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**How to cite:** Lv J. The Application of Legal English in International Trade Contracts of the Textile Industry and Risk Prevention Measures. Textile & Leather Review. 2026; 9:3752-3773.

<https://doi.org/10.31881/TLR.2026.3752>

**How to link:** <https://doi.org/10.31881/TLR.2026.3752>

**Published:** 25 April 2026



# The Application of Legal English in International Trade Contracts of the Textile Industry and Risk Prevention Measures

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## Article

<https://doi.org/10.31881/TLR.2026.3752>

Published 25 April 2026

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## ABSTRACT

*This study explores the specific commercial and legal risks in the international textile trade, which stem from the industry's complex technical specifications, chemical processing, and global supply chains. The traded goods in the textile sector involve a wide range of materials, from natural fibers like Cotton and Wool to synthetic fibers such as polyester. The quality assessment of these products depends not only on subjective aesthetics but more critically on objective technical indicators, including Yarn count, fabric weight (GSM), and color fastness in Dyeing. Through a corpus analysis of 150 trade contracts and a survey of 85 industry experts, this research identifies the ambiguity of technical terminology in contracts as the primary cause of disputes. Linguistic precision is especially crucial in clauses related to quality, inspection, intellectual property, and the increasingly important certifications for Sustainable Development, such as those for organic cotton and recycled fibers. To address these challenges, this paper proposes a risk management framework centered on establishing a standardized system of technical terminology (e.g., referencing AATCC/ISO standards), enhancing contract review across the entire supply chain from raw material procurement to finished product delivery, and adopting dispute resolution mechanisms suited to the characteristics of Textile Technology. This framework aims to provide practical guidance for the Textile Industry, enabling effective risk management throughout the entire processing and trade cycle—from Fiber Products to final Textile Products—through the precise application of legal and technical language.*

## KEYWORDS

*textile industry, textile technology, international trade, risk management, supply chain management*

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## INTRODUCTION

The textile industry, as one of the most globally integrated traditional industries, is an important export pillar for China and many other countries around the world [1]. According to data from the World Trade Organization (WTO), the global trade volume of textiles and clothing has remained at a high level, highlighting its core position in the global supply chain [2]. In such large-scale cross-border transactions, international trade contracts serve as the fundamental basis for connecting buyers and sellers, clarifying rights and obligations, and resolving potential disputes [3]. However, these bilateral contracts do not exist in isolation but are embedded within a multi-level global supply chain network. This network involves upstream raw material suppliers, midstream manufacturers, and downstream logistics service providers and retailers. Contract risks therefore often do not originate from the trading parties themselves but are transmitted through other links in the supply chain. This article, while analyzing the contracts between the buyer and the seller, will also take into account the distribution and transmission characteristics of these risks along the chain. Due to the status of English as the international business lingua franca, the vast majority of textile international trade contracts are conducted in English, especially legal English that is rigorous, precise, and binding [4,5].

However, the language bridge can also become a source of risks. Legal English contains a large number of archaic words, Latin words, specialized terms, and unique syntactic structures [4,6,7]. Its precision can often result in obscurity. For non-native English contract participants, subtle deviations in understanding and application can lead to huge economic losses [8,9]. However, viewing legal English as a single and static entity is a one-sided perspective. In recent years, as a response to the obscurity of traditional legal language and a challenge to it, the “Plain English movement” has gained increasing influence in international commercial practices. This movement advocates using clear and direct language to draft contracts, replacing outdated terms and complex sentence structures, aiming to fundamentally enhance the readability and certainty of contracts, thereby reducing communication costs and legal risks. Therefore, although it discusses the risks of traditional legal English, this article will also take into account the implications of this modern trend for risk prevention. Unlike industries dealing with standardized machinery or digital goods defined by objective performance metrics, the textile trade is characterized by a high degree of specificity and subjectivity. Its complexity arises from aspects like quality description (e.g., yarn count, density, color fastness), inspection

standards, delivery details, and intellectual property (e.g., patterns, designs) [10–12]. This dependency on aesthetic and sensory qualities (e.g., “handfeel,” “drape”), which are inherently difficult to capture in precise legal language, presents a qualitatively different challenge than simply verifying a machine's output. These particularities require the contract language to reach an extremely high degree of precision. In practice, a common view holds that the root cause of many trade disputes is not commercial fraud but rather the ambiguity or misuse of legal English in the contracts [13]. One of the core purposes of this study is to test and deepen this argument through empirical data. Our research findings provide strong evidence from the textile industry for this view: For instance, a corpus analysis of 150 industry contracts revealed that over 60% of the contracts lacked quantifiable and objective standards for key quality clauses. At the same time, the results of our questionnaire survey of 85 senior industry practitioners also confirm this, with up to 78% of the respondents indicating that ambiguous terms were the main cause of the disputes they dealt with.

Current research on legal English mainly focuses on its general linguistic features or its application in general commercial contracts [4]. However, studies that conduct in-depth analyses specifically for certain industries, especially those with distinct industry characteristics like the textile industry, remain insufficient. This article is based on this research gap and focuses on legal English in the specific scenario of international trade contracts in the textile industry. The aim is to answer three core questions: (1) How is legal English specifically applied in the general and special clauses of textile trade contracts? (2) What unique legal and commercial risks are hidden in these applications? (3) How should enterprises build an effective risk prevention and control system? This paper therefore argues that while the legal tools discussed are common across trade, their application and the risks they mitigate are uniquely shaped and intensified by the intrinsic characteristics of the textile industry, meriting a sector-specific analysis. Through answering these questions, this study strives to provide targeted guidance for textile enterprises, foreign trade practitioners, and legal advisors to reduce transaction costs, prevent legal risks, and enhance international competitiveness.

To address the foregoing questions with empirical rigor and move beyond anecdotal evidence, this study adopted a mixed-methods approach. The initial theoretical framework was substantively enriched through two primary data-gathering exercises designed to validate the central claims. In the first exercise, corpus analysis of textile trade contracts, a corpus of 150 international textile sales contracts from the past decade was collected and systematically analyzed. The analysis focused on identifying the prevalence of vague or

non-standardized language in key clauses, such as those pertaining to quality, inspection, and intellectual property. The analytical procedure was conducted as follows to ensure objectivity and replicability. First, all 150 contracts were digitized and imported into qualitative data analysis (QDA) software NVivo. A coding framework was then developed through a two-stage process. Initially, two researchers independently performed “open coding” on a subset of 30 contracts to identify recurring risk-related themes. On this basis, a final coding scheme was established to categorize key terms, for instance, distinguishing between “subjective quality descriptors” (e.g., “high quality”) and “objective technical standards” (e.g., 150 GSM). The entire corpus was then systematically analyzed using this scheme. To ensure the reliability of the analysis, inter-coder reliability was calculated on the coded subset, achieving a Cohen's kappa coefficient of 0.85, which indicates a high degree of agreement and mitigates the risk of subjective interpretation. To clarify the scope and representativeness of the sample, its composition must be specified. The contracts, covering 2015 to 2024, were primarily sourced from a consortium of Chinese textile export enterprises and collaborating law firms specializing in international trade. Consequently, the sample predominantly reflects transactions involving a Chinese party as the exporter. The counterparties are geographically diverse, including entities from North America, the European Union, and Southeast Asia, thereby covering interactions with common law and civil law jurisdictions. Although this focus provides deep insights into the challenges faced by one of the world's largest textile exporting nations, we acknowledge that the findings are most representative of this specific trade dynamic. This potential limitation will be addressed in the conclusion, with suggestions for future research.

In the second exercise, the survey of industry practitioners, a structured survey was designed and distributed to a targeted group of 85 professionals, including in-house legal counsel, external law firm partners, and senior commercial managers with extensive experience in the textile industry. The survey aimed to quantify which types of contractual ambiguities are perceived as the most frequent causes of commercial disputes. To ensure the methodological rigor of the survey, the following details are provided. The questionnaire was developed based on a literature review and preliminary interviews with five industry experts to establish content validity. The final instrument consisted of 20 items using a five-point Likert scale. A pilot test with 10 professionals was conducted to refine clarity, and the final survey demonstrated high reliability with a Cronbach's alpha coefficient of 0.88. The sample of 85 professionals possessed deep industry knowledge,

with an average of 12.5 years of experience. The demographic distribution was as follows: As regards role distribution, 60% were from commercial roles (e.g., senior managers) and 40% from legal roles (e.g., in-house counsel). As regards the party represented, approximately 55% of respondents primarily represented exporters, while 45% represented importers, ensuring a balanced perspective on trade disputes. By triangulating the findings from legal–linguistic theory, contract analysis, and practitioner surveys, this research provides a more robust and empirically grounded analysis of the risks inherent in the language of textile trade.

To elevate the analytical scope of this study beyond mere descriptive phenomena, this paper will employ specific theoretical perspectives for further elaboration. Specifically, we will apply the pragmatic principles of “legal linguistics” to analyze how contractual language leads to communication failure, and introduce the framework of “transaction cost economics” to explain how these language risks are transformed into actual business costs. These theoretical perspectives will run throughout the subsequent risk analysis and countermeasure suggestions, aiming to provide more academically profound insights for the industry.

Importantly, contract disputes are multifaceted phenomena, influenced by numerous variables including payment methods, logistical failures, and geopolitical risks. This study, however, deliberately focuses on the foundational role of legal language. We argue that language is not merely one variable among many but rather the fundamental medium through which all contractual rights, obligations, and risks are defined and managed. A flaw in the language of a contract can amplify or even trigger disputes that appear to originate from other factors. Therefore, analyzing the application of Legal English is critical to understanding the root causes of a significant portion of international trade disputes.

## **CORE APPLICATIONS OF LEGAL ENGLISH IN INTERNATIONAL TRADE CONTRACTS OF THE TEXTILE INDUSTRY**

The application of legal English in textile international trade contracts can be divided into two main sections: general terms and industry-specific terms. The former establishes the legal framework of the contract, while the latter fills in the commercial essence of the transaction.

### **Application of Legal English in General Clauses of Contracts**

In international trade contracts of the textile industry, the application of legal English in the general terms has

established the fundamental legal framework for the entire transaction. The beginning of the contract is usually initiated by the “preamble/recitals” section, such as briefly describing the transaction background and the intentions of both parties in the “WHEREAS...” sentence structure. This can provide important clues for arbitrators or judges to understand the true purpose of the contract when disputes arise later. To avoid risks from the source, the “definitions” clause becomes the first line of defense for risk prevention, by precisely defining key terms such as “products” and “acceptable quality limit” (AQL), effectively preventing future misunderstandings. On this basis, the contract must also anticipate and manage future risks. For example, the “force majeure clause” not only covers traditional events such as wars and earthquakes, but should also take into account the characteristics of the textile industry, including the closure of dyeing factories due to environmental protection policies, and include such situations in the consideration, and clearly notify obligations and legal consequences in rigorous legal English. The legal basis for interpreting all these clauses is determined by the “applicable law clause” (Governing Law), and choosing the “United Nations Convention on Contracts for the International Sale of Goods” (CISG) or the laws of specific countries (such as British law) will directly affect the determination of the rights and obligations of the contract. Finally, when disputes unfortunately occur, the “dispute resolution clause” (Dispute Resolution) provides the ultimate right guarantee path. In international trade, carefully drafted arbitration clauses, clearly specifying well-known institutions such as the Hong Kong International Arbitration Centre (HKIAC), arbitration location, arbitration language and rules, due to their professionalism, confidentiality and the convenience of cross-border enforcement based on the “New York Convention,” are usually a more reliable and efficient choice than litigation.

### **Application of Legal English in the Special Clauses of the Textile Industry**

If the general terms are the skeleton of the contract, then the distinctive terms in the textile industry are the flesh and blood of the contract. The application of legal English in this context directly affects whether the commercial purpose can be achieved. The professionalism and precision required here are extremely high. Although quality clauses are universal, in the textile industry, they bear a disproportionate weight. This lack of proportion is because textile quality is a unique convergence of subjective aesthetics (color, feel) and complex technical standards (performance metrics), a duality not as pronounced in many other

manufacturing sectors. Among them, the most core is the "quality clause." Any vague description such as "high quality" is unacceptable; a rigorous quality clause must use standardized legal and technical English to quantify and stipulate the components (Composition) of the product such as "95% polyester / 5% spandex blend," specific specifications (Specification) such as yarn count and weight "150 GSM," and various performance indicators (Performance) such as color fastness to washing: Grade 4–5 (AATCC Test Method 61)", and usually takes the "master sample" signed by both parties as the final basis. The "inspection and claim clause" closely related to the quality clause provides procedural guarantees for the acceptance of quality. Usually, it clearly stipulates that the inspection will be carried out according to the "acceptable quality limit" (AQL) standard, and grants the buyer or its designated third-party inspection agency (such as SGS) the right to conduct "pre-shipment inspection," while setting the validity period for claims. In addition, considering the fragility of textiles, the "packaging and marking clause" is also particularly important. The contract needs to specifically describe the packaging method to meet the requirements of moisture-proof and damage-proof, such as "packed in one seaworthy carton." Finally, in today's era where design and brand value are increasingly prominent, the "intellectual property rights clause" has become an indispensable protective barrier. Through the seller's "warranty" and "indemnification" commitments, it ensures that the designs and patterns traded do not infringe upon the rights of third parties, thereby effectively isolating potential legal risks.

## **RISK ANALYSIS**

Precise legal English serves as a protective shield, while ambiguous or incorrect usage becomes a trap. This risk interaction model is structured in three phases to explain this evolution. Phase 1 identifies the initial language risk factors common in textile contracts. Phase 2, the model's core, illustrates the "risk adjustment and path differentiation," showing how an enterprise's choice between an inadequate response (red path) and a professional, preventative measure (green path) determines the outcome. Consequently, Phase 3 demonstrates the resulting "business/legal consequences," where these divergent paths lead to either a "worsening consequence" or an "ideal outcome." The following subsections will now elaborate on these specific pathways for each risk. The pathway by which a simple, ambiguous term can escalate into a major legal conflict is illustrated in Figure 1.

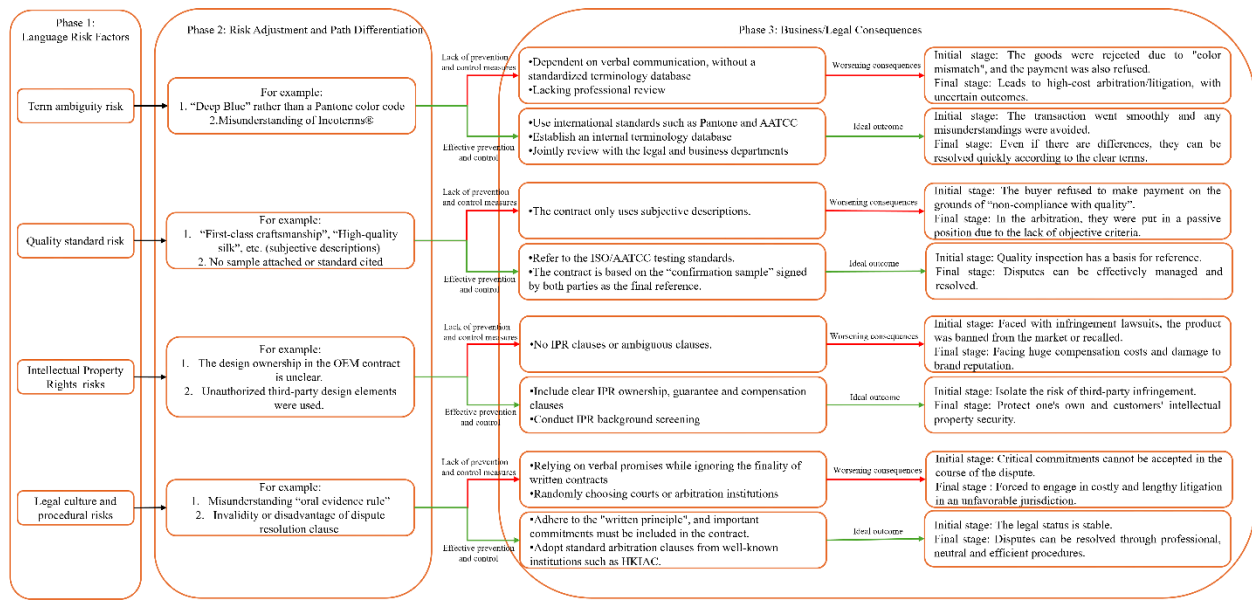


Figure 1. Textile Trade Contract Language Risk Interaction Model

**Ambiguous Terminology Risk**

This is the most common and direct risk. For instance, a contract merely stipulates that the fabric color is "dark blue." From the perspective of legal linguistics, this description seriously violates the "manner criterion" in Grice's cooperative principle, failing to be unambiguous and thus directly leading to the failure of the verbal act and potential legal conflicts. However, hundreds and thousands of shades of blue occur in the textile industry, and lot-to-lot shade variations occur in the dyeing process. This extreme sensitivity to color and the inherent risk of batch-to-batch variation represents a commercial and legal risk far more pronounced in textiles than in the trade of most manufactured hard goods, where color is often a secondary attribute. Without a Pantone number or sample for reference, the buyer can completely refuse the goods due to "incorrect color," leaving the seller with no payment. Similarly, misunderstandings about Incoterms® (International Trade Terms) are also extremely common. This issue is not a minor one. In the survey conducted in this study involving 85 industry professionals, 65% of the respondents believed that the differences in the interpretation of Incoterms were a common source of conflicts leading to significant economic losses. For example, FOB (Free on Board) is simply understood as "delivery upon board," while ignoring the precise moment when the goods "cross the ship's rail" as the point of risk transfer, as well as the fact that the export

customs clearance procedures are the responsibility of the seller. This can easily lead to disputes over liability when the goods are damaged during the waiting period at the port for shipment. This scenario corresponds directly to the “worsening path” for term ambiguity shown in Figure 1, where relying on informal communication leads to rejected goods and liability disputes. Conversely, the model’s “ideal outcome” path shows that using precise international standards prevents these misunderstandings from the outset.

### **Quality Dispute Risk**

The non-standardized description of textile quality is a major source of disputes. This study, through an analysis of a corpus of 150 international textile contracts, confirmed this statement. Over 60% of the contracts lacked quantifiable objective standards (such as AATCC or ISO testing methods), instead relying on subjective terms like “first-class craftsmanship” or “by sample,” and did not attach and cite the confirmed samples in the contracts. Within the framework of transaction cost theory, such subjective terms, due to their lack of objective verifiability, significantly increase the “enforcement costs” of contracts. Once there is a disagreement, the cost of determining whether one party has breached the contract will become extremely high, thereby triggering disputes. A typical case is that the contract stipulates the fabric as “high-quality silk,” but does not specify the specific momme number (a unit for measuring silk thickness), whether it is mulberry silk, or the standard for flaws. This is consistent with the results of our survey of legal practitioners, in which 78% of the respondents stated that ambiguous terms in the quality and specification clauses were the main cause of the disputes they dealt with in the past five years. The seller provided what they believed was high-quality silk, but the buyer refused to pay the price on the grounds that the texture and luster did not meet the requirements of their luxury brand customers. Due to the lack of objectively measurable standards in the contract, once it enters arbitration or litigation, the outcome of the judgment will have great uncertainty, consuming a large amount of time and money for both parties. As depicted in the “worsening path” for quality risk in Figure 1, this reliance on subjective terms leads to the buyer refusing payment and forcing the seller into uncertain, high-cost arbitration. The model’s “ideal outcome” path, however, confirms that referencing objective standards provides a clear basis for inspection and effectively manages such disputes.

### **IPR Infringement Risk**

Although IPR risks exist across all industries, the “fast fashion” business model endemic to the textile sector

creates a uniquely high-velocity environment for infringement. With the rise of fast fashion, the problem of plagiarism and infringement in textile design has become increasingly serious. If the OEM contract does not clearly stipulate the ownership and usage rights of the design patterns provided by the buyer, after completing the order, the manufacturer may slightly modify the design and use it for the production of their own brand products, or sell it to the buyer's competitors, thereby triggering infringement lawsuits. The extremely short lifecycle of a textile design means its commercial value can evaporate in months. This makes immediate, precise, and enforceable contractual protections against misuse far more critical than in industries with longer product development and value cycles, such as heavy machinery or pharmaceuticals. Conversely, if the seller uses unauthorized third-party fonts or pattern elements for the design and sells it to the buyer, once the original author discovers this, the buyer will face risks such as product removal from the market, market ban, and even heavy compensation. A well-structured IPR clause is the "firewall" to isolate such risks. Figure 1 models this by showing that failing to include clear IPR clauses represents the "worsening path," which can lead to severe consequences like lawsuits and recalls. By contrast, the "ideal path"—involving explicit warranties and screening—securely isolates these risks.

### **Legal Culture Misfit**

The principles of contract interpretation in the common law system (of the Anglo-American legal tradition) and the civil law system (of the Continental legal tradition) differ. In common law systems, the "parol evidence rule" typically assumes that a written contract represents the final and complete expression of the agreement between the parties. This principle restricts the use of pre-contractual oral or written communications to interpret or contradict the terms of the final contract. However, this rule is far from absolute and has many complex exceptions that vary by jurisdiction. For instance, external evidence may be admissible to clarify ambiguous terms, prove that the contract was signed under duress or fraud, or demonstrate the existence of a separate ancillary agreement. By contrast, civil law systems tend to examine a broader range of evidence, including pre-contractual negotiations, to determine the "true intention" of the parties. If a party to a contract is unaware of the nuances of the parol evidence rule and its many exceptions, they might mistakenly believe that all prior email communications are either completely excluded or always admissible, leading to the failure to incorporate all key commitments into the final contract. This failure could leave them in a very

disadvantageous position in the event of a dispute.

Furthermore, the selection of the dispute resolution clause is of utmost importance. For instance, stipulating that the lawsuit be filed in a certain court in China may pose challenges for foreign buyers, such as language barriers and unfamiliarity with the Chinese judicial process. Conversely, choosing a lawsuit in a certain state court in the United States could result in high legal fees and a lengthy litigation period for the Chinese seller. By contrast, selecting a well-known arbitration institution in a neutral third-party location and specifying the arbitration language and applicable rules is the best approach to balance the interests of both parties and ensure a fair and efficient resolution of the dispute. The wording of the clause must be precise. A defective arbitration clause, such as one that does not specify the specific arbitration institution, may render the clause invalid, causing both parties to once again be trapped in the dilemma of choosing a court.

### **Supply Chain Coordination Risk**

The root cause of many disputes is not the fault of the buyer or the seller, but rather the failure of the third-party service provider to fulfill its obligations. The most typical example is the logistics risk. For instance, even if the seller delivers the goods to the port on time, if the logistics provider they have entrusted fails to book the shipping space or complete the customs clearance in a timely manner, resulting in a delay in the shipping schedule, according to different interpretations of the International Trade Terms (Incoterms®), the responsibility and the assumption of losses will become extremely complicated. The contract language must clearly define the responsibilities, notification obligations, and remedial measures of all parties (including any third parties that may need to be notified) in cases where logistics is disrupted and other circumstances.

### **Case Study: End-to-End Analysis of the 'High-Quality Silk' Dispute**

This case takes the "high-quality silk" dispute as an example to comprehensively demonstrate the generation and prevention of risks.

**Risk Origin:** A contract between a manufacturer and a European brand stipulated that the quality terms were merely "high-quality silk", but did not define objective standards such as fineness and confirmation samples.

This problem reflects the one found in this study, that over 60% of the contracts rely on subjective descriptions.

**Dispute Escalation:** A significant divergence was found in the understanding of "high-quality" between the two parties, leading to the buyer refusing to pay for the goods. The parties then attempted a round of

commercial renegotiation, exploring options such as a price discount. However, without any objective standard in the contract to serve as a baseline for discussion, these informal settlement talks quickly failed. Due to this impasse, the dispute then escalated to a high-cost arbitration process, with results full of uncertainty. This escalation confirms the view of 78% of the respondents that such ambiguous terms are the main cause of disputes.

Prevention Review: If the risk prevention framework in Section 4 of this article is adopted, this dispute could have been avoided:

Terminology Standardization (4.1): The contract will clearly stipulate quantitative indicators such as "19 mm 6A grade mulberry silk" and reference the confirmation sample.

Contract Review (4.2): Professional joint review will identify and correct high-risk subjective terms such as "high-quality." Legal awareness (4.4): Trained sales representatives will adhere to the principle of written clarity and include all key parameters in the contract.

This case clearly demonstrates that a systematic risk prevention framework is the fundamental guarantee to avoid such costly disputes.

## **RISK PREVENTION FRAMEWORK**

When establishing a risk prevention system, we must recognize the resource differences among enterprises of different scales. For large enterprises with abundant resources, it is feasible to establish a comprehensive legal department and software system. However, for the vast majority of small and medium-sized enterprises (SMEs) that constitute the main body of the industry, their profit margins are limited, and not many administrative staff are employed. The risk prevention framework proposed in this section will therefore fully consider cost-effectiveness and provide a series of scalable solutions ranging from low-cost to high investment to meet the actual needs of different enterprises. Based on this theoretical framework, the core objective of an effective risk prevention system should be to ensure the success of verbal actions and minimize transaction costs to the greatest extent. In the face of these risks, enterprises should establish a complete risk prevention and control system covering the entire process from contract drafting to execution. This risk control process is illustrated in Figure 2.

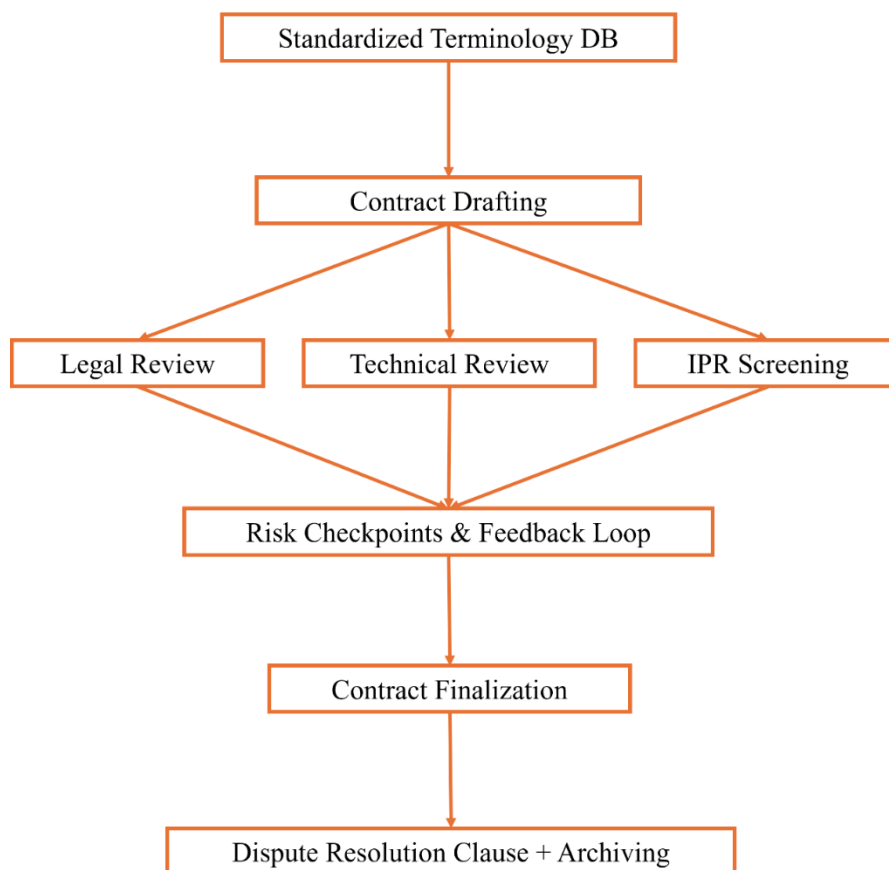


Figure 2. Risk Control Process in Textile Trade Contracts

### Terminology Standardization

Standardization of terms is the primary measure to reduce information asymmetry and lower the costs of subsequent implementation. At the foundational level of risk prevention strategies, achieving the standardization and precision of contract terms is the first line of defense for ensuring transaction security. Enterprises should proactively establish and implement an internal Chinese–English terminology database, uniformly standardizing various professional terms from raw materials to finished products. For small and medium-sized enterprises, building this database does not require expensive software. Building can start with a shared Excel spreadsheet among a team, with the focus being on establishing a unified standard and consistently adhering to it, rather than the complexity of the tool. More importantly, in the contract, internationally recognized standard systems should be actively referred to for objectification, such as quantifying performance indicators through AATCC or ISO standards, defining colors using Pantone color cards, and setting inspection levels using AQL standards, thereby converting subjective quality descriptions into

measurable data. This approach not only directly enhances the clarity and readability of the contract terms. Finally, within the contract text, "definition clauses" (Definitions) must be effectively utilized to clearly and accurately define core or easily ambiguous concepts such as "defect" and "delivery date," fundamentally eliminating the breeding ground for disputes caused by ambiguous language. On this basis, enterprises should actively adopt the principle of "concise English." When drafting contracts, they should consciously replace unnecessary legal terms and archaic vocabulary with concise and clear modern business language (for example, using "terminate" instead of "determine" to mean "terminate the contract," and using "before" instead of "prior to"). This approach not only directly enhances the clarity and readability of the contract terms but also significantly reduces the risk of disputes between the two parties (especially non-native English speakers) due to language comprehension differences. A more advanced strategy is to view this terminology library as a "living" system. Enterprises should establish a feedback loop where every problem term that emerges in actual disputes or "near-misses" is promptly updated to the database along with the case background. This process is not only the standardization of terminology but also the construction of an institutionalized memory for the enterprise, potentially transforming the experience of individual teams into the core risk control capability of the entire organization.

### **Contract Review and Management**

Only having precise texts is not enough to completely avoid risks. Establishing a review and management process that runs throughout the contract lifecycle is an inevitable requirement for setting up professional checkpoints. The core lies in establishing a linkage review mechanism between the legal and business departments to ensure that the accuracy of commercial terms (such as specifications and prices) and the rigor of legal terms are double-checked. For major or complex transactions, professional lawyers with legal English proficiency and knowledge of the textile industry must be introduced to oversee the process. Given the limited resources of small and medium-sized enterprises, the risk prevention framework should be more flexible and cost-effective. Enterprises do not need to invest heavily; instead, they can effectively manage risks through a series of practical alternatives. For instance, standardization of terms can start with shared spreadsheets; contract review should be handled hierarchically based on risk levels, with only professional legal resources being invested in high-risk projects. Dispute resolution should prioritize the establishment of

lower-cost "amicable negotiation" or "professional mediation" pre-procedures. Personnel training can fully utilize free industry webinars and online guides. The personnel can not only identify legal traps but also foresee operational issues that specific terms may cause in industry practice. This professional review process should also be supplemented by modern contract dynamic management. By using management software or establishing clear review lists and filing ledgers, the signing, performance, changes, and related important documents (such as emails and meeting minutes) of the contract can be systematically saved and tracked. Beyond the traditional passive review, enterprises should strategically incorporate contract terms as active quality management levers. To enhance the efficiency and accuracy of contract review and management to a new level, enterprises should actively explore and apply modern technologies. The traditional, manual-based review and archiving methods, when dealing with a large number of contracts, not only have low efficiency but are also prone to errors. Introducing a contract lifecycle management (CLM) system can systematize and automate the entire process from contract drafting, approval, signing, performance, to archiving, ensuring that key nodes and obligations are tracked and preventing omissions. Integrating AI-driven contract review tools can also bring a revolutionary improvement. These tools can: (1) automatically scan contract texts and compare them with the enterprise's terminology database to ensure consistency of terminology; (2) smartly identify high-risk clauses, missing clauses, or non-standard clauses that do not conform to standard templates, and issue warnings; and (3) assist in drafting, recommending more rigorous legal language based on preset rules. Combining AI technology with manual professional review can greatly liberate the energy of legal and business personnel, allowing them to focus on handling more complex strategic issues, thereby building a more efficient and intelligent risk firewall. For instance, in the inspection clauses, phased inspection points (such as after dyeing and before cutting) can be set, and the phased payments can be linked to the successful completion of inspections. This design transforms the contract from a static legal document into a dynamic project management tool, enabling active risk control during the production process rather than remedying issues after the fact.

### **Dispute Resolution Design: Balancing Cost and Benefit**

Pre-determining clear, efficient, and favorable solutions for potential commercial disputes is a crucial part of the risk prevention system. In international trade, due to its professionalism, confidentiality, and ease of implementation (especially under the framework of the New York Convention), arbitration is usually a better choice than litigation.

For major contracts with high value and high risk, choosing internationally renowned institutions such as the Hong Kong International Arbitration Centre (HKIAC) and the Singapore International Arbitration Centre (SIAC) remains the gold standard. Their professionalism and credibility can provide the most reliable guarantee for complex disputes. To avoid the invalidation of terms due to improper wording, the most reliable way is to directly adopt the standard arbitration clauses issued by these institutions.

However, the fees of these top arbitration institutions may be a considerable burden for small and medium-sized enterprises (SMEs) handling minor disputes. A mature dispute resolution design should therefore have cost stratification and matching. We strongly recommend introducing a multi-tiered dispute resolution (MDR) mechanism. For example, clearly stipulate in the contract that “friendly negotiation” or “professional mediation” should be the mandatory pre-procedure to initiate arbitration. This step can resolve most disputes at a very low cost and avoid unnecessary escalation of procedures.

In addition, for minor disputes, enterprises should consider more cost-effective alternative solutions. For example, they can choose specialized mediation or arbitration services established within some industry associations. These services usually have a better understanding of industry practices and lower costs. At the same time, the emerging online dispute resolution (ODR) platforms also provide extremely efficient and cost-effective ways to resolve cross-border minor disputes. This provision eliminates high travel expenses and significantly shortens the processing period. Incorporating these diversified dispute resolution methods into the contract can truly build a flexible, efficient, and cost-controllable dispute firewall.

### **Legal Awareness and Cross-Cultural Training**

Finally, all the written terms and procedures must be carried out by humans. Therefore, developing a profound cross-cultural communication ability and a solid legal awareness is the "soft power" support of the risk prevention system. Enterprises should regularly hold practical training sessions for their foreign trade and procurement teams on legal English, international trade practices (such as UCP600, Incoterms®), and contract law. For small and medium-sized enterprises with limited budgets, such training does not necessarily have to rely entirely on expensive external courses. Enterprises can make full use of free or low-cost online resources, such as free webinars, whitepapers, and practical guidelines released by industry associations, large law firms, and international chambers of commerce (ICC), and establish a regular knowledge sharing and case review culture within the team. These sessions should enable them to deeply understand the seriousness of contract terms. Such training should also emphasize and internalize it as a work discipline, that is, adhering to the "clear written" principle, ensuring that all important commitments are confirmed through written forms such as emails, and ultimately incorporated into the contract text. The commercial law principle that "what is not written into the contract does not exist" should be emphasized. This awareness should also extend to understanding the counterparties. Before cooperation, actively learn about the legal culture and business habits of the other party's country, such as the extreme pursuit of precision by German partners, or the strict intellectual property protection and complex litigation environment of American partners. A higher level of legal awareness involves internalizing it as a business strategy. The sales team should be trained on how to present clear and precise contract terms as a demonstration of professionalism and showcase their value as reliable partners to the clients. During negotiations, they should proactively explain why specific standards are being adhered to, and present this as a win-win measure that can jointly reduce risks and increase the certainty of the transaction for both parties, rather than making unilateral and demanding demands. This interaction transforms legal risk prevention from a cost center to a value-creating tool for building trust and securing high-quality orders. A summary of the key risk types and their corresponding prevention measures is provided in Table 1.

Table 1 Recommended Risk Prevention Measures

Risk Type	Potential Consequences	Prevention Measures
Ambiguous Terminology	Color mismatch, delivery disputes, non-payment	<ul style="list-style-type: none"> <li>● Define terms in 'Definitions' clause</li> <li>● Use Pantone color codes and Incoterms standards to avoid misunderstanding</li> </ul>
Quality Specification Gaps	<ul style="list-style-type: none"> <li>● Unclear expectations</li> <li>● Buyer rejection</li> <li>● Arbitration losses</li> </ul>	<ul style="list-style-type: none"> <li>● Adopt ISO or AATCC testing standards</li> <li>● Include master sample reference in the contract</li> </ul>
Intellectual Property Infringement	<ul style="list-style-type: none"> <li>● Lawsuits</li> <li>● Product recalls</li> <li>● Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>● Include clear IPR clauses</li> <li>● Require seller’s warranty and indemnity for all design elements</li> </ul>
Dispute Resolution Errors	<ul style="list-style-type: none"> <li>● Invalid arbitration clause</li> <li>● Forced litigation</li> <li>● Cross-border enforcement difficulties</li> </ul>	<ul style="list-style-type: none"> <li>● Use standard arbitration templates (e.g., HKIAC, SIAC)</li> <li>● Specify arbitration location, language, and number of arbitrators</li> </ul>
Cross-Cultural Misunderstanding	<ul style="list-style-type: none"> <li>● Overreliance on oral agreements</li> <li>● Misinterpretation of contract terms</li> </ul>	<ul style="list-style-type: none"> <li>● Conduct staff training in international contract law and Incoterms</li> <li>● Ensure all commitments are confirmed in writing and incorporated into the final contract</li> </ul>

**Integrated Contractual Management of Supply Chain Risks**

To address the risks distributed throughout the entire supply chain, enterprises must go beyond the bilateral contract mindset and adopt an integrated contract management strategy. The core tool is to design the “back-to-back” or “risk transfer” clauses. This means that the obligations assumed by the manufacturer in its main contract with the buyer (such as quality standards, delivery time, environmental protection requirements) should be “transferred” to its contract with the upstream raw material suppliers through consistent terms. Additionally, the contract can also include extended review rights clauses, which grant the final buyer not

only the right to review the manufacturer's factory but also the right to extend the review of its key subcontractors or raw material suppliers' production processes when necessary. Risks can thus be actively managed at their source, rather than being discovered passively at the time of final product delivery.

## CONCLUSION

By combining theoretical analysis, a corpus review of 150 contracts, and a survey of 85 industry professionals, this study provides empirical support for its core argument: Although the legal language challenges in textile trade contracts (such as ambiguous terms and intellectual property protection) are similar to those in other industries on the surface, due to the unique nature of this industry, these challenges exhibit distinct intensity and complexity. The study confirms that the industry's fundamental reliance on subjective aesthetics, rapid product cycles, and complex global supply chains elevates the importance of precise legal English from standard best practices to a crucial survival tool.

Supported by contract analysis and practitioner surveys, the research results indicate that effective risk management is not the result of efforts in a single aspect, but a systematic project that requires multi-dimensional and cross-departmental collaboration. Its core lies in "precision" and "specialization": based on the standardization and precision of terms, supported by a professional review process that links law and business, backed by a carefully selected and clearly defined dispute resolution mechanism, and guaranteed by continuous employee training and cross-cultural awareness enhancement.

The "counterexample" scenario should also be addressed, which refers to disputes arising from contracts with clear language, often triggered by non-linguistic factors such as severe market fluctuations or deliberate bad faith default. While this study focuses on language as a primary risk, we argue that its importance is not diminished in these cases. By contrast, precise and unambiguous contract language serves as a critical defense mechanism. A party seeking to escape an unprofitable contract due to market changes will first scrutinize the text for any exploitable ambiguity. If the contract is linguistically robust, it provides the compliant party with a clear and efficient path to enforce their rights and prove a breach. Thus, the clarity of legal English is not only crucial for preventing misunderstandings but also for protecting against opportunistic behaviors triggered by other commercial or external risks. This perspective reinforces the study's conclusion that strengthening the linguistic precision of contracts is a foundational strategy for comprehensive risk

management in international trade.

Furthermore, this study acknowledges its focused scope. While factors such as payment methods (e.g., letter of credit discrepancies) and political risks are significant causes of disputes, their impact is invariably mediated through the language of the contract. For instance, a dispute over a letter of credit often originates from ambiguously worded documentary requirements in the sales contract. Similarly, whether a political event qualifies for relief under a force majeure clause depends entirely on the precise wording of that clause. By focusing on legal English, this research addresses a foundational “meta-variable” that underpins how all other commercial and external risks are allocated and mitigated, rather than overlooking their importance.

Looking to the future, as the global supply chain is restructured, the deepening of sustainable development concepts (such as organic cotton and recycled fiber certification), and the emergence of new business models like cross-border e-commerce, international trade contracts in the textile industry will face new challenges, and higher requirements for the application of legal English will be imposed. How do we precisely define the “sustainability” standard in the contract? How do we balance the relationship between online platform agreements and traditional trade contracts? These are topics that deserve further research in the future. Similarly, how widely has the plain English movement been accepted in the highly specialized field of textile trade? To what extent has it truly reduced the incidence of contract disputes? These topics are important ones that merit empirical research in the future. For Chinese textile enterprises involved in this industry, only by continuously improving their contract management and legal risk prevention capabilities can they stand firm in the increasingly fierce international competition and achieve high-quality and sustainable development.

#### *Availability of Data and Materials*

The datasets used and/or analysed during the current study were available from the corresponding author on reasonable request.

#### *Author Contributions*

Jing Lv designed, collected and analyzed the data, and drafted the manuscript. Jing Lv conducted the study, critically revised the manuscript for important intellectual content, and gave final approval of the version to

be published. Jing Lv participated fully in the work, take public responsibility for appropriate portions of the content, and agreed to be accountable for all aspects of the work in ensuring that questions related to the accuracy or integrity of any part of the work are appropriately investigated and resolved.

#### *Acknowledgments*

Not applicable.

#### *Funding*

Not applicable.

#### *Conflict of Interest*

The author declares no conflict of interest.

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