of Finance of the Walker College of Business at Appalachian State University. He taught for twenty-? ve years in the area of business law, international business transactions, and the law of international trade and investment. Professor Schaffer received his J. D. rom the University of Mississippi and his LL. M. from New York University. From 1976 through 1982, he assisted United Nations agencies in New York, San Jose, and Vienna with projects related to multinational corporations, corrupt practices, and socioeconomic development, and served as rapporteur of international working groups on international economic crime. He also has served as a consultant to business schools, providing advice on the internationalization of the curriculum, and to industry trade groups.

He is a graduate of Harvard Law School, where he was a senior editor of the Harvard Law Review. He graduated summa cum laude with a B. A. from the University of Illinois in 1974. BEVERLEY EARLE is a professor in the Law, Taxation, and Financial Planning Department and the McCallum Graduate School of Business at Bentley College, Waltham, Massachusetts, where she has been on the faculty since 1983. She teaches international business law at the undergraduate and graduate levels as well as courses on the legal environment of business and law and society.

She graduated with a B. A. from the University of Pennsylvania, received a J. D. from Boston University, and is admitted to the practice of law in Massachusetts. Professor Earle has received numerous awards including the Academy of Legal Studies in Business Holmes-Cardozo award (2006), the ALSB Distinguished Proceedings paper (2007), Charles Hewitt Master Teacher Finalist (2006), and the ALSB/Indiana University Center for International Business Education and Research Case Competition (1999).

She has been honored as Bentley Scholar of the Year (2001), and has received the Bentley Innovation in Teaching Award and the Bentley Outstanding Scholarly Contribution Award (2007). Professor Earle has presented papers at numerous conferences including the Cornell Law School Symposium, and her articles have appeared in law reviews including those published at Cornell University, Northwestern University, and the University of California at Berkeley.

She taught at Yunnan University in Kunming, China in 1990 and in Strasbourg, France in 1992. She lived in Paris on sabbatical in 1993–1994 and traveled to India on her 2007 sabbatical. She is past president of the International Section of the Academy of Legal Studies in Business. Since 2006, she has been an appointee to the Massachusetts Board of Bar Overseers Hearing Committee on Attorney Discipline. iv CONTENTS IN BRIEF PREFACE PART ONE xxvi The Legal Environment of International Business 2 3 Introduction to International Business 4 International Law and the World’s Legal Systems 47 Resolving International Commercial Disputes 85 2 PART TWO International Sales, Credits, and the Commercial Transaction 4 5 6 7 Sales Contracts and Excuses for Nonperformance 116 The Documentary Sale and Terms of Trade 161 The Carriage of Goods and the Liability of Air and Sea Carriers 191 Bank Collections, Trade Finance, and Letters of Credit 227 114 PART THREE International and U. S.

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It has been said that America’s interest in international education has peaked and ebbed with the changing tide of the American political climate, rising in times of economic expansion and ebbing during periods of political isolation or economic protectionism. Perhaps, however, the cycle has ? nally been broken, and industry leaders, government policymakers, and educators alike have come to understand the importance of making a permanent commitment to international education. In the last half of the twentieth century, America faced an increasingly competitive global marketplace and a mounting trade de? cit. Rather than seek protection behind often-politicized trade laws, America’s leaders committed themselves and the nation to policies of free trade and open investment. American ? ms realized that they had no choice but to compete aggressively with international competitors, in markets both here and abroad. Witness not only America’s great multinational corporations, but also the successes of the many small and medium-sized companies that today do business internationally. Among nations, the spirit of free trade has become contagious. Examples can be seen everywhere: the rush of nations to join the World Trade Organization, the growth of regional economic integration, privat