

## So You Want to Select a Foreign Business Partner? Be Sure to Follow These 3 Matchmaking Tips.

As an attorney based in a cross-roads city like Miami, I see all kinds of international business relationships turn sour and erupt into full-fledged wars. It's unfortunate because many of these disputes could have been avoided.

I mention this because I recently read a story in a business publication on how best to avoid international business disputes. As the story points out, the best way to avoid becoming embroiled in a protracted international business dispute is to carefully select your foreign business partners. Easy enough, right?

Not really. In the context of international business there are many variables to consider when selecting a foreign business partner given the countless differences in culture, geography and legal systems. Couple that with the seductive pull of the increased earnings promised by your new foreign business partner and it can be tough to make the right business decision.

Because the selection of a business partner is the most important decision a foreign company will make when entering an unfamiliar market, it is extremely important to confirm the bona fide status of your business partner. This requires careful and thorough investigation. Undertaking a basic background check prior to engaging in a trade transaction can minimize risk of encountering commercial disputes down the road. For purposes of this post, I'll focus on just the preliminary investigative steps without getting into substantive compliance issues that should also be examined.

Among the primary goals of your initial investigation is to confirm the legal status of your business partner. You'd be surprised the number of times businesses have entered into an agreement with a foreign party only to discover that the foreign party has no legal standing in the country in which it operates. Any judgment or award entered in your favor, whether from litigation or arbitration, will ultimately be unenforceable against the recalcitrant party. And who wants that?

Naturally, it's far better to obtain information about your prospective business partner *before* your company decides to enter into any kind of agreement with them. In addition to the current status of your prospect, you need to know as much information as possible about the foreign firm's history, trade and bank references, its sales record, marketing policies, customer profile, *etc.*

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Doing your homework upfront about a foreign partner can save you millions in the end. Fortunately, there are several resources available to help you get as much information as possible upfront. I've highlighted three wonderful resources below:

### **1. Common Sense**

This may seem basic, but it amazes me how many folks dive right into a foreign business relationship based just on a few emails and maybe a phone call or two. When problems arise down the road, they have only themselves to blame for failing to discover some bad information about their foreign business associate that a quick internet search would have turned up. What if an internet search turns up *no information*? I'd be suspicious of that too. These days almost all reputable businesses have some kind of online presence.

### **2. Commercial Resources**

Commercial investigation/risk analysis firms and banks are great sources of credit information on overseas representatives. They can provide information directly or from their correspondent banks or branches overseas. Directories of international companies may also provide credit information on foreign firms.

There are a number of world-class business intelligence organizations that have detailed information about the legal status of any proposed company and persons that are authorized to act on its behalf. The organizations will also inform you about litigation in which the potential partner is involved.

Just to name a few, Dunn & Bradstreet and Kroll are among the finest, with offices all over the world. In Europe, GloBis is a great resource and in China, Sinotrust is hard to beat. And don't forget about Cerved in Italy and Experian in the United Kingdom. All these firms offer the most accurate, highest quality, up-to-date, unbiased, and competitively priced business intelligence available.

### **3. Government Resources**

The U.S. Department of Commerce offers the International Company Profile (ICP) that can help you find out who is who worldwide. This service includes a low-cost background report on a prospective international buyer or partner; information on the company's management, banking, financial history, etc.; expert advice on the ability of a potential partner to meet your needs; and our assessment of your potential buyer/partner.

The U.S. Commercial Service takes it a step further and will prequalify foreign business partners for you. In Brazil and India, for example the U.S.C.S. will provide a Contact List of 10 - 20 potential agents, distributors, and importers of your product. The list will contain basic information, such as company name, address, and phone/fax numbers. In addition, the list will contain such information as contact names, a company description, company size, products/services offered, foreign companies represented, year established, territory covered, and sales revenue.

The U.S.C.S is really is an incredible resource that is often overlooked.

## Conclusion

Utilizing the resources outlined above should go a long way in helping you validate a foreign business partner. A small investment in reliable business intelligence now will pay huge dividends in the future by minimizing the enormous costs associated with a protracted international business dispute.

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## About the Author



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He has been featured in the Wall Street Journal, Fox Business News, CNBC, Forbes, the National Law Journal, PC World, the Daily Business Review, the Los Angeles Business Journal, the San Francisco Chronicle, Entrepreneur, and many other media outlets.