

OLEGARIO LLAMAZARES
Editor

DICTIONARY OF INTERNATIONAL TRADE

Key Definitions of
2000 Trade Terms
and Acronyms



GLOBAL MARKETING

Business Publications
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DICTIONARY OF INTERNATIONAL TRADE

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www.globalnegotiator.com

info@globalmarketing.es

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INTRODUCTION

International trade is a different type of activity from domestic trade, and a more complicated one, given that the buyer and seller are in different countries, and they therefore face a series of barriers which have to be overcome. Over the years, a specialized language has been developed for international trade, with its own terms which define all the activities and instruments which are needed to perform international transactions.

The International Trade Dictionary is a point of reference for all people and companies which specialise in the international purchase and sale of goods: exporters and importers, transportation and transit companies, commercial agents, brokers, lawyers, consultants, business associations, chambers of commerce, and teachers and students of international trade courses.

The Dictionary contains 2000 key terms for international trade. It provides a full and precise definition of each term, and explains the context in which they are used. To aid in the understanding of these terms, links are provided to other related terms and to websites where further information can be found. The terms are classified into eight categories which encompass the full breadth of international trade activities: banking, contracts and Law, customs and taxes, logistics, documentation, economics and marketing. The Dictionary also contains an annex with the most common 300 acronyms and abbreviations to be found in international trade documents.

We are confident that this publication will help to shed light on the specialized language of international trade, and that as a communication tool it will prove to be very useful for exporters, importers and all export services companies to successfully carry out their international transactions.

Olegario Llamazares
Editor
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INTERNATIONAL TRADE TERMS FROM A TO Z

A

Abandonment. The refusal of merchandise by the designated consignee.

About. A letter of credit term meaning plus or minus 10% of whatever immediately follows. The terms approximately and circa are synonymous.

Abrogation. The cancellation of the part of a contract that has not yet been performed. For example, if parties agree to several deliveries of goods, but after the first delivery, war is declared in the buyer's country and no further goods can be delivered, the buyer must pay the first delivery, but the contract is abrogated for the remaining ones. *See force majeure clause; war risk.*

Absolute advantage. In the theory of international trade an absolute advantage occurs when a country or company is more efficient (using fewer resources) at producing the same good or service than another country or company. This theory was first suggested by British economist Adam Smith in the 18th century. *See comparative advantage.*

Acceptance. The act of formally acknowledging a debt by signing a financial instrument called a draft. When done by a non-bank party, a trade acceptance is created. When done by a bank, a banker's acceptance is created. *See bank acceptance.*

Acceptance date. The date on which a draft was signed. For drafts drawn at "X days from sight", the acceptance dates begins the time period toward maturity.

Acceptance letter of credit. A letter of credit, which requires, amongst the documents stipulated, provision of a term bill of exchange. The bill is then generally accepted by the bank on which it is drawn or discount. The practical result is that the beneficiary is paid promptly at a discount.

Accepting bank. In a letter of credit, this is the financial institution that executes a banker's acceptance.

Accessions. Goods that are affixed to and become part of other goods. Examples includes semiconductors that are inserted into computers, parts that are added onto vehicles, or dials that are used in watches.

Accessorial charges. In shipping, charges made for additional, special or supplemental services, normally over and above the line haul services. Common accessorial charges include: congestion surcharges, currency adjustment factors (CAF) and terminal handling charges (THC). Also called surcharge.

Accord and satisfaction. A discharge of a contract or cause of action pursuant to which the parties agree (the accord) to alter their obligations and to perform new obligations (the satisfaction). For example, a seller who cannot obtain red fabric to

meet the contract specifications may enter into an accord and satisfaction to provide the buyer with blue fabric for a slightly lower price.

Acknowledgement. 1. Confirmation of receipt of a purchase order. 2. Confirmation sent by a bank confirming receipt of a collection.

ACP Countries. African, Caribbean and Pacific countries is a group of countries with preferential trading relations with the EU under the former Lomé Treaty now called the Cotonou Agreement. This agreement is aimed at the reduction and eventual eradication of poverty while contributing to sustainable development to permit the gradual integration of ACP countries into the world economy.

Act of God. The operation of uncontrollable natural forces. This expression is used in force majeure contract clauses that excuses a party who breaches the contract when performance is prevented by the occurrence of certain events. *See force majeure clause.*

Ad valorem duty. Latin expression that means according to the value. Import duties or taxes expressed as a percentage of value. For example, the import duty for a product classified under Harmonized System 220421 is 4.5 per cent of the customs valuation. Its acronym is A.V. or Ad Val. *See tariff.*

Adhesion contract. Contract with standard, often printed terms of sale of goods or services offered to consumers who usually cannot negotiate any of the terms and cannot acquire the product unless they agree to the terms.

Advance payment. Paying or part-paying a supplier before goods or services are delivered. Advance payments may be used to negotiate a reduced price or to cover initial supply costs.

Advance payment guarantee. A guarantee that advance payments will be returned if the party that received such payments does not perform its part of the contract.

Advice of shipment. A notice sent to a local or foreign buyer advising that shipment has gone forward and containing details of packing, routing, etc. A copy of the invoice is often enclosed and, if desired, a copy of the bill of lading.

Advised letter of credit L/C. A letter of credit whose terms and conditions have been confirmed by a bank. *See letter of credit.*

Advising bank. The bank that notifies the exporter of the opening of a letter of credit in his or her favour. The advising bank, usually located in the exporter's country, fully informs the exporter of the conditions of the letter of credit without itself making a payment commitment. *See letter of credit.*

Advisory capacity. A term indicating that an agent or representative is not empow-

ered to make definite decisions or adjustments without approval of the principal represented. This is the opposite of without reserve.

Affidavit. A statement sworn under oath before an authorized official.

Affiliate company. A Company that is less than 50% owned by a parent company; the parents acts as minority shareholders. More loosely, this term is sometimes used to refer to companies that are related to each other in some way. In recent years, the concept of the affiliated company has also come to be applied to businesses that are affiliated with the same industry, and choose to forge an ongoing business relationship and sharing of resources to the mutual benefit of both entities. *See subsidiary.*

Affreightment. A contract between a shipper and a carrier, setting forth their respective transportation obligations. Its is a synonym for charter.

Afloat. Refers to a shipment of cargo that is currently onboard a vessel between ports, as opposed to on land.

After date. In banking, a notation used on financial instruments (such as drafts or bill of exchange) to fix the maturity date as fixed number of days past the date of drawing of the draft. For example, if a draft stipulates “30 days after date”, it means that the draft is due (payable) 30 days after the date it was drawn. This has the effect of fixing the date of maturity of the draft, independent of the date of acceptance of the draft. *See acceptance date; after sight; bill of exchange; drawee.*

After-sale service. A collective term for attention to a transaction that normally takes place after the sale (and often after delivery) is accomplished. Typical after sale service functions include: installation, training, warranty-related repair and replacement part support. After-sale service is an extremely important consideration because of the normally greater distances between sellers and buyers in international trade. Some international contracts as distribution contracts include a clause of after-sales services and maintenance: *The Distributor undertakes to carry out with its own staff and means, and assume the costs of, and adequate after-sales and maintenance service for all Products sold within the Territory. The Supplier shall provide the Distributor with the spare parts and other means required to service the warranty conditions of the Products.* *See maintenance. International Distribution Contract.*

After sight. In banking, a notation on a draft that indicates that the payment is due a fixed number of days after the draft has been presented to the drawee. For example, “60 days after sight” means that the drawee has 30 days from the date of presentation of the draft to make payment. *See acceptance date; after date; bill of exchange; drawee.*

Agenda. The list of topics to be covered during a negotiation session. An agenda may be arranged in either ascending or descending order of importance. The side that exerts the greatest control of the agenda will be the most effective in attaining

their goals. Negotiation session strategy will be based on the agreed upon agenda. *See negotiations.*

Agent. An independent person or legal entity, which acts on behalf of another (“Principal”). In international transactions, this term normally refers to a sales representative who prospects on behalf of a foreign principal, earning a commission on sales eventually concluded between the principal and the ultimate client. This is distinguished from sales through employees and subsidiaries - that are not independent - or through distributor’s buying and reselling in his or her own name. Sales Agents should also be distinguished from buying agents, as their respective rights and obligations are quite different. In international trade, relationships between agents and their clients (principals) are regulated through a [Model of International Commercial Agent Contract](#). *See brokerage; distributor; sales representative.*

Agio. The extra amount over and above the market price which is paid in counter trade transactions and results from the particular costs of countertrade.

Air freight. A service providing for the air transport of goods. The volume of air freight has been increased dramatically due to: decreasing shipping time; greater inventory control for just in-time manufacturing and stocking, generally superior condition of goods upon arrival, and, for certain commodities, lower prices.

Air freight consolidator. A company that obtains a low freight-of-all-kinds freight rate from air carrier in return for volume, and consolidates small shipments, often to fill air freight containers. Such companies often perform forwarding tasks and issue their own “house” air waybills to each shipper, backed up by “master” air waybills issued by the undercarrier for the consolidated shipment. *See consolidation.*

Air freight forwarder. A freight forwarder for shipments by air. In many respects, air freight forwarder perform the same functions as air freight consolidators, except that smaller forwarders may co-load with others rather than actually perform their own consolidations. To the airlines, the air freight forwarder is a shipper. An air freight forwarder is ordinarily classed as an indirect air carrier; however, many air freight forwarders operate their own aircraft. *See freight forwarder.* [Air Forwarder Association](#).

Air waybill (AWB). Transport document issued by a carrier for air transportation. If issued by the actual carrier, it is a master air waybill. If issued by an air freight consolidator or forwarder it is a house air waybill. The document is issued in three originals and is not negotiable so it cannot be issued to the order; it is always nominative and non-endorsable. Since it is not negotiable, and it does not evidence title to the goods, in order to maintain some control of goods not paid for by cash in advance, sellers often consign air shipments to their sales agents, or freight forwarders’ agents in the buyer’s country. The standard form was designed to enhance the application of computerized systems to air freight processing for both the carrier and the shipper. [Model of Air Waybill](#).

Aircraft pallet. A platform or pallet (in air freight usually from 3/4" to 2" thick) upon which a unitized shipment tests or on which goods are assembled and secured before being loaded as a unit onto aircraft. Most carriers offer container discounts for palletized loads. *See pallet.*

Airport-to-airport. The main carriage transportation movement from departure airport on the seller's side to the arrival airport on the buyer's side.

ALADI. The Latin American Integration Association is an international and regional scope organization created in Latin America in 1980. Currently, it has 13 member countries, and any of the Latin American states may apply for accession. [Website](#).

All risks (AR). The broadest type of standard marine insurance coverage generally available and offered by the London Institute of Underwriters "A" Clauses. The name is misleading, as "all risks" does not include coverage for the perils of war risk, strike, riot and civil commotion. These additional coverages are available for most markets, usually at modest additional premiums in the market. Since there is no worldwide standard nomenclature for all risks coverage, traders should determine exactly what is/is not covered, and arrange for any additional coverage they deem necessary.

Allowance. An amount paid or credited by a seller as a refund or reimbursement due to any one of a number of causes including: faulty packaging, shipment of good which do not meet buyer's specifications, a late shipment, etc.

Alongside. A phrase referring to the side of a vessel: goods to be delivered "alongside" are to be placed on the dock or lighter within reach of the transport ship's tackle so that they can be loaded aboard the vessel.

Alternative Dispute Resolution (ADR). A general term for a variety of dispute resolution mechanism that may be used as alternatives to traditional litigation before governmental courts or tribunals. This term includes such techniques as conciliation, mediation and negotiation. Some experts also consider arbitration as an alternative dispute resolution mechanism.

Amendment. 1. In law, an addition, deletion, or change in a legal document. 2. In a letter of credit, a change in terms and conditions of the letter (e.g., extension of the letter of credit's validity period, shipment deadline, etc.) usually to meet the needs of the seller. The seller requests an amendment of the buyer, who, if he agrees, instructs his bank (the issuing bank) to issue the amendment. The issuing bank informs the seller's bank (the advising bank) who then notifies the seller of the amendment. In the case of irrevocable letters, amendments may only be made with the agreement of all parties to the transaction. *See letter of credit.*

American Foreign Trade Definitions. A set of sales terms published in 1941 that have become obsolete in favour of the current version of the ICC International Chamber of Commerce Incoterms. Buyers and sellers of US shall use the current Incoterms

version and clearly indicate this [Practical Guide to Incoterms](#).

American option. A foreign exchange type of contract containing a provision to the effect that it can be exercised at any time between the date of writing and the expiration date. *See currency option; European option.*

American pallet. A type of pallet used in North America. The most commonly used is the GMA (Grocery Manufacturers Association) pallet that has deck boards of 40 inches and stringers of 48 inches. Its dimensions are 1016 mm by 1219 mm. This is equal to a pallet 40 inches wide and 48 inches long.

Andean Community. Community of four Latin America countries (Bolivia, Colombia, Ecuador and Peru), that decided voluntarily to join together for the purpose of achieving more rapid, better balanced and more autonomous development through Andean, South American and Latin American integration. [Website](#).

Annex. A document attached to a contract or agreement. For example, a document entitled Exhibit A listing product specifications attached to a supply contract. Also called exhibit or schedule.

Antidumping. Laws enacted to remedy dumping, which is defined as the sale of goods to a foreign market at less than fair value. Antidumping duty is an additional tax to normal import duty that is assessed on an imported good to raise its cost price value. *See dumping.*

Antitrust. A term used for government regulations designed to prevent one or a limited number of parties acting in collusion to restrain trade in a manner detrimental of the public interest.

APEC. The Asia-Pacific Economic Cooperation is a forum of 21 Pacific Rim countries (including United States, Canada, Mexico, Japan and Australia) that seeks to promote free trade and economic cooperation throughout the Asia-Pacific region. [Website](#).

APHIS. The Animal and Plant Health Inspection Service is a U.S. government agency which has the responsibility of inspecting and certifying animals, plants and related products for import to or export from the United States. [Website](#).

Apparent damage. This statement in a bill of lading or other transport document is the opposite to “apparent good order and condition”.

Apparent good order and condition. A stated or implied agreement from a carrier, a carrier's agent, or other bailee that the referenced goods were free of obvious damage or shortage at time they were handed over transportation. The resulting transport document or warehouse receipt will be “clean”, that is, not bearing a “foul” notation. All transport documents without expressed foul notations are considered to be clean. This statement is the opposite to apparent damage.

Applicant. The party applying for the issuance of a letter of credit. It is also called the account party.

Application. In a letter of credit, instructions from the applicant to the issuing bank to open it.

Application to qualify. An application by a supplier to be included in an agency's pre-qualified suppliers list. A supplier must prove it has the capability and capacity to deliver specific types of goods, services, or works to be included in the list

Appraisement. Determination of the dutiable value of imported merchandise by a customs official who follows procedures outlined in their country's tariff.

Appreciation. In foreign exchange, an increase in the value of the currency of one nation in relation to currencies of other nations.

Arbitrage. The simultaneous buying and selling of the same commodity or foreign exchange in two or more markets in order to take advantage of price differentials. *See hedging.*

Arbitration. A process of dispute resolution in which a neutral third party (arbitrator) renders a decision after a hearing in which both parties have an opportunity to be heard. Arbitration may be voluntary or contractually required. The advantages of arbitration - as opposed to litigation - are neutrality, confidentiality, reduced costs, faster procedures and the arbitrator's expertise. Internationally, the main arbitration body is the ICC International Chamber of Commerce. Other arbitration institutions include the London Court of International Arbitration, the International Center of Dispute Resolutions (ICDR) and the China International and Economic Trade Arbitration Commission (CIETAC).

Arbitration clause. A contract clause included in many international contracts, stating for example: *Both parties, by mutual consent, resolve to refer any dispute to The Rules of Conciliation and Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with said Rules. The place of arbitration shall be [city and country] and the proceedings shall be carried out in the language. See arbitration; ICC International Chamber of Commerce.*

Arrival notice (AN). Communication from a carrier to the intended receiver that an international shipment is or will soon be available at its destination.

Article of extraordinary value (AEV). Commodities identified as high value items, requiring special care in shipping.

As freighted. An explanatory note to a freight surcharge explaining that it is to be calculated in the same manner as the freight charge itself. Bunker adjustment factors are usually calculated on an "as freighted" basis. By contrast, currency adjustment

factors are based on the total amount of freight payable, rather than on the number of revenue tons.

As is. A contract term by which the buyer of goods takes them in the condition they are in without any warranties or guarantees for better or for worse.

ASEAN. The Association of Southeast Asian nations is a political and economic organization of the countries located in Southeast Asia, which is formed by ten countries: Indonesia, Malaysia, the Philippines, Singapore, Thailand, Brunei, Cambodia, Laos, Myanmar and Vietnam. Its aims include accelerating economic growth and social progress. [Website](#).

Assembly operations. An assembly operation is a variation of the subsidiary. A foreign production plan might be set up simply to assemble components manufactured in the domestic market or elsewhere. The exporting company may try to retain key component manufacture in the domestic plant, allowing development, production skill and investment to be concentrated, while maintaining the benefit from economies of scale. Some parts of the products may be produced in various countries (multisourcing) in order to gain each country's comparative advantage. Capital-intensive parts may be produced in advanced countries, and labour-intensive assemblies may be produced in less developed countries (LDCs), where labour is abundant and labour costs are low. When a product becomes mature and faces intense price competition, it may be necessary to shift all of the labour-intense operations to LDCs. This is the principle behind the international product life cycle (IPLC). *See outsourcing; offshoring; subsidiary.*

Assignee. A party to whom all or part of the procedures of a letter of credit have been formally pledged, usually through a bank.

Assignment. 1. In law, the transfer of rights, title, interests and benefits of a contract or financial instrument to a third party. 2. In letters of credit, the beneficiary of the letter of credit is entitled to assign his/her claims to any of the proceeds that he/she may be entitled to, or portions thereof, to a third party. Usually the beneficiary informs the issuing or advising bank that his/her claims or partial claims under the letter of credit were assigned and asks the bank to advise the assignee (third party) that it has acknowledged the assignment. The validity of the assignment is not dependent on bank approval. In contrast, the transfer requires the agreement of the nominated bank. An assignment is possible regardless of whether the letter of credit is transferable. *See letter of credit.*

Assignor. A letter of credit beneficiary who formally pledges all or part of the L/C procedures to one or more third parties, usually by executing an assignment of proceeds document at a bank.

Assist. A customs term for types of help rendered to a seller by a buyer, such as production tooling, design work, etc. Under certain circumstances, in some countries, the dutiable value of imported goods must be increased by the value of assists.

At sight (AS). Term indicating that whatever action it pertains to must be undertaken immediately. This term is commonly used on drafts accompanying bank collections to indicate that they are immediately payable (as soon as the drawees see them). However, in practice, payments are often deferred until the arrival of the goods covered by such collections, since the buyers have no need for accompanying documents until then. A draft drawn at sight are also frequently required by letters of credit.

At X days date. Term used in drafts to indicate that they are payable at some future time after they are presented.

ATA Carnet. An ATA (Admission Temporary Admission) Carnet is an international customs document that allows the temporary importation of commercial samples, professional equipment, or goods going to a trade fair or exhibition in countries that are part of the ATA Carnet system. The system covers over 70 nations and territories in Europe, North America, South America, Asia, Africa and Oceania. Without this document you would have to go through each individual country's customs procedures for the temporary admission of goods. An ATA Carnet is valid for one year and allows for movement of the goods shown on the Carnet as many times as required during that period to any of the destinations applied for. The national organizations affiliated to ATA guarantee the payment of duties to local customs authorities, should the goods not ultimately be re-exported. Applications for an ATA Carnet shall be done in exporter's local Chamber of Commerce. [Model of ATA Carnet](#).

ATR Declaration. Exporters of the European Union with customers in Turkey require on ATR1 declaration instead of an EUR 1 movement certificate. An ATR1 form is almost identical to an EUR1 form, and works in much the same way. *See EUR 1 Movement Certificate.*

Attachment. Legal process for seizing property before a judgment to secure the payment of damages if awarded. A party who sues for damages for breach of contract may request, for example, that the court issue an order freezing all transfers of specific property owned by the breaching party pending resolution of dispute.

Attorney-in-fact. A person authorized to transact business generally or to perform a designated task of a non-legal nature on behalf of another individual or legal entity. An attorney-in-fact is type of agent. In many countries, his authority must be conferred by a written power of attorney. If, for example, a company buys goods from a foreign firm, and agrees to place sufficient funds for the purchase in an escrow account, the buyer may authorize an attorney-in-fact in that foreign country to disburse the escrow funds on receiving verification from the buyer that the goods are satisfactory. A business enterprise may also authorize an attorney-in-fact to testify to facts on the company's behalf in arbitration or legal proceedings held in a foreign country. *See agent; escrow account; power of attorney.*

Authentication. The act of certifying that a written document is genuine, credible, and reliable. An authentication is performed by an authorized person who attests that

the document is in proper legal form and is executed by a person identified as having authority to do so. In many countries, persons authorized to authenticate documents include consulates officials, notaries, and judicial officers.

Automated clearing house (ACH). An electronic clearing system in which payments orders are exchanged among financial institutions, primarily by magnetic media or telecommunication networks, and handled by a data-processing centre.

Availability. In letters of credit, refers to the availability of documents in exchange for payment of the amount stated in the letter of credit. Availability alternatives are:

- By sight payment: payment on receipt of the documents by the issuing bank or the bank nominated in the letter of credit.
- By deferred payment: payment after a period specified in the letter of credit, often calculated as a number of days after the date of presentation of the documents or after the shipment date.
- By acceptance: acceptance of a draft (to be presented together with other documents) by the issuing bank or by the bank nominated in the letter of credit, and the payment thereof at maturity.
- By negotiation: meaning the giving of value by the nominate bank to the beneficiary for the documents presented subject to receipt of cover from the issuing bank.

See letter of credit; negotiation.

Aval. A guarantee notice that a third party (other than the drawee) places on a draft. This is used when a buyer's credit is in itself not sufficient to justify a sale, and a more creditworthy party is willing to guarantee the deal. Some national laws require that avaled drafts be protested if unpaid when due, in order to give guarantors notice that their contingent liabilities may be called.

Average. Insurance term for a loss or damage incident that is less than total:

- A particular average is an insurance loss that affects specific interests only.
- A general average is an insurance loss that affects all cargo interests on board the vessel as well as the ship herself.

See general average; particular average.

Avoidance of contract. The legal cancellation of a contract because an event occurs that makes performance of the contract terms impossible or inequitable and that releases the parties from their obligations. *See force majeure clause.*

B

Back haul. To haul a shipment back over part of a route which it has traveled.

Back letter. 1. A complement to a contract laying down rights and/or obligations that for whatever reasons the contracting parties cannot state in the original contract. 2. A letter of indemnity provided by a shipper to a carrier, inducing the carrier to provide a clean transport document under circumstances where this would not otherwise be done.

Back order. That portion of an order that cannot be delivered at a scheduled time, but will be delivered at a later date when available. Also, to restock requested out-of-stock items.

Back to back letter of credit. A new letter of credit opened in favour of another beneficiary on the basis of an already existing one, not a transferable letter of credit. This type of letter of credit is used for trade intermediaries to open a second credit in favour of a supplier.

Backhauling. The process of a transportation vehicle returning from the original destination point to the point of origin. The backhaul can be with a full, partial, or empty load. An empty backhaul is called deadheading.

Bad faith. In law, the intent to mislead or deceive. It does not include misleading by an honest, inadvertent or uncalled-for misstatement.

BAF. The Bunker Adjustment Factor is an additional charge added to the base rate ocean freight cost reflecting the cost of fuel (called bunkers) to be used for the voyage. This charge is separated from the base rate freight cost because fuel costs are more frequently subject to fluctuations.

Bailee. A party having temporary custody of the property of another, such as a carrier or a warehouse.

Bailment. A delivery of goods or personal property by one person (the bailer) to another (the bailee) on an express or implied contract and for a particular purpose related to the goods while in possession of the bailee, who has a duty to redeliver them to the bailer or otherwise dispose of them in accordance with the bailer's instructions once a purpose has been accomplished. A bailment arises, for example, when a seller delivers goods to a shipping company with instructions to transport them to a buyer at a certain destination. Common carriers, for example, are special bailees, because the law imposes extra duties of due care with regard to the property and persons transported than are required of private carriers. *See carrier.*

Balance of payments. A statistical summary of international transactions. These transactions are defined as the transfer of ownership of something that has economic

value in monetary terms from residents of one country to residents of another. The transfer may include goods (tangibles), services (intangibles), income on investment and financial claims on, and liability to, the rest of the world, including changes in a country's reserve assets held by the central monetary authorities. Many governments and central banks break down the Balance of Payment to its component subtotals, such as balance of trade, balance of services, balance on investment income, balance on transfers or balance of capital (long and short terms).

Balance of trade. The difference between a country's total merchandise exports and imports for a specific time period. If exports exceeds imports, a country is said to have a favourable balance of trade (trade superavit); if not, the trade balance is unfavourable (trade deficit). This concept is perhaps more useful when applied to trade between two countries, rather than one country and the rest of the world.

Bale. A shaped packing unit tied or bound under tension.

Bank acceptance. A draft accepted by a bank usually for the purpose of financing the sale of goods to or by the bank's customer. The bill may be drawn for example, by an exporter on the importer's bank and be sold on the open market at a discount.

See bill of exchange. Depending on the bank's creditworthiness, the acceptance becomes a financial instrument that can be discounted for immediate payment. *See bill of exchange.*

B

Bank draft. A payment order from a bank, similar to a cashier's cheque. A bank draft is considered cash and cannot be returned unpaid.

Bank guarantee. A contract between a bank (as guarantor) and a beneficiary, in which a bank commits itself to pay a certain amount of money under certain specified conditions. A demand bank guarantee is one in which the bank agrees to pay against the simple written demand of the beneficiary.

Bareboat charter. The lease (charter) of an entire vessel under an agreement whereby the lessor only provides the bare vessel; that is, operation of the vessel is not included in the lease, and the charterer must arrange to hire a ship's master and crew itself.

Barrel (Bbl.) A unit of liquid measure consisting of 158,937 liters or 42 US gallons. This is usually used for oil.

Barter. A form of countertrade involving the direct exchange of goods and/or services for other goods and/or services, without the use of money and without the involvement of a third party. Barter is an important means of trade with countries using unconvertible currencies.

Basel Convention. A multilateral environmental agreement dealing with hazardous waste.

BATNA. An acronym for Best Alternative To a Negotiated Agreement. A technique used to negotiate a better contract or agreement mainly in international business negotiations. There are seven basic steps to developing a BATNA:

- List what you will do if you fail to reach an agreement.
- Convert the most promising options into practical choices.
- Select the single best option (that becomes your BATNA).
- Compare your BATNA to all proposals.
- If an offer is better than your BATNA, consider improving or accepting it.
- If an offer is worse than your BATNA, consider rejecting it.
- If the other party will not improve their offer, consider exercising your BATNA.

One of the determinants of your power in a negotiation is the attractiveness of your BATNA as compared to the proposals made during the discussions. [International Business Negotiations](#).

Base port. Major ports that ship lines call on with their large (usually transoceanic) vessels. Cargo bound for ports within the base port hinterland is transshipped on feeder vessels. *See feeder vessel; hub system.*

Bearer. A person who possesses a bearer document and who is entitled to payment of funds or transfer of title to property on presentation of the document to the payee or transferor. For example, a buyer who presents bearer documents of title (such as a bill of lading) to a shipper that transported the goods is entitled to receive the payment. A seller who presents to a bank a negotiable instrument, such as a check, that is payable to the bearer is entitled to payment of the funds. *See bearer document; endorsement.*

Bearer document. A negotiable document such as a pawn ticket, a duly-endorsed cheque, or one payable to the order cash, or a negotiable warehouse receipt, whereby the holder is considered to be the owner of the goods that the bearer document represents. The most commonly bearer document in foreign trade is a duly endorsed negotiable marine (ocean) bill of lading. Ownership to the shipped goods is conveyed from one party to another by endorsing and passing the B/L, and this document must be surrendered to the carrier by the final owner in exchange for the goods. *See bearer; endorsement.*

Beneficiary. 1. In letter of credit context, generally the exporter-seller; the one on whose behalf the letter of credit is opened by the applicant (the importer-buyer) the party to whom the L/C is opened, generally the exporter-seller. 2. In a guarantee/bond context, the one who will receive payment under bond should the specified documents or contingencies be produced. 3. In payments systems, a party to whom funds are allocated through the crediting of an account.

Berne Convention. A treaty, administered by the World International Property Organization (WIPO), for the protection of the rights of authors in their literary and artistic works.

Berth. The place at a wharf where vessels can be loaded and/or unloaded.

Best and final offer (BFO). The most favourable terms that the supplier is willing to offer the buyer.

Bid bond. A bond or guaranty, which has been issued as security for one party's bid. If that party, known as the principal, wins the bidding process and then fails to take up the resulting contract, the beneficiary may obtain payment under the bond guarantee. Bid bonds are usually worded to cancel automatically if the principal is not a successful bidder, or if successful, takes up the contract. *See guaranty; performance bond; surety.*

Bidding. A provision in a trade agreement that no tariff rate higher than one specified in the agreement will be imposed during the life of the agreement.

Bilateral trade agreement. A formal agreement involving commerce between two countries. Such agreements sometimes list the quantities of specific goods that may be exchanged between participating countries within a given period.

B

Bill of adventure. A written certificate used in goods that are shipped under the name of a merchant, shipmaster, or shipowner. It certifies that the property and risk in the goods belong to a person other than the shipper and that the shipper is accountable to that other person for only the proceeds.

Bill of exchange. An unconditional order in writing, signed by a creditor (drawer) such as a buyer, and addressed to another person (drawee), typically a bank, ordering the drawee to pay a stated sum of money to yet another person (payee), often a seller, on demand or at a fixed or determinable future time. The most common version of bills of exchange are:

- A draft, wherein the drawer instructs the drawee to pay a certain amount to a named person, usually in payment for the transfer of goods or services. Sight drafts are payable when presented, and time drafts are payable at future fixe date or determinable (30, 60, 90 days, etc.).
- A promissory note, wherein the issuer promises to pay a certain amount.

Bill of Lading B/L. A transport document issued or signed by a carrier evidencing a contract of carriage acknowledging receipt of cargo. This term is normally reserved for carriage by vessel (marine or ocean bill of lading) or multimodal transport. All B/Ls must indicate the date of issue, name of shipper and place of shipment, lace of delivery, description of goods, whether the freight charges are prepaid or collect, and the carrier's signature. A bill of lading is, therefore, both a receipt for merchandise

and a contract to deliver it as freight. There are a number of different types of bill of lading:

- B/L on board: Confirms the shipment of the goods in the ship, incorporating the text document “on board”. This type of bill of lading is the most common form of issue.
- B/L received for shipment: means that the goods have been received for transportation by the indicated date, but it has not been shipped. Usually used in the multimodal transport deliveries, confirming the date on which the container has reached the end of the first carrier.
- B/L nominative: Issued on behalf of a person or a company, which may collect the goods prior identification and presentation of at least one original of B/L.
- B/L to the order: in this type of bill of lading the owner of the goods is the possessor of the original documents that can convey the property to another by endorsement, making nominative or simply endorsing the document as “bearer”. This is the bill of lading most used with letters of credits where the bank is listed as the consignee of the goods, and endorse the documentation to his client, who is the importer.
- B/L to the bearer: is issued without identifying the owner of the goods that will be the one that holds the original documentation.
- B/L house: is a document issued by the freight forwarder and non-negotiable. Not acceptable in banking operations. It is only in shipments where either the exporter or the importer assumes full management of the international sale.
- B/L express: issued by the freight forwarder, allows delivery of the goods at destination with simple photocopies, i.e. the original document is not required for any procedure. It is useful in cases of full trust between seller and buyer as well as rapid transit maritime operations.
- Clean B/L: is a bill of lading where the carrier has noted that the goods have been received in apparent good condition (no apparent damage, loss, etc.).
- Dirty B/L: a bill of lading with a notation to the effect that the goods have been partially/wholly lost or damaged.
- Direct B/L: a bill of lading for direct transport between loading and discharging ports.
- Stale B/L: a bill of lading which is presented late (for letter of credit purposes, a B/L must be presented within a certain number of days the shipment).

In the bills of lading it is common to find a variety of concepts abbreviated by acronyms that refer to information on weights, costs, charges, services, etc., which may be requested by the buyer or inserted by the shipping company as identification of the shipping characteristics. Also called marine bill of lading and ocean bill of lading.

[Model of Bill of Lading B/L](#)

Bill-to party. In shipping, refers to the party designated on a bill of lading as the one responsible for payment of the freight charges; this can be the shipper, freight forwarder, consignee, or another person. The bill-to party pays the charges associated with transportation of the shipment along with any taxes, fees, and duties that may be incurred. If there are concerns about issues like customs duties, this party is responsible for resolving them ahead of time by filing the correct declarations or contacting customs officials to find out about the details. This party can also be liable for expenses associated with redelivery, returns, and other situations that may arise if a package cannot be delivered as addressed. *See shipping instructions.*

Binder. A document certifying temporary insurance coverage. A binder is issued by an insurance company or its agent pending the issuance of an insurance policy.

Blank endorsement. The signature or endorsement of a person or firm on any negotiable instrument (such as a check, draft or bill of lading), usually on the reverse of the document, without designating another person to whom the endorsement is made. The document therefore becomes bearer paper. In shipping, for example, the holder of a blank endorsed bill of lading can take possession of the merchandise. *See bearer document; endorsement.*

Blockade. The act of preventing commercial exchange with a country port, usually for political reason or during wartime, by physically preventing carriers from entering a specific port or nation. *See embargo.*

Boilerplate clauses. Clauses that usually appear at the end of a contract. Sometimes they are referred to as the “miscellaneous” clauses. Such term refers to the relatively standardised clauses in contracts, which are often agreed with little or no negotiation and found towards the end of an agreement. While perhaps not as commercially sensitive as other terms in a contract and consequently often overlooked, they nevertheless perform a valuable and useful purpose in a contract. Most boilerplate clauses clarify the relationship between the contracting parties. Generally, subject to statutory restrictions and illegality. By including boilerplate clauses, the parties to a contract can better define the relationship between themselves, which provides certainty if terms in the contract are ever disputed. Examples of boilerplate clauses are: entire agreement, no representation, or third party rights.

Bolero. Bolero is an internet site for processing trade-related electronic documents. [Website.](#)

Bonded warehouse. A warehouse authorized by customs authorities for storage of goods on which payment of duties is deferred until the goods are removed for domestic consumption. In the goods are re-exported, no duty has to be paid at all. *See foreign trade zone.*

Border protection. Any measure which acts to restrain imports at point of entry.

Border tax adjustment (BTA). A tax to which domestically produced goods and imports are subject but from which exports are exempt. Border tax adjustments are intended to encourage exports while not making imports excessively competitive against domestic goods. This may be seen as a barrier to trade.

Bordereau. 1. A method of reporting shipments to an insurance company under an open insurance policy. 2. An insurance form similar to a declaration, which provides for insurance coverage of multiple shipments within a prescribed reporting period, usually a month. The bordereau is generally not used in cases where evidence of insurance must be supplied to a customer, to banks or other third parties in order to permit collection of claims abroad. This calls for insurance certificate. The bordereau, therefore, is mainly used for import shipments, not export shipments. Sea insurance certificate; open policy.

Born global. Born global is a type of company that from the beginning of its activities pursues a vision of becoming global and globalizes rapidly without any preceding long term domestic or internationalization period. Two types of born global can be distinguished: export/import start up and global start up, whereby the latter, contrary to the former, involves many activities coordinated across many countries. Usually born global companies are small companies, technology oriented companies that operate in international markets from the earliest days of their establishment.

Bottom line. 1. The last line in a financial statement indicating the profit of a company. 2. In a contract, the line upon which a party signs.

Boycott. A refusal to deal commercially or otherwise with a person, firm, or country.

Bracketed. In official drafts and documents, square brackets indicate text that has not been agreed and is still under discussion.

Break clause. A clause that allows the buyer to end a contract without any penalties.

Breakbulk. To unload and distribute a portion or all the contents of a consolidated shipment for delivery or reconsignment.

Breakbulk cargo. Non-containerized cargo that may be grouped or consolidated for shipment, and then is later broken down, subdivided, or distributed at a further destination point. It may also be cargo that is too large to fit into containers. Breakbulk cargo is often unitized on pallets or packed in boxes.

Bribery. Giving or promising money or other valuable consideration toward the end of corrupting a person's behaviour. While the term implies illegality, each society has its own rules about what constitutes the acceptability of such payments. Moral consideration aside, bribery is an entrenched part of international business and trade.

Bridgeport. A port where cargo is received by the ocean carrier and stuffed into containers but then moved to another coastal port to be loaded on a vessel.

Broken stowage. The loss of space caused by irregularity in the shape of packages.

Broker. An individual or firm that acts as an intermediary, often between a buyer and seller, usually for a commission. Related to international trade services there are three specific kind of brokers:

- Commercial or merchandise broker: an individual or firm that works with buyers and sellers by negotiating between them in buying and selling services on a commission basis to manufacturers as a sales representative for their products. Such a broker has no control or possession of the product that is sent directly to the buyer; he or she merely acts as a middleperson in all transaction. It is a commercial figure quite usual in industries such as food (meat, cereals, wine) or shipbuilding.
- Customs broker: an individual or firm licensee authorized to enter and clear goods through Customs for another individual or firm. *See customs broker.*
- Insurance broker: an individual or firm that acts as an intermediary between an insurance company and the insured. *See insurance broker.*

In international sales, brokers charge a commission as percentage of the sales effectively made by the seller, through a [Intermediary Contract for Trade Operations](#). Also called agent, intermediary or middleman.

B

Brokerage. 1. In shipping, a commission paid to a freight forwarder by a carrier for placing cargo, or a commission or fee paid to a shipbroker for arranging a vessel charter. 2. In insurance, a commission paid by an insurer to an agent placing coverage with it.

Brokerage agreement. A type or contract, whereby a person or company acts as a sales agent on behalf of the exporting company (principal), introducing its products to potential buyers in the external market, in exchange for a commission based on the value of the business deals arranged and paid to the principal. As with the distributor, this relationship does not imply a formal interdependence between the principal and the agent intermediary, unless the laws of the country of destination state otherwise. The mechanism of commission agent or intermediary is therefore very useful to companies that are launching their export operations. This type of contract is ideal for small companies with little or no experience in international trade, as it allows them to access international markets without having to make large investments. Everything is left in the hands of the agent. This type of contract is usually called [Commission Sales Agreement](#). *See agent; sales representative.*

Brussels Tariff Nomenclature (BTN). A once widely used international tariff classification system that preceded the Customs Cooperation Council Nomenclature (CCCN) and Harmonized System Nomenclature (HS). *See Harmonized System; H 6-digit.*

BS Bunker Adjustment Factor. An additional charge added to the base rate ocean freight cost reflecting the cost of fuel (called bunkers) to be used for the voyage. This charge is separated from the base rate freight cost because fuel costs are more frequently subject to fluctuations. Also called BAF.

Buffer stocks. Commodity stockpiles managed in such a way as to moderate price fluctuations. Goods may be sold from a stockpile when prices reach or approach predetermined ceiling prices, and they may be purchased for the stockpile when prices reach or approach a predetermined floor level.

Build-Operate-Transfer (BOT). The construction and the operation of a manufacturing or services facility in a foreign country for a set period of time after it is handed over to a local government authority for a nominal fee. BOT is usually used as a means of financing large or complicated infrastructure projects in developing economies unable to finance the project themselves. *See Turnkey.*

Bulk cargo. Cargo that consist entirely of one commodity and is usually shipped without packaging. Examples of bulk cargo are grain, coal, and oil.

Bulk carrier. A vessel specifically designed to transport bulk cargo. There are two types of bulk carriers: those designed to transport dry bulk cargo such as grain or coal, and those designed to transport liquid bulk cargo such as oil.

Bulk freight. Freight not in packages or containers. For example, grain or timber.

Bureau International des Expositions (BIE). The International Exhibitions Bureau, was established by the Paris Convention of 1928. BIE is an international organization that regulates the conduct and scheduling of international expositions of a non-commercial nature in which foreign nations are officially invited to participate. *See trade fair; TSNN. Website.*

Business cooperation contract (BCC). An agreement by two companies to work together for mutual benefit, but without a long-term binding contract. Either side may cease the BCC at will.

Business culture. Culture is a key component in business and has an impact on the strategic direction of business. Culture influences management decisions and all business functions from accounting to production. International managers doing business in a foreign country need to have some knowledge of the rules and behaviors that are considered acceptable in social and professional relationships. The culture and traditions of each country make people behave differently and if international managers do not know how to adapt to business culture differences, they can cause rejection in the other party and even jeopardize the success of the negotiations. Two kind of business culture can be distinguished:

- Low context cultures: in which the partners clearly say what they mean: the

language is direct and clear and there is no ambiguity - as North Americans say: *Tell it like it is.*

- High context cultures: in which attitudes and circumstances are more important than what is actually said.

Examples of low-context cultures are Western countries like the US, Australia, and the Netherlands, while the best example of high context cultures are Asian countries like Japan or China. *See cross-culture business; Business Culture Guides by Countries.*

Buy-back (compensation). A form of countertrade whereby exporter of heavy equipment, technology or even entire manufacturing facilities agree to purchase a certain percentage of the output of the new facility once it is in production. Also called compensation trade. *See countertrade.*

Buying agent. An agent who purchases goods on behalf of foreign buyers. The buying agent represents and buy a specific kind of products within a specific territory, which can be a country or multiple countries. The responsibilities of the Buying Agent may include, among others, the following: identifying manufacturers and suppliers of products within the described territory; negotiating prices; terms of delivery and payment; managing the international transport of documents which comply with export and import procedures; assisting and serving as a translator of the Principal's representatives when visiting the country to negotiate purchase contracts or to check on the manufacturing of products. Also called purchasing agent. [Model of International Buying Agent Contract](#).

C

Cabotage. Government restrictions reserving domestic transportation (between points within the country) to domestically registered carrier's. Many countries have cabotage laws that require domestic owned vessels to perform domestic interport water transportation service.

Call option. A contract which entitles one party (exporter or importer), at his option, to buy a specific amount of currency to another party (usually a bank), at a price fixed in the contract, within a specified time limit. *See American option; currency option; European option; put option.*

Calvo doctrine. A legal principle that jurisdiction in international investment disputes lies with the country in which the investment is located; thus, a foreign investor has no recourse beyond the host country's local courts.

Capacity to contract. A person's competency, as defined by law, to make a contract. Capacity to contract is typically determined by whether a person has attained majority age and is mentally capable of understanding the contract terms.

Capital account. The long and short capital imports and exports of a country in the balance of payment.

Captain's protest. A document prepared by the captain of a vessel on arrival at port, showing unusual conditions encountered during voyage. Generally, a captain's protest is prepared to relieve the shipowner of any liability for any loss to cargo, thus requiring cargo owners to look to insurance companies for reimbursement.

Car seal. Metal strip and lead fastener used for locking freight car or truck doors. Seals are numbered for record purposes.

Cargo. Merchandise hauled by transportation lines.

Cargo agent. An agent appointed by an airline or shipping line to solicit and process international air and ocean freight for shipment. Cargo agents are paid commissions by the airline or the shipping line.

Cargo insurance. Insurance placed on goods during transportation.

Cargo insurance certificate. A document indicating the type and amount of insurance coverage in force on a particular shipment. Used to assure the consignee that insurance is provided to cover loss of or damage to the cargo while in transit. In some cases a shipper may issue a document that certified that a shipment has been insured under a given open policy, and that the certificate represents and takes the place of such open policy, the provisions of which are controlling. Because of the objections that an instrument of this kind did not constitute a "policy" within the requirement

of letters of credit, it has become the practice to use a special marine policy. A special marine policy makes no difference to an open policy and stands on its own feet as an obligation of the underwriting company. Also called insurance certificate and special cargo policy. *See bordereau; open policy; special marine policy.* [Model of Cargo Insurance Certificate](#).

Cargo manifest. A list of a ship's cargo but without a listing of charges.

CARICOM. The Caribbean Community Market (CARICOM) is an organization of 15 Caribbean nations established in 1973 whose main purposes are to promote economic integration and cooperation among its members, to ensure that the benefits of integration are equitably shared, and to coordinate foreign policy. Its major activities involve coordinating economic policies and development planning; devising and instituting special projects for the less-developed countries within its jurisdiction; operating as a regional single market for many of its members (CARICOM Single Market); and handling regional trade disputes. The secretariat headquarters is based in Georgetown, Guyana. [Website](#).

Carriage contract. An agreement between a carrier and another party for transportation. The other party will normally be the seller (or seller's agent) with freight prepaid shipments, or the buyer (or buyer's agent) for freight collect shipments. Contract of carriage are normally expressed by transportation document that the carrier signs or issues (air waybill, truck bill of lading, marine bill of lading, sea waybill, multimodal transport document, etc.). Since carriers will normally take instructions from the party with which they contract carriage, carrier selection can be an important consideration for sellers and buyers alike.

Carrier. An individual or legal entity that is the business of transporting passengers or goods for hire. Shipping lines, airlines, trucking companies and railroad companies are all carriers. The carrier may be an actual carrier (called an undercarrier) or a "non-equipment-operating" carrier such a non-vessel operating common carrier or airfreight consolidator.

Carrier liability limit. The maximum amount of money for which a carrier is legally liable for loss or damage to cargo. This is surprisingly low. For example, under the Warsaw Convention it is 17 euros per kilo for airfreight shipments.

Cartage. Transport of goods by truck to or from a main carrier (i.e. vessel or aircraft) or bonded warehouse or free trade zone within the local port or airport commercial zone, usually under the supervision of customs authorities.

Cartel. An organization of independent producers formed to regulate the production, pricing or marketing practices of its members in order to limit competition and maximize their market power.

Cartment. Customs form permitting in bond cargo to be moved from one location

to another under customs control, within the same customs district. Usually in motor carrier's possession while draying cargo.

Cash against documents (CAD). Payment terms used in bank collections that require the drawee to pay before receiving certain documents. Typically, the drawer will send these documents to the drawee's bank with instructions that it secure payment before releasing them. Also called payment at sight.

Cash in advance (CAI). Payment term in which the exporter receives payment before shipment of the goods. This minimizes the exporter's risk and financial costs, since there is no collection risk and no interest cost or receivables. However, importers rarely agree to these terms, since it ties up their capital and the goods may not be received. Consequently, such terms are not widely used. They are most likely either when the exporter lacks confidence in the importer's ability to pay (often the case in initial export transactions) or where economic and political instability in the importing country may result in difficulties to obtain payment. *See payment terms.*

Cash on delivery (COD). A payment term under which payment for the shipped goods is to be made to the carrier at time of delivery. This practice is not recommended in foreign trade because of differing methods of operation employed by carriers in different countries and because the carrier nor the consignee may have access to foreign exchange. Documents against payment (DAP) or cash against documents (CAD) are often preferred alternatives as they use the banking system, which is better equipped to process documents and convert currencies.

Cash with order (CWO). A payment term whereby the buyer remits the money at the time the order is placed. Under this term, the buyer is actually extending credit to the seller. Also called payment in advance.

Casualty. An adverse chance event, such as the disappearance of, or damage, to goods in transit.

Caveat emptor. Expression that means "let the buyer beware". The buyer accepts the goods "as is" and the risk they may be defective or unsuitable. The buyer purchases at their own risk.

CCC Mark. The China Compulsory Certificate Mark, commonly known as a CCC Mark, is a compulsory safety mark for many products imported, sold or used in the Chinese market. The CCC mark is required for both Chinese manufactured and foreign imported merchandise. The CCC mark is administered by the China Quality Certification Center. The CCC Mark is required for products such as electric tools, motor vehicles and Safety parts, agricultural machinery or medical devices. The certification process usually takes between 4–8 months. *See CE Mark.*

CE Mark. The CE Mark Conformité Européene signifies that a product meets specific European Union conformity assessment regulations. The mark does not endorse the

quality or durability of a product, only that it satisfies mandatory technical requirements. The CE Mark is required for sale of products that become subject to European Union directives issued by the Comité Européen de Normalisation (CEN) or the Comité Européen de Normalisation Electrotechnique (CENELEC). *See CCC Mark.*

CEO. The Chief Executive Officer (CEO) is the highest-ranking manager in a corporation. He or she is in charge of growth, financial operations, and goal setting for an organization. This individual also acts as the face of the company for many public relations opportunities. This job demands that he or she take responsibility for the ups and downs of a business. The primary duty of the executive officer is to steer the direction of the company. This means approving and sometimes creating various policies that encourage growth. Approving the operating budget and being intimately familiar with all financial aspects of the company is also important for this job. The executive officer also looks toward the future and helps create organizational goals and objectives for the company. As well as CEO another acronyms as used in corporate world such as CFO (Chief Financial Officer) or COO (Chief Operating Officer).

Certificate of analysis. A document attesting that specific goods have undergone specified testing with specified results. In international trade, is usually the result of an agreement between the seller and the buyer, or a requirement of one of their governments. The certificate of analysis is mostly used for food products, wines and spirits, chemicals and pharmaceuticals. Sometimes, as in the case exports of wine, there are countries that require it at the import customs. This certificate can be issued by a certification authority (appointed by the exporter or importer) or at the exporter's own laboratories, when a relationship of trust has already been established between the parties. The analysis can be performed in the factory or warehouse of the exporter, or on the place where the product is loaded for international transportation. Usually the analysis is done on samples representing a certain percentage of the total of the goods sold. When used as a required document under a letter of credit terms and conditions, the details and identity of the party providing the analysis should be mentioned. If this is not done, banks will accept any documents appearing on its face to be a certificate of analysis issued by any party other than the beneficiary. [Model of Certificate of Analysis.](#)

Certificate of authority. Certification from an institution (called a certification authority) trusted to provide certification for parties (called certification services providers) who record the identities of public key holders.

Certificate of conformity. Some countries (specially Eastern countries, such as Russia, Belarus, Kazakhstan or Moldova and Romania) require a certificate of conformity. The certificate of conformity confirms that the goods comply with standards issued by the importing country. Features of a certificate of conformity are:

- The certificate has to be obtained before shipment.
- Many countries appoint an exclusive organization worldwide to issue certificates of conformity.

- These organizations frequently verify consignments before issuing a certificate of conformity.
- Goods arriving at a frontier without a certificate of conformity are likely to be impounded or confiscated.

Exporters should remember that the certification companies charge for this service, and should allow for these costs when preparing quotations.

Certificate of free sale. Government certification that products such as food, drugs, medicine or cosmetics are approved for unrestricted sale in the country in which they originate, or from which they are exported.

Certificate of health. Some countries require a health or sanitary certificate when animals, animal products, fish, plants, and food products are skilled. These certificates confirm that the goods are free from disease or pests (insects), and that products have been prepared in such a way that they reach prescribed standards. Normally, these certificates are issued by the Department of Agriculture. Also called sanitary certificate.

Certificate of inspection. A document certifying that merchandise (such as perishable goods) was in good condition at the time of inspection, usually immediately prior to shipment. Pre-shipment inspection is requirement for importation of goods into many developing countries. When used as a required document under letter of credit terms, the details and identity of the party providing the inspection should be mentioned. If this not done, banks will accept any document appearing on its face to be an inspection certificate issued by any party other than the beneficiary. Companies specializing in the inspection of goods at ports such as the Swiss SGS or the French Bureau Veritas have offices in the main exporting countries. There are also companies that specialize in inspections in certain countries such as Asia Inspection in China and other Asian countries. *See pre-shipment inspection. [Model of Certificate of Inspection](#).*

Certificate of manufacture. A document in which a producer certifies that the manufacturing has been completed and that the referenced goods are now at the disposal of the buyer.

Certificate of Origin. A document attesting to the country of origin of the goods. A certificate of origin is often required by customs authorities of a country as part of the entry process. Such certificates are usually through an official organization in the country of origin such as the local chamber of commerce or a consular office. The goods description must coincide with that provided in the commercial invoice and in the packing list (number, goods description, name of the consignor and of the consignee, trademarks, etc). If the certificate of origin is not shown, the import customs may, if it deems it necessary, accept the dispatching of goods. In this case, the corresponding tariff would be applied to third countries (non preferential origin), without any tariff discount. Although the World Customs Organization and the World Trade Organization) have tried to create a single set of origin criteria in

worldwide use, none exists at this time. Some countries and free-trade zones (such as NAFTA) require that origin be certified in terms of special criteria such as tariff shift or percentage value. Traders are well advise to assure that any applicable origin rules are understood and any required documentation is obtainable before concluding sales contracts. [Model of Certificate of Origin](#).

Certification of Origin Form A. This certificate is a type of Certificate of Origin that allows imports from the countries included in the GSP (General System of Preferences) - developing countries - to qualify for the elimination or reduction of tariffs as this system gives preferential treatment. This Certificate is a document designed and adopted at the multilateral level by UNCTAD (United Nations Conference on Trade and Development), used for the developing countries whose objective is certify the origin status of the products exported to industrialized countries, to received preferential treatment in the GSP. The Certificate of Origin Form A is presented in the import customs but must issued within a maximum period of ten months from its issuance by a competent institution (chamber of commerce, consular office) in the country of origin, i.e the country from which the product is manufactured and exported. In the import customs clearance is not necessary to present the Certificate of Origin, because the Certificate of Origin Form A, acts as both, declaring the preferential origin of the product. [Model of Certificate of Origin Form A](#).

Certificate of radioactivity. Some countries require, especially for food products, a certificate proving that they do not contain radioactive substances, before accepting the import and selling of such products in its territory. This presentation certifies that the products subject to the export or import are excluded from radioactivity. This certificate is issued by companies like SGS.

Certificate of weight. A document attesting that a particular shipment is of a certain weight.

Certified invoice. Some countries require certified invoices, particularly when goods are being shipped against a letter of credit. These are invoices that are certified by a Chamber of Commerce before goods are dispatched. Exporters present the invoice to a Chamber of Commerce, which then stamps the document. The exporter lodges authorized signatures with local chambers who verify the signature before stamping the document.

CFR Cost and Freight. In Incoterms CFR the seller must pay the costs and freight necessary to bring the goods to named port of destination but the risk of loss and damage to the goods, as well as any additional costs due to events occurring after the goods have been delivered from seller to the buyer when goods are on board in the port of shipment. The CFR term requires the seller to clear the goods for export. This term can only be used for sea and inland waterway transport. *See Incoterms for a list of the eleven Incoterms rules.* [Practical Guide to Incoterms](#).

CFS Container Freight Station. A facility where freight shipments are consolidated

or de-consolidated and staged between transport legs. A CFS is typically located in proximity to an ocean, port, or airport, where cargo containers are transported to and from. The term CFS at loading port means the location designated by carriers for the receiving of cargo to be loaded into containers by the carrier. At discharge or destination ports, the term CFS means the bonded location designated by carriers for devanning of containerized cargo.

CFS/CFS. The term CFS/CFS refers to cargo delivered at origin in less-than-container load quantities to a CFS Container freight Station to be loaded into containers and to be unloaded from the container at destination CFS.

CFS Charge. The charge assessed for services performed at the origin or destination for loading or unloading of cargo into/from containers at a CFS Container Freight Station.

CFS Receiving Services. The service performed at the loading port in receiving and packing cargo into containers from CFS Container Freight Station to CY Container Yard.

Chaebols. Korean industrial conglomerates characterized by strong family control, authoritarian management and centralized decision-making. The chaebol structure can encompass a single large company or several groups of companies. Each chaebol is owned, controlled or managed by the same family dynasty, generally that of the group's founder. Samsung, Hyundai and LG Group are among the biggest and most prominent chaebols.

Chargé d'affaires. A subordinate diplomat who takes charge in the absence of the ambassador.

Chargeable Weight. Rate for airfreight goods where dimensional weight factor exceeds the actual weight of the cargo.

Charges collect. The total transportation charges which may include pickup and/or delivery charges which are entered on the bill of lading to be collected from the consignee. Equivalent terms are freight collected and charges forward.

Charter party. A contract under which a charterer agrees to hire the use of a ship from a shipowner. The charterer in some cases will be empowered to issue his or her own bills of lading, known as charter party bill of lading, subject to the conditions of the original charter party contract. The charter party itself is not a bill of lading, but a contract between the shipowner and the charterer.

Charter party bill of lading. A bill of lading issued by a charter party. Charter party bills of lading are not acceptable by banks under letters of credit unless they are specifically authorized in the credit. *See bill of lading.*

Checker. A carrier-designated person who is responsible for examining cargo being handed over shipment, for signs of damage or loss. Also called wharfinger. *See apparent damage; apparent good order and condition.*

Chock. A piece of wood or other material placed at the side of cargo to prevent rolling or moving sideways.

CIETAC. The China International and Economic Trade Arbitration Commission is a major arbitration institution in China. CIETAC headquarters are in Beijing, and also has sub-commissions in Shenzhen, Shanghai and Tianjin. [Website](#).

CIF Cost, Insurance and Freight. In this Incoterms, the seller has the same obligations as under CFR but with the addition that he has to procure marine insurance against the buyer's risk or loss or damage to the goods during the carriage. The seller contracts for insurance and pays the insurance premium. The buyer should note that under the CIF term the seller is only required to obtain insurance on minimum coverage. The CIF term requires the seller to clear the goods for export. This term can only be used for sea and inland waterway transport. *See Incoterms for a list of the eleven Incoterms.* [Practical Guide to Incoterms](#).

CIM Transport document. An internationally standardized freight document issued in rail transport. CIM stands for "Convention Internationale concernant le transport des Marchandises par chemin de fer". The agreement has been in force since 1965, and constitutes the legal basis for the conclusion of freight contracts in international rail goods transport using one freight document.

CIP Carriage and Insurance Paid to. In Incoterms CIP, the seller has the same obligations as under CPT (Carriage Paid to) terms, but with the addition that the seller has to procure cargo insurance against the buyer's risk of loss, or damage the goods during the carriage. The seller contracts for insurance and pays the insurance premium. The buyer should note that under the CIP term the seller is only required to obtain insurance on minimum coverage. The CIP term requires the seller to clear the goods for export. This term may be used for any mode of transport including multimodal transport. *See Incoterms for a list of the eleven Incoterms.* [Practical Guide to Incoterms](#).

Circumvention. Getting around commitments in the World Trade Organization (WTO) such as commitments to limit agricultural export subsidies. Includes: avoiding quotas and other restrictions by altering the country of origin of a product; measures taken by exporters to evade anti-dumping or countervailing duties.

CISG. The United Nations Convention on Contract for the International Sale of Goods, known as Vienna Convention, is a 1980 international treaty signed by most leading trading nations that amounts to a virtual commercial code for international sale of goods transactions, but exclude contracts for services. *See Vienna Convention.* [Website](#).

CITES. The Convention on International Trade in Endangered Species of Wild Fauna and Flora, is an international agreement between governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival. Because the trade in wild animals and plants crosses borders between countries, the effort to regulate it requires international cooperation to safeguard certain species from over-exploitation. CITES was conceived in the spirit of such cooperation. Today, it accords varying degrees of protection to more than 35.000 species of animals and plants, whether they are traded as live specimens, fur coats or dried herbs. For many years CITES has been among the conservation agreements with the largest membership, with now 180 countries. [Website](#).

Civil Law. A body of law created by statutes and other enactments of legislatures and by rules and regulations adopted to give effect to those statutes and enactments. *See Common Law.*

Claimant. A party presenting a demand for compensation, such as against a carrier or insurer.

Clauſed bill of lading. A bill of lading that contains notations or remarks as to defects in the goods or packaging. Also called foul or dirty bill of lading. *See bill of lading.*

Clean bill of exchange. A bill of exchange having no other documents, such as bill of lading affixed to it.

Clean bill of lading. A bill of lading indicating that goods were received in apparent good order and condition. A clean bill is one in which contains no notations of defect, damage or loss, and is signed by the carrier or its authorized representative. Nevertheless, a clean bill of lading does not have any positive affirmation or mention to the effect. If a bill of lading does contain a notation of damage or missing merchandise, the bill of lading is call clauſed, foul, or dirty. *See bill of lading.*

Clean collection. 1. A letter of instructions to a presenting bank accompanied by a draft and often invoices, but not accompanied by any document restricting possession or ownership of the relevant goods. This is the opposite of documentary collection. 2. A letter of instructions accompanied by a cheque drawn on a bank located outside the clearing range of the payee's country's banking system.

Clean draft. A draft to which no documentation has been attached.

Clean float. A system in which exchange rates are determined by market forces rather than by government intervention or restrictions. *See dirty float; floating exchange rate.*

Clean letter of credit. A letter of credit against which the beneficiary of the credit may draw a bill of exchange without presentation of documents. *See letter of credit.*

Clean on board bill of lading. A document evidencing cargo laden aboard a vessel

with no exceptions as to cargo condition or quantity. *See bill of lading.*

Clean receipt. A receipt containing no damage or shortage notations.

Clean report of findings. A document issued by a pre-shipment inspection agency engaged by importer's country, indicating that the relative shipment conforms to the criteria established by the government. Typically, pre-shipments inspections cover price verification and physical inspection of the goods to determine that they conform in quantity, quality, and kind to importation approval. *See certificate of inspection; pre-shipment inspection.*

Clean transport document. A receipt for goods without any adverse notation indicating damage or shortage, issued by a carrier. Goods covered by clean transport documents are said to be received in apparent good order and condition. Transport document bearing adverse notations are called variously *claused, unclean or foul*, and are the opposite of clean transport documents. There is no reason to show the word clean on the face of a transport document, as all transport documents without adverse notations are considered clean. *See FCR Forwarder's certificate r eceipt.*

Clearance. The complementation of customs entry formalities resulting in the release of goods from customs custody to the importer.

CMR Transport document. This document, also known as CMR consignment note, constitutes a proof of the contract of carriage by road, determines the scope and responsibility for the operation performed and identifies the parties involved and the goods being transported. Its use implies adherence to the CMR ("Contrat de Transport International de Marchandises par Route") that governs this document. This document includes the instructions that the exporter or the importer gives to the carrier, so it necessarily has to accompany the goods in road shipments. The issue of this document should be made by the carrier (the driver of the truck) with all the necessary information to formalize the collection of the goods; however, it will normally be the exporter (sender), who completes the document on the arrival of the truck to his store, always in case of full loads; in case of groupage this document is normally handled by the forwarding agent because there is an internal transport to collect the goods grouped with other goods from different exporters to send them jointly to the final destination in a foreign country. [Model of CMR Transport Document](#).

Co-branding. A form of cooperation between two or more brands with significant customer recognition, in which all the participants' brand names are retained. The products are often complimentary, in the way that one product can be used or consumed jointly with the other. The motive for co-branding is the expectation of synergies that create value for participants, above the value they would expect to generate on their own.

COFACE country risk. Country risk classification provided by the French company COFACE (Compagnie Française d'Assurance pour le Commerce Extérieur), world

leader in export insurance that is very useful to know the country risk and the business climate in 160 countries. It offers a classification of 7 levels of risk from very low to very high (A1, A2, A3, A4, B, C, D). From level A2 is advisable to take precautions and cover the risk, and levels C and D discourage investment operations. The 160 country evaluations are based on macroeconomic, financial and political data regularly updated and are made freely available through COFACE website. It also provides relevant macroeconomic information and a Strengths/Weaknesses Analysis of the economy of each country. *See country risk.* [Website](#).

Collateral. An interest in property given by a debtor to a creditor in order for the creditor to secure payment of the debt. For example, an applicant for a letter of credit might pledge the goods for which the credit is opened as security to the issuing bank.

Collect charges. In shipping, the transportation practice under which the receiver of the goods pays charges.

Collecting bank. Any bank, other than the remitting bank, that is involved in processing a collection. In collection terminology the remitting bank is the bank to which the drawer has entrusted the handling of a collection, usually the drawer's bank of account.

Collection. A set of documents including a letter or completed form indicating the drawer's instructions (called a collection letter), and often accompanied by a draft or drafts, invoices, packing lists, and other documents as agreed by the drawer and drawee. Collections accompanied by documents restricting possession or ownership are called *documentary*, while those without such documents are called clean. Many collections are covered by the current Uniform Rules of Collections (URC) published by the International Chamber of Commerce. Since de URC is not a law, it must be specified in order to apply. However, it is in such common use that reference to it is often printed on the collection letterforms commonly used by banks.

Collection fee. The charges banks impose for handling collections.

Collection letter. A letter or form that conveys the drawer's instructions to the presenting bank. While there are many variations, collection letters identify the drawer, drawee, and any case-of-need party; typically contain a series of boxes that apply to various instructional points. There are two kinds of collection letters: those originating from the drawer's bank and those originating from the drawers or its agent, called direct collection letters. Either way, the presenting bank receives the collection letter, endeavours to follow its instructions, and reports to the drawer's bank. Also called collection instructions.

Collusion. A secret agreement or cooperation between two or more parties to cheat or deceive others by illegal, fraudulent, or deceitful means.

Combined Nomenclature (CN). The Combined Nomenclature (CN) is a method used for the European Union for designating goods and merchandise which was es-

ta blished to meet, at one and the same time, the requirements both of the Common Customs Tarif and of the external trade statistics of the Community. The CN is also used in intra-Community trade statistics. The CN is comprised of the Harmonized System (HS) nomenclature with further Community subdivisions. The Harmonized System is run by the World Customs Organisation (WCO). This systematic list of commodities forms the basis for international trade negotiations, and is applied by most trading nations. The CN also include preliminary provisions, additional section or chapter notes and footnotes relating to CN subdivisions. Each CN subdivision has an eight digit code number, the CN code, followed by a description. *See Harmonized System; H 6-digit. Website.*

Combined transport. Consignment sent by means of various modes of transport, such as by rail and by ocean.

Combined transport document (CTD). A transport document indicating more than one mode of transportation. For example:

- A received for shipment (marine B/L) indicating that pre-carriage from an inland originating point as well as main carriage transport were handled by main carrier.
- An air waybill showing than pre-carriage from the shipment originating point as well as main carriage were handled by the main carrier.

Comfort letter. A letter from an independent auditor included in a preliminary prospectus stating that, while a full audit has not been undertaken, the auditor has done revised the documents sufficiently to assure that financial statement information in the preliminary prospectus is correctly prepared to the best of the auditors's knowledge. The auditors in effect states that, had a full audit been done, they are comfortable that the audited financial statements would not be materially different to the best of the financial statement information in the preliminary prospectus is correctly prepared of f the auditor's knowledge.

Commercial agency. A relationship between one individual or legal entity (the agent) who represents, acts on behalf of, and binds another individual or legal entity (the principal) in accordance with the principal's request or instructions. In some countries, the role of commercial agencies is more narrowly defined as a relationship created only by a written contract or power of attorney, entered into by a principal and a person who is designated to act for the principal within the limits of the written contract or the attributions of the power of attorney. In international trade, relationships between agents and their clients (principals) are regulated through a [Model of International Commercial Agency Contract](#). *See agent; distributor; sales representative.*

Commercial counsellor. The commercial expert on the diplomatic staff of a country's embassy or large consulate. Also called commercial attaché.

Commercial counterfeiting. The production or marketing of goods with the intent

of defrauding the purchase by falsely conveying directly or indirectly, that the goods are produced by a known or reputable manufacturer.

Commercial in confidence. A classification that identifies information that, if disclosed, may result in damage to a party's commercial interests, intellectual property or trade secrets. You must not disclose any information marked 'Commercial in Confidence' without permission from the party who supplied it. This type of information is protected through [Confidentiality Agreements](#).

Commercial invoice. The document recording a transaction between the seller and the buyer. Commercial invoices are normally prepared by sellers, and should include the following information:

- Date, names, and commercial addresses of the seller and the buyer.
- Precise denomination and quantity of goods.
- Unit and total price of the goods in the agreed currency.
- Means and conditions of payment.
- Delivery terms of the goods (it refers to Incoterms published by the International Chamber of Commerce). Nowadays the version in force is that of the year 2010. Apart from the above mentioned data, which are demanded in the regulation in force, this document must also include:
- Seller's and buyer's identification for VAT purposes (in intra-communitarian operations).
- Order reference number.
- Origin of the goods.
- Tariff code of the goods
- Means of transport.
- A signature by an authorized person at the seller's company, if required by the buyer's government.

The commercial invoice on itself does not grant any ownership of the goods, unless it has an attached document proving the importer's payment for the total amount. The number of copies of the invoice (both original and copies) required for the delivery of the goods, must be agreed with the importer. Usually, invoices are issued with the original and two copies. Although normally the legislation in different countries does not limit the number of originals, it is not advisable to make more than those strictly necessary in order to accomplish with the customs needs required by the buyer. It is advisable that the importer confirms with the exporter all data that the invoice must provide before its issuing, as well as the particularities it must include in order to accomplish with the regulation of the destination country. *See proforma invoice. Model of International Commercial Invoice.*

Commercial presence. In international marketing forms of entry strategies, having an office, branch, or subsidiary in a foreign country.

Commercial risk. The possibility of non-payment caused by such buyer-related problems as insolvency or bankruptcy, as opposed to problems encountered by the buyer's country. *See country risk.*

Commercial sensitive information. Information that, if disclosed, could prejudice a supplier's commercial interests e.g. trade secrets, profit margins or new ideas. This type of information is protected through [Confidentiality Agreements](#).

Commercial treaty. An agreement between two or more countries setting forth conditions under which business between or among the countries may be transacted. It may outline tariff privileges, terms on which property may be owned, the manner in which claims may be settled, etc. *See multilateral agreement.*

Commercial value. The actual price at which a product is sold either to unrelated parties or to related parties at arm's length. This is the opposite of no commercial value, a statement that should be shown on invoices covering shipments of samples that are being furnished without charge and are not intended for resale. *See no commercial value.*

Commission. Compensation given by a principal to a party (usually an agent, intermediary, or sales representative) representing it. Sales commission, a percentage of the selling price (usually without including transportation costs), is the most common way to pay sales services in foreign trade. Principals using commission for its agents or representatives, normally increase their selling prices to provide for such commission payments. Sales commission agreements often provide that the commissions are not paid until such time as the buyer has paid the principal, thereby assuring that the agent or representative will assist with necessary collection effort. *See agent; intermediary; sales representative.* [Model of International Sales Commission Agreement](#).

Commission agent. An international agent who is paid a percentage of the sales he or she generates. The Agent offers products to potential clients in an assigned territory (usually a country), strictly in accordance with the sale conditions indicated to it by the Principal. There is no employment relationship between the Agent and the Principal, and their relationship is purely a commercial one. In this regard, on the end of this agreement, the Agent shall not be entitled to receive any compensation. In international trade the relationships between the commercial agent and his clients are governed by the [Model of International Sales Commission Agreement](#).

Commission sales agreement. A type of contract, whereby a person or company acts as a sales agent on behalf of the exporting company (principal), introducing its products to potential buyers in the external market, in exchange for a commission based on the value of the business deals arranged and paid to the principal. The mechanism of commission agent or intermediary is therefore very useful to companies that are

launching their export operations. This type of contract is ideal for small companies with little or no experience in international trade, as it allows them to access international markets without having to make large investments. Everything is left in the hands of the agent. *See distributor; sales representative. Model of International Sales Commission Agreement.*

Commissioning. The process used to test equipment to verify that it functions according to its specifications.

Common carrier. In some jurisdictions, a legal term referring to carriers who offer transport services to the general consumer or business public. In contrast, for example, to carriers who may work as employees, sub-contractors or agents of the manufacturer or shipper.

Commodity. Broadly speaking, any article exchanged in trade, but commonly used to refer to raw materials and bulk-produced agricultural products such as cereals, coffee or tea.

Common external tariff. A uniform tariff rate adopted by a customs union or common market such as the European Community to imports from countries outside the union. For example, the European Common Market is based on the principle of a free internal trade area with a common external tariff (Tarif Exterieur Commun, in French) applied to products imported from non-member countries. Free trade areas do not necessarily have common external tariffs.

Common Law. The body of law derived from usages, customs, and judicial decisions, as distinguished from statutes. *See Civil Law.*

Common market. A common market (as opposed to a free trade area) has a common external tariff and may allow for labour mobility and common economic policies among the participating nations. The common market has the same features as a customs union, but, in addition, factors of production (labour, capital and technology) are mobile among members. Restrictions on immigration and cross-border investment are abolished. *See economic integration.*

Comparative advantage. A central concept in international trade which holds that a country or region should specialize in the production and export of those goods and services that it can produce relatively more efficiently than others goods or services, and import those goods and services in which it has a comparative disadvantage. This theory was first propounded by the British economist David Ricardo in 1817 as a basis for increasing the economic welfare of a population through international trade. The comparative advantage theory normally favours specialized production in a country based on intensive utilization of those factors of production in which the country is relatively well endowed (such as raw materials, fertile land or skilled labour). *See absolute advantage.*

Compatible cargo. A term used for cargo that may safely travel together.

Compact palletization. System developed to store homogeneous products, with great quantity of pallets per reference. It permits the top use of the available space both for i surface and height. This type of installation is constituted by a set of shelves that form interior aisles of load, with rails of support for the pallets.

Compensatory trade. A form of countertrade where any combination of goods and services are bartered. *See countertrade.*

Compensation deal. A type of countertrade that involves the exports of goods in one direction. The payment of the goods is split into two parts:

- Part payment in cash by the importer.
- For the rest of the payment the original exporter makes an obligation to purchase some of the buyer's goods.

The products of the compensation deal can be used in the exporter's internal production or they may be sold on in the wider market. *See countertrade.*

Competitive intelligence. Competitive intelligence is the gathering of publicly-available information about an enterprise's competitors and the use of that information to gain a business advantage. The goals of competitive intelligence include discerning potential business risks and opportunities and enabling faster reaction to competitors.

Compulsory licensing. For patents, when the authorities license companies or individuals other than the patent owner to use the rights of the patent - to make, use, sell or import a product under patent (i.e. a patented product or a product made by a patented process) - without the permission of the patent owner. Allowed under the WTO's TRIPS (intellectual property) Agreement provided certain procedures and conditions are fulfilled. *See patent.*

Compound duty. A combination of both a specific rate of duty and an ad valorem rate of duty. For example 0.5 cents per unit plus 8 per cent ad valorem. Whereas specific duties are based on factors such as weight or quantity, ad valorem duties are based on the value of the goods. *See customs duty.*

Comtrade. Database of the United Nations with exports and imports statistics by countries and tariff codes. The search route to be used for obtaining the trade statistics is: data availability - by reporter -choose the country and year in the first column - check box "I have read Readme First" - Continue - in quick filter select the tariff code (4 to 6 figures)- search - select option HS 2002 - apply. *Comtrade.*

Concealed damage. In shipping damage to the contents of a package which is in good order externally. *See inherent vice.*

Confidential information. A classification that identifies sensitive information that, if disclosed, could damage the person or organization it relates to. In a business relationship, confidential information is protected through [Confidentiality Agreements](#).

Confidentiality agreement. A type of contract used to protect sensitive technical or commercial information from disclosure to others. Such agreement is often used when a company or individual has a secret process or a new product that it wants another company to evaluate as a precursor to a comprehensive manufacturing license agreement or technology transfer agreement; or, perhaps one Party wants to evaluate another's existing commercial product for a new and different application. Confidentiality agreements perform mainly three functions: (a) protect sensitive technical or commercial information from disclosure to others; (b) prevent the forfeiture of valuable patent rights; (c) define exactly what information can and cannot be disclosed. This last function is usually accomplished by specifically classifying the nondisclosure information as confidential or proprietary. The definition of this term is, of course, subject to negotiation. As one would imagine, the company or individual disclosing the confidential information (the discloser) would like the definition to be as all-inclusive as possible; on the other hand, the company receiving the confidential information (the recipient) would like to see as narrowly focused a definition as possible. There are many models of confidentiality agreements: each company tends to treat its own confidentiality agreement with great pride and possessiveness, which causes delays, discussions, negotiations and higher transaction costs. Also called non-disclosure agreement. [Model of Confidentiality Agreement](#).

Confirmed letter of credit. A letter of credit that contains a guarantee on the part of both the issuing and advising banks of payment to the seller so long as the seller's documentation is in order and the terms of the letter of credit are met. Confirmation is only added to irrevocable letters of credit, usually available with the advising bank. If confirmation of the letter of credit is desired, the applicant must state this expressly in his/her letter of credit application. The confirming bank assumes the credit risk of the issuing bank as well as the political and transfer risks of the purchaser's country. Without confirmation of the letter of credit, the advising bank will forward the letter of credit to the beneficiary without taking on its own commitment. *See letter of credit.*

Confirming. A financial service in which an independent company confirms an export order in the seller's country and makes payment for the goods in the currency of that country. Among the items eligible for confirmation are not only the goods but also inland, air, and ocean transportation costs; forwarding fees; customs brokerage fees; and duties. Confirming permits the entire export transaction from plant to end user to be fully coordinated and paid for.

Confirming bank. In a letter of credit transaction, the bank that assumes responsibility to the seller (usually the exporter) for payment from the issuing bank (buyer's bank) so long as the terms and conditions of the letter of credit have been met by the seller/exporter. *See letter of credit.*

Confirming house. A trading company that represents the interests of foreign buyers. Confirming houses typically negotiate purchases on behalf of their overseas principals, place their domestic orders in the suppliers' countries, arrange for export handling and transportation to the buyer, and locally pay the suppliers.

Conflict of laws. Differences between the laws of different countries or other jurisdictions that become significant in determining which law will apply when individuals or legal entities have acquired rights, included obligations, suffered damages, or made contracts in two or more jurisdictions. The rules that courts apply to resolve conflicts of laws vary among countries. In addition, different rules apply depending on the subject matter of a controversy - that is, whether a controversy involves property or personal rights. *See governing law clause.*

Congestion surcharge. An additional charge added to the base rate ocean freight cost, reflecting the additional expenses that the ship lines incur when calling at congested ports.

Consignee. In export transactions, the intended receiver of a cargo shipment. The named person or legal entity having the right to claim the merchandise from the carrier at destination, and is generally recognized as the legal owner for customs purposes. In international representation or distributorship relations, the consignee is the holder and re-seller of merchandise who receives payment in the form of commission or a discount as and when sales are made but does not have to purchase the goods in advance.

Consignee marks. A symbol placed on packages for export, generally consisting of a square, triangle, diamond, circle, cross, etc., with design letters and/or numbers for the purpose of identification.

Consignment. Shipment of one or more pieces of property, accepted by a carrier for one shipper at one time, receipt for in one lot, and moving on one bill of lading. The exporter retains title of goods until the importer sells them. This payment term should be offered only to trustworthy importers with an excellent credit rating in countries where political and economic risk is very low. Consignments tend to be mainly used by companies trading with their own subsidiaries.

Consignment contract. A contract by which a seller (consignor) delivers goods to an individual or entity (consignee) that will sell them. For goods sold, the consignee will remit the price to the consignor less a commission. Goods not sold may be returned to the consignor.

Consignor. The person or firm that ships goods, or gives goods to another (consignee) for care. *See consignee; consignment contract.*

Consolidated container. A shipping container containing cargo from a number of shippers at a centrally located point of origin by a freight consolidator, and transport-

ing them as a single shipment to a destination point. Consolidation of cargo often results in reduced shipping rates.

Consolidated shipment. A method of shipping whereby an agent (freight forwarder or consolidator) combines individual consignments from various shippers into one shipment made to a destination agent, for the benefit of preferential rates. The consolidation is then de-consolidated by the destination agent into its original component consignments and made available to consignees. Consolidation provides shippers access to better rates than would be otherwise attainable. Also called groupage.

Consolidation. Combining cargo from more than one shipper and/or to more than one consignee for shipment together, usually in a single shipping container. On arrival, the container is unloaded, and each individual shipment may be claimed by its appropriate consignee. The same scenario applies when a single shipper or consignee consolidates small shipments for its own use, or arranges that this be done by a third-party logistics provider. Firms providing consolidation services often act as carriers, providing their own house transport documents that are supported by a master transport document issued by the undercarrier for the entire consolidated shipment. Also called groupage.

Consolidator. A company that provides consolidation services. Freight forwarders perform the functions of a consolidator. *See consolidation.*

Consular declaration. A formal statement, made in the country of export by the consul of an importing country, describing goods to be shipped to the importing country.

Consular documentation. Documents and forms that have been presented to a consulate, usually of the buyer's country and usually in the country from which a shipment originates. While each country requiring consular documentation establishes its own fee schedule and procedures, commercial invoices, certificates of origin and/or copies of transport documents are commonly used. Typically, importers in countries with such regulations are required to present the consularized documents to their authorities in order to clear customs. It is important to carefully prepare documents for consularization, since corrections are often both time consuming and expensive. Further, consulates are normally closed on their national holidays as well as holidays of their host country. Also called visaed or legalized documentation. *See letter of correction.*

Consular invoice. An invoice covering a shipment of goods certified by the consul of the country for which the merchandise is destined. The invoice is used by customs officials of the country to verify the value, quantity, and nature of the merchandise imported to determine the import duty. In addition, the export price may be examined in the light of the current market price in the exporter's country to ensure that dumping is not taking place. *See commercial invoice.*

Consular visa. Any one of several official endorsements by a consul of a country. A

consular visa can be issued for travel, consular invoices, certificates of origin, shipping documents and other legal documents.

Container. A single, non-disposable structure to be filled with smaller objects to facilitate transportation. Containers are used extensively in waterborne, air and rail transport, and come in a variety of container specifications for vessel transport include:

- 20 foot and 40 foot dry freight,
- 20 foot and 40 foot open top,
- 20 foot and 40 foot refrigerated,
- 40 foot high cube refrigerated,
- 20 foot and 40 foot flat rack,
- 40 foot and 45 foot high cube, and
- 20 foot tank container.

Actual vessel container internal and external dimensions vary from manufacturer to manufacturer and from carrier to carrier. Airfreight containers, often called igloos, are available in a variety of shapes and sizes. Rail containers are available for such specialized cargos as coil. Since all carriers do not always provide the full range of containers, it is important to check the availability when planning for a containerized shipment.

Container freight station (CFS). 1. At ports of shipment, designated areas for delivery of less-than-container load cargo for container loading. 2. At arrival ports, secure locations for container unloading and cargo delivery.

Container handling charge. It refers to over cost for handling of containers at the terminals.

Container manifest. Document showing contents and loading sequence of a container.

Container number. An up to seven-digit number (six plus a check digit) used to identify the size and type of container; usually preceded by a four-letter alpha (letter) code prefix designating container ownership.

Container rental surcharge. An additional fee for the use of a carrier's container, usually charged only for destinations with little outward cargo volume or high risk of loss or damage to the container.

Container terminal. An area designated for the stowage of cargoes in container. Usually accessible by truck, railroad and marine transportation. In this area, containers are picked up, dropped off, maintained, and housed.

Container vessel. An ocean going vessel designed specifically to easily handle the loading, stowage and off-loading of ocean freight containers. Containers may be stowed either below deck or on deck.

Container yard (CY). Carrier-designated location at port areas for receiving, storing and delivering loaded containers, as well as for empty container pickup.

Containerizable cargo. Cargo that will fit into a container and result in an economical shipment.

Contingency insurance. Insurance coverage taken out by a party to an international transaction to insure against insurance coverage taken by the counterparty. The contingent insurer pays its beneficiary and attempts to collect from primary insurer. For example, a pre-paying buyer purchasing on an Incoterms requiring the seller to insure, such as CIP or CIF, may purchase contingency insurance from his or her local insurer. Should there be a covered loss, the buyer's insurer would advance payment to the buyer, and assume the buyer's rights against the seller's insurer. Conversely, sellers can purchase contingency insurance from their insurers for export when buyers arrange the primary insurance cover. Should a buyer not pay because of failure of his or her insurer to honour a claim for a covered loss, the seller would claim on the contingency insurance. The contingency insurer would advance payment to the seller, and would bear the loss should the buyer's insurer never pay. Contingency insurance does not replace primary insurance. It works only when the counterparty provides primary cover and the primary carrier fails to pay a covered loss.

Contract guarantee. An agreement by a third party to be responsible for the performance of a contracting party. There are three major types of contract guarantee: tender bonds, performance guarantees, and repayment guarantees. *See Uniform Rules for Contract Guarantees; Uniform Rules for Demand Guarantees.*

Contract manufacturing. Contract manufacturing in international markets is used in situations when one company arranges for another company in a different country to manufacture its products; this is also known as international subcontracting or international outsourcing. The company provides the manufacturer with all the specifications, and, if applicable, also with the materials required for the production process. This type of contract sets out the requirements, which the manufacturer must meet concerning the quality of the products, certification, quantities, conditions and dates of delivery, etc. It also establishes guidelines for the inspection and testing of the products set forth by the company which contracts out the manufacture, or by its own clients. Furthermore, it also outlines modifications to orders, as well as guarantees and compensation in case of breach of contract. Since the process is essentially outsourcing production in foreign markets to a partner that privately brands the end product, there are a number of different companies and industries that can make use of this type of contract. [Model of International Contract Manufacturing](#).

Contracting parties. 1. Parties that have entered a contract with each other. 2. Countries that are members of the World Trade Organization (WTO) and therefore have accepted the specified obligations and privileges.

Contractual joint venture. Agreement in which two parties come together for a particular business project and sign a contract outlining the terms under which they will work together. The parties do not set up a separate legal entity for the project but work together in partnership, sharing the profits or losses of the venture on the terms set out in the joint venture contract. The contractual joint venture is a different legal arrangement from the incorporated or equity joint venture in which two or more parties set up a separate legal entity to act as the vehicle for carrying out the project. Participants in a contractual joint venture normally would set out the objectives of the joint venture in the agreement. They also would agree on the contributions in cash or in kind made by each of the parties to the contract, with details about the valuation of the contributions. The functions of the parties within the project, including their technical contributions and commercial commitments, would be defined in the contract. Arrangements would be made for the parties to meet to discuss progress on the project and to appoint a management committee. *See joint venture; equity joint venture.* [Model of International Joint Venture Contract](#).

Convertibility. Ease of exchanging one currency for that of another nation or for gold.

Convertible currency. A currency of a nation that may be exchanged for that of another nation without restrictions. Countries with convertible currencies typically have sizable exchange reserves so that their currencies are generally considered to low risk. Also called hard currency.

Copyright. A set of exclusive rights granted to the author or creator of an original work, including the right to copy, distribute, and adapt the work. In international business copyrights are transmitted and sold through license agreements.

Correspondent bank. A bank that performs certain operations on behalf of another bank, usually in a different country. Correspondent banks hold deposits with each other, and accept and collect items on a reciprocal basis. It is through networks of correspondent banks that trade banks are able to service and support international business transactions.

Counterfeit. Unauthorized representation of a registered trademark carried on goods identical or similar to goods for which the trademark is registered, with a view to deceiving the purchaser into believing that he/she is buying the original goods.

Counteroffer. A reply to an offer that adds to, limits, or modifies materially the terms of the offer. A seller, for example, who accepts a buyer's offer, but informs the buyer that the goods will be of a different colour has made a counteroffer. *See offer.*

Counterparty. The opposite party to a transaction. Sellers are the counterparties of buyers and vice versa.

Counterpurchase. An arrangement whereby exporters agree to purchase a quantity of goods from a country in exchange for the country's purchase of the exporter's product. The goods being sold by each party are typically unrelated but may be of equivalent value. This is one of the most common forms of countertrade.

Countertrade. All foreign trade transactions resulting from exporter's commitments to take products from the importers or from their respective countries in full or part payment for their exports. Countertrade is typical of trade with developing countries, which often suffer from a lack of foreign exchange and/or credit facilities. Countertrade transactions include barter, buy-back or compensation, counterpurchase, offset requirement and swap. *See respective terms.*

Countervailing duties. Special customs duties imposed on imports to offset the benefits of subsidies to producers or exporters in the exporting country. Article VI of the General Agreement on Tariff and Trade (GATT) - now World Trade Organization (WTO) - permits the use of such duties if the importing country can prove that the subsidy would cause injury to domestic industry. Also known as countervailing measures.

Country of departure. The nation from which a ship or shipment has or is scheduled to depart.

Country of destination. The nation in which exported goods are to be used or consumed, as known to the shipper at the time of export.

Country of origin. The nation in which referenced goods were grown, manufactured or produced, or for some customs valuation criteria, substantially transformed. *See customs valuation.*

Country risk. The possibility of non-payment caused by such buyer-country related problems as political instability, war, arbitrary government action and exchange inconvertibility, as opposed to problems that could be encountered by the buyer such as insolvency or bankruptcy. A country-risk country classification is offered by COFACE (Compagnie Française d'Assurance pour le Commerce Exterieur). Also called political or economic risk.

Courage. French term for brokerage or brokerage fee.

Cover note. Document issued by insurance company or insurance brokers instead of insurance policies or insurance certificates, which serves as proof of usual insurance notifications and represents cover approval. Cover note may be accepted under letters of credit only when they are expressly permitted. Also called broker's cover note.

CPT Carriage Paid to. In Incoterms CPT the delivery of goods occurs when the seller makes them available to the carrier that he has hired to perform international transport, although the seller also manages and assumes the costs of international transport to the place of destination. Therefore, the point where the risk of transport is transferred (when the goods are delivered to the carrier in the seller's country) is different from the point till the seller bears the costs of transport. In the event that there are several successive carriers, such as multimodal transport or truck-air or truck-ship, the transport risk passes from the seller to the buyer when the goods are delivered to the first carrier in the chain. In CPT, unlike Incoterm CIP, the seller has no obligation to hire insurance transport to cover the goods from the place of delivery to destination. In this Incoterm, the seller has to complete the formalities and bear the costs of customs clearance for export, not the import clearance that corresponds to the buyer. *See Incoterms for a list of the eleven Incoterms. [Practical Guide to Incoterms](#).*

Credit risk insurance. Insurance designed to cover risks of nonpayment for delivered goods.

Cross-culture business. Cross culture is a vital issue in international business, as the success of international trade depends upon the smooth interaction of employees from different cultures and regions. Some of the considerations in cross-cultural business include concerns about the differences that are caused by culture, beliefs, law, and language. We can distinguish mainly three kinds of business culture effects:

- Business roles: the fact that the differences in cultures usually have a direct effect on the manner in which business affairs are carried out by the members of such a community. For example, cultures that do not allow women to have certain rights will also reflect this bias in the business aspect of their dealings, something that businessmen and women from other less repressive cultures would have to understand in order for them to communicate effectively. Since culture is not something that can be changed merely through the operation of a foreign company, the management and staff of such a company would have to look for common grounds on which they and the business partners from those different cultures can meet.
- Business law: Another consideration in cross-cultural business is the manner in which the law of the foreign culture affect the manner in which they conduct their business. This is very important because miscommunication may occur due to the assumption by one party to a business communication that the law in his or her country is also the same in the country of the foreign business partner. One way to avoid this miscommunication is through a conscious effort by a business to study the law and customs in a country before it ventures into that country.
- Language: It is also a concern in cross-cultural business that language barriers must be surmounted in order for business communication to occur. Some businesses achieve this by hiring interpreters or using translation services as a

medium for channelling to the other party, and for them to decipher what the other party is trying to say.

Also called intercultural business. *See business culture. Business Culture Guides by Countries.*

Crossed check. A check that bears on its face two parallel transverse lines and that cannot be 'presented for cash' A bank that accepts the check may pay the proceeds only to another bank, which will credit the money to the account of the payee of the check.

Cultural differences. Despite the globalization of markets cultural diversity clearly continues. Cultural differences often pose major difficulties in international negotiations and marketing management. The cultural differences reflect differences in personal values and in the assumption people make about how business is organized. Every culture has its opposing values. *See business culture; cross-culture business. Business Culture Guides by Countries.*

Currency. The circulating media of exchange in a country. Includes money and such financial instruments as checks.

Currency adjustment factor (CAD). An additional charge added to the base-rate ocean freight costs, which is raised or lowered to reflect changes in the exchange rate of currency in which the freight costs are billed. This charge is separate from the base rate because exchange rates fluctuate more often than freights costs do. Also called Currency adjustment charge (CAC).

Currency future. A contract for the future delivery of a commodity, currency, or security on a specific date. In contrast to forward contracts, future contracts are for standard quantities and for standard periods and are primarily traded on an exchange. Forward transactions enable importers and exporters who will have to make, or will receive, payment in a foreign currency at a future time to protect themselves against the risk of fluctuations in the spot rate.

Currency option. The contractually agreed right to buy (call option) or to sell (put option) a specific amount of foreign currency at a predetermined price on a specific date (European option) or up to a future date (American option).

Current account. The part of a country's balance of payments that records current (as opposed to capital) transactions, including visible trade (income and expenditures for services), profits earned from foreign operations, interests and transfer payments. *See balance of payments.*

Current balance. The value of all exports (goods plus services) less all imports of a country over a specific period of time, equal to the sum of the trade (visible) and invisible balances plus net receipts of interests, profits and dividends from abroad. *See balance of payments.*

Customs. A government authority designated to regulate flow of goods to/from a country and to collect duties levied by a country on imports and exports. The term also applies to the procedures involved in such activities.

Customs area. A geographic area, usually identical to one or several contiguous national political jurisdictions, applying a particular tariff schedule on goods entering or leaving the area. *See customs union.*

Customs bonded warehouse. A government warehouse where goods remain until duty has been collected from the importer.

Customs broker. Licensed agent or broker (licensing may not be required in all countries) whose function is to handle the process of clearing goods through customs for importers.

Customs classification. The particular category in tariff nomenclature in which a product is classified for duty purposes. Almost all major trading nations classify imported goods according to the Harmonized System.

Customs clearance. The act of complying with the import regulations of an importing country. Generally governments require some sort of import declaration. Depending on the country and the product, additional supporting documentation such as origin certificates, consular documentation and product related health and safety certificates may also be required. Payment or agreement to pay any applicable import duty and taxes often accompanies customs clearance. Also called import clearance.

Customs duty. Tax levied by the government on goods crossing the customs border, usually a tax imposed on imports. Duties, or tariffs, are either based on the value of the goods (ad valorem duties), some other factors such as weight or quantity (specific duties) or a combination of value and other factors (combined duties).

Customs entry. An import declaration made for the purpose of obtaining customs clearance by the importer or a customs broker authorized to represent the importer. Depending on the country and the product, additional supporting documentation such as origin certificates, consular documentation and product related health and safety certification may also be required.

Customs invoice. A invoice made out on a special form prescribed by the customs authorities of the importing country. Used only in a few countries, usually former British territories (Canada). It serves as a seller's commercial invoice.

Customs union. An association between two or more countries to eliminate tariffs and other import restrictions on each other's goods and establish a common tariff on the goods from all other countries. As in the free trade area, goods and services are freely traded among members. In addition, however, the customs union establishes a common trade policy with respect to non-members. Typically this takes the form of

a common external tariff, whereby imports from non-member are subject to the same tariff when sold to any member country. *See economic integration.*

Customs valuation. The amount of money required to be shown on the customs entry according to the importing country's regulations. Since many products are assessed duty on ad valorem basis, the correct customs value is necessary to determine the correct duty obligation. Countries have different methods to determine customs valuation; for instance, some countries do not include the cost of transportation from the exporting country, while others (the majority) do. Some countries increased the value by the cost of so-called assists rendered by the importer to the foreign producer. Many countries have comparative formulas for testing customs values, such as the value of similar goods and/or estimates of the production costs, transportation costs and manufacturer/exporter profit. Accurate customs valuation is also important to determine whether the pricing of imported goods violates the importing country's anti-dumping regulations.

Cut-off time. The latest time cargo may be delivered to a terminal for loading to a scheduled train or ship.

D

DAF Delivered at Frontier. An obsolete Incoterms that was discontinued in Incoterms 2010 edition. This Incoterms has been replaced by DAT. *See Incoterms; DAT Delivered at Terminal. Practical Guide to Incoterms.*

Damages. A monetary amount claimed and awarded to a person for loss or injury to the person or the person's property. Various types of damages may sought depending on the circumstances of the injury or loss, including:

- Actual: compensation for amounts in fact incurred.
- Expectation: compensation for amounts that a person could have reasonably anticipated receiving from a transaction had it not failed.
- Incidental: expenses reasonably incurred by mitigating, or otherwise in association with losses.
- Liquidated: an amount fixed by contract as reasonable compensation in the event a party defaults.

See liquidated damages.

Dangerous goods. Articles or substances which are capable of posing a significant risk to health, safety, or property when transported by air and which are classified according to the most current edition of the International Civil Aviation Organization (ICAO) Technical Instructions for the Safe Transport of Dangerous Goods by Air, and the International Air Transport Association (IATA) Dangerous Goods Regulations. Dangerous goods may be transported domestically and internationally by air.

Dangerous Goods Declaration. Shippers of dangerous goods are required to declare them to carriers per the International Air Transport Association (IATA) and the International Maritime Organization (IMO) and any applicable additional local regulations.

DAP Delivered at Place. In Incoterms DAP the seller delivers the goods, without unloading, at the place of destination in the buyer's country. The transport risk is transferred from buyer to seller in the same place where the goods are delivered.

The place of delivery may be the buyer's premises or a place nearby, other than a transport terminal, in the country of destination. If delivery occurs at a transport terminal or transport infrastructure (port, airport, etc.) in the country of destination, Incoterms DAT should be used. In this Incoterms the seller has to complete the formalities and bear the costs of customs clearance of export, not the import clearance that corresponds to the buyer. In the event that the seller also clear goods for import Incoterm DDP should be used. This is a very useful Incoterms for sales between countries of the same economic area (e.g. European Union) in which the seller wants to deliver the goods at buyer's premises but is not necessary to clear goods for import as there

are no customs. This Incoterms may be used irrespective of the mode of transport. *See Incoterms for a list of the eleven Incoterms.* [Practical Guide to Incoterms](#).

DAT Delivered at Terminal. In Incoterms DAT the seller delivers the goods unloaded at a port terminal or another place of destination in the buyer's country. The terminal concept is quite broad and includes both terminals of transportation (land, air, sea) and logistics infrastructure (ports, airports, railway stations) or similar facilities as docks, warehouses and free zones. Due to the different places of delivery that allows this Incoterm is important to clearly mention the specific point that seller and buyer have chosen for delivery so the contract for international transport made by the seller conforms to that choice. When the seller carries the goods from the delivery terminal to another point in the buyer's country such as buyer's premises (factory or warehouse) Incoterm DAT should not be used. The Incoterms suitable for that situation are DAP or DDP. In Incoterms DAT, the seller has to complete the formalities and bear the costs of customs clearance for export, not the import clearance that corresponds to the buyer. *See Incoterms for a list of the eleven Incoterms.* [Practical Guide to Incoterms](#).

Date draft. A draft that matures for a specified number of days after issuance, without regard to the date of acceptance.

DDC Delivered destination charges. That expression refers to various miscellaneous charges in the port of destination; also is used to refer to dispatch money at discharge.

DDP Delivered Duty Paid. In Incoterms DDP the seller fulfils his obligation to deliver when the goods have been available at the named place in the country of importation. The seller has to bear the risks and costs including duties, taxes and other charges of delivering the goods thereto, cleared for importation. While EXW Ex Works term represents the minimum obligation for the seller, DDP represents the maximum obligation. This term should not be used if the seller is unable to directly or indirectly to obtain import licence. If the parties wish the buyer to clear the goods for importation and to pay the duty, the term DAP (delivered at place) should be used. If the parties wish to exclude from the seller's obligations some of the costs payable upon importation of the goods (such VAT- Value Added Tax), this would be made clear by adding words to this effect: *Delivered Duty Paid, VAT unpaid.* This Incoterms may be used irrespective of the mode of transport. *See Incoterms for a list of the eleven Incoterms.* [Practical Guide to Incoterms](#).

DDU Delivered Duty Unpaid. An obsolete Incoterms that was discontinued in Incoterms 2010 edition. This Incoterms has been replaced by DAP Deliverer at Place. *See Incoterms.* [Practical Guide to Incoterms](#).

Dead freight. Compensation for cargo agreed to be shipped but unshipped (usually because it was unavailable for loading). In liner terms dead freight can also mean compensation due to a ship line because the shipper failed to meet a pre-agreed quantity commitment under a service contract.

Deadweight. The maximum carrying capacity of a ship, expressed in tons, of cargo, stores, provisions and bunker fuel. Deadweight is used interchangeably with dead-weight tonnage and deadweight carrying capacity. A vessel's capacity for cargo is less than its total deadweight tonnage.

Deadweight cargo. Cargo of such weight and volume that a long ton (2.240 pound) is stowed in an area of less than 70 cubic feet.

Dealer. An individual or firm who acts as a principal in the sale of merchandise.

Declared value for carriage. The value of goods declared to the carrier by the shipper for the purposes of determining charges, or of establishing the limit of the carrier's liability for loss, damage or delay. *See valuation charges.*

Deck cargo. Goods shipped on the deck of a ship rather than in its holds. Since deck cargo is more exposed to the elements, traders may wish to stipulate that goods not be carried on deck, except in such cases as transport of hazardous materials, in which case carriage on deck may be mandatory.

Deadline. The time or date by which something must be done.

Deal breaker. A term or condition in a proposed transaction upon which negotiators for both sides cannot gain agreement and that can cause the transaction to fail. Deal breakers may relate to price, payment, terms, quality issues, etc.

Deconsolidation point. Place where loose or other non-containerized cargo is ungrouped for delivery.

Default. In international trade, default is failure to meet the legal obligations (or conditions) of a loan. A national sovereign default is the failure or refusal of a government to repay its national debt. Default can be of two types:

- Debt services default: occurs when the borrower has not made a scheduled payment of interest or principal.
- Technical default occurs when an affirmative or a negative covenant is violated.

Sovereign borrowers such as nations generally are not subject to bankruptcy courts in their own jurisdiction, and thus may be able to default without legal consequences.

Deferred payment letter of credit. A letter of credit that is not payable at sight but at a future time.

Del credere. 1. As relates to international commercial agency relationships, a del credere agent is one who guarantees the ability to pay prospective clients he or she has brought to the principal; in exchange, the del credere agent is usually accorded a higher percentage commission than a regular agent. 2. As relates to risk in general,

del credere risk is the risk that a party will be unable to meet its financial obligations.

Delay clause. An insurance policy clause that excludes claims for loss of market and for loss, damage or deterioration arising from delay. This exclusion appears in almost every marine cargo insurance policy. Insurance underwriters are exceedingly reluctant to assume any liability for loss of market, which is generally considered a "trade loss" and uninsurable. A market loss, furthermore, is an indirect or consequential damage. It is not a "physical loss or damage". *See special marine policy.*

Delivery. Transferring property of goods from one party to another as from the seller to buyer, shipper to carrier, or carrier to consignee.

Delivery instructions. Specific delivery instructions for the freight forwarder or carrier stating exactly where the goods are to be delivered, the deadline, and the name, address, phone and mail of the person to contact if delivery problems are encountered. *See delivery order.*

Delivery lead time. The time from the receipt of a customer order to the delivery of the product.

Delivery note. The delivery note is a document that certifies the delivery of goods to the buyer, who must sign it to make it clear that the goods have been delivered in accordance with the conditions established. The use of this document is not mandatory, although in international trade is very common especially when the exporter delivers the goods in the seller's country and he needs a document proving delivery. This document must be issued in a simple format that contains the following information:

- Data identifying the seller and buyer.
- Reference to the invoice.
- Number and description of the products.
- Date of issue of the document and date of delivery of the goods.
- Name, signature and stamp of the purchaser, accepting delivery of the goods in good condition.

This document has a dual function for the exporter: as a justification of the removal of the products from its warehouse and as a proof of delivery to the importer so in that sense it is important that the carrier gets a copy signed by the importer. To the importer, this document serves to verify that the goods received match those listed on the purchase order or sale contract. For the carrier this document is the proof of delivery of goods. [Model of Delivery Note.](#)

Delivery order (D/O). A document from the consignee, shipper, or owner of freight, ordering a terminal operator, carrier or warehouseman to deliver freight to another party. Delivery order should be clearly distinguished from bill of lading: the delivery order is not a negotiable document, nor does it evidence receipt of goods, nor does

contain the provisions of the transport contract under which the goods are shipped.

Demand guarantee. A guarantee issued by a bank, under which the beneficiary is only required to make a demand in order to receive payment. In contrast to the conditional guarantee - which require the beneficiary to provide proof of the principal's default - a demand guarantee only requires that the beneficiary make a simple demand, and therefore the latter guarantee is relatively risky in terms of exposure to an unjustified demand on the part of the beneficiary. Some protection against such an unfair demand can be obtained by making the guarantee subject to the ICC Uniform Rules for Demand Guarantees (URDG, ICC Publication 758).

Demurrage. The extra charges paid to a shipowner or carrier when a specified period for loading/unloading is exceeded. The demurrage may, depending on the context, be paid by the charterer or shipper. Also known as detention. *See detention charges.*

Depreciation. In foreign exchange, the decline in value of one currency in relation to another currency.

DEQ Delivered ex Quay. An obsolete Incoterms that was discontinued in Incoterms 2010 edition. This Incoterms has been replaced by DAT Delivered at Terminal. *See Incoterms. Practical Guide to Incoterms.*

DES Delivered ex Ship. An obsolete Incoterms that was discontinued in Incoterms 2010 edition. This Incoterms has been replaced by DAT Delivered at Terminal. *See Incoterms. Practical Guide to Incoterms.*

Destination delivery charge. A charge, based on the container size, which is applied in many tariffs to cargo. This charge is considered accessorial and is added to the base of ocean freight. This charge covers crane lifts off the vessel, drayage of the container within the terminal and gate fees at the terminal operation.

Destuffing. The unloading of cargo from a container. Also called devanning and stripping.

Detention charges. Charges assessed by a carrier against the consignor or consignee as compensation for holding a carrier driver and/or trailer beyond a certain stated period of "free time". *See demurrage.*

Devaluation. The reduction of a currency's value in relation to other currencies. The exchange values of freely traded currencies are determined by market action. However, governments that interfere with market action can manipulate the value of their currency by fiat. Devaluation tends to reduce domestic demand for imports in a country by raising prices in terms of the devalued currency and to raise foreign demand for the country's exports by reducing their prices in terms of foreign currencies. Devaluation can therefore help to correct a balance of payments deficit and sometimes provide a short-term basis for economic adjustment of a national economy.

Devanning. The unloading of cargo from a container. Also called destuffing and stripping.

Developed countries. A term used to distinguish the more industrialized nations, including most OCDE member countries, from developing or less-developed countries.

The developing countries generally lack a high degree of industrialization, infrastructure and other capital investment, sophisticated technology, widespread literacy and advanced living standard among their populations as a whole.

Deviation clause. An insurance term meaning that coverage will apply even if the vessel or voyage or interested parties unintentionally stated incorrectly or if actual transportation deviated from the intended routing, or was interrupted through no fault of the assured.

Devil's advocate. An individual who is given the role of the opposition in discussions preparing for negotiations. Devil's advocacy derives from taking the side of evil during a theological debate. *See negotiations.*

Dimensional weight. An airfreight term used to describe the results of computing the chargeable weight from the cubic measurement of a shipment. Also called dim weight.

Direct foreign investment. Investment that is made to acquire a lasting interest in a enterprise operating in an economy other than of the investor. In most countries, direct investment is defined for statistical purposes as the ownership or control, directly or indirectly, by one person or company of, at least, 10 percent of the capital.

Direct tax. A tax that is levied on wealth or income. *See excise tax; indirect tax; sales tax.*

Dirty float. A system in which exchange rates are partially determined by government intervention or restrictions to limit appreciation or depreciation of the country's currency. *See clean float and floating exchange rate.*

Discharge. The unloading of passengers or cargo from a vessel, vehicle or aircraft.

Discount. 1. A deduction from an amount due to given consideration of such circumstances as prompt or early payment or an order of unusually large quantity. 2. Selling a receivable or accepted draft at a price below face amount for net present value. 3. In foreign exchange, refers to a situation where a currency can be bought more cheaply at a future date than for immediate delivery.

Discrepancies. In the context of letters of credit, discrepancies arises when documents presented under a letter of credit do not conform to the terms of the credit; generally an error, contradiction or omission related to the documents constitutes the discrepancy. The bank will refuse to pay against documents unless the applicant (the

buyer) agrees to amend the credit or otherwise waive objections to payment under credit. Neither is the confirming bank obliged to pay. *See letter of credit; UCPDC Uniform Customs and Practice for Documentary Credits.*

Discrimination. In international trade, inequality of treatment accorded to imports from different countries, such as preferential tariff rates for imports from particular countries or trade restrictions targeted against particular countries.

Dispatch money. An incentive payment offered by a shipowner or a charterer in exchange for completing loading or unloading in less time than is specified in the charter party contract. This time is often calculated as a number of lay days (laytime). *See Charter party; demurrage; laytime.*

Distortion. When prices and production are higher or lower than levels that would usually exist in a competitive market.

Distributive bargain. A negotiation based on an attempt to divide up an amount of resources, resulting in a win-lose situation. When choosing this strategy, one takes on an adversarial or competitive view. The focus is on achieving immediate goals, with little or no regard for building future relationships. Little time or energy is needed in resolving conflicts using a win-lose strategy, because few if any creative solutions are considered. This negotiation strategy is typical of competitive negotiators who belong to such emerging countries as China, Russia or Arab countries. Also known as win-lose strategy.

Distributor. An independent person or legal entity that sell goods locally on behalf of a principal. Distributors can be distinguished from agents as distributors buy the goods in their own name, then re-sell them at prices which they have some liberty to set. Distributorship is frequently based on a contract that grants the distributor exclusivity for a specific territory. Some of the main clauses of this type of contracts are: products and territory, exclusivity, non-competition, prices, delivery and payment conditions, promotional activities, services etc. In international markets, relationships between distributors and its providers are governed through an [International Distribution Contract](#). *See agent; sales representative.*

Dock. A place where cargo is loaded/unloaded. Often used as synonym for wharf or pier. A loading dock is the part of a shipping facility where trucks are loaded.

Dock receipt. A receipt issued by a warehouse supervisor or port officer certifying that goods have been received by the shipping company. The dock receipt is used to transfer accountability when an export item is moved by the domestic carrier to the port of embarkation and left with the international carrier for movement to its destination. Dock receipts are normally prepared by forwarders or shippers.

Documentary collection. A method of payment under which the shipping documents relating to a particular cargo are released to the importer on payment (docu-

ments against payment D/) or acceptance (documents against acceptance D/A) of a documentary draft drawn on him by the exporter. Under collections, the exporter presents a draft together with shipping documents to a bank (the remitting bank) in his country, which then forwards the documents and draft to the collecting bank in the buyer's country. The documents enabling the buyer to take possession of the goods will only be released by the collecting bank when the buyer either pay or accepts the draft.

Documentary credit. Documentary credit means the same thing than "letter of credit". Traders and bankers in some parts of the world (US, Asia) tend to use the term "letter of credit" or the abbreviation "L/C", while some bankers (in Europe) prefer to use "documentary credit" or "D/C". Documentary credits facilitate international payments by providing security for both the exporter and the importer. The seller receives an advance assurance of payment upon presentation of documents conforming to the terms and conditions of the letter of credit, and the buyer is assured that the bank will not pay unless the seller has actually submitted documents strictly complying with the documentary credit. A typical procedure of a documentary credit is as follows:

- Contract. The process begins when the exporter and importer agree on a sales contract. Typically, it is the exporter that insists on payment by letter of credit because it does not want to take a credit risk, and cannot get sufficient information about the creditworthiness of the buyer to grant another form of payment.
- Application. The importer then initiates the documentary credit mechanism by going to its bank and requesting it to open the credit.
- Issuance. Subject to internal credit approval, the importer's bank issues the credit (and is hence called the "issuing bank"), under which it agrees to pay according to the importer's instructions. The credit is sent to the exporter or to the a bank in the exporter's country (depending of the type of credit).
- Confirmation (optional). Commonly, under the sales contract and/or documentary credit application, the exporter's bank (or another bank in the exporter's country) will be requested to confirm the documentary credit, thereby committing itself to pay under the terms of the credit. Exporters may insist on confirmed credits when they want to have a trusted local payment.
- Notification. The exporter (beneficiary) is notified of the availability of the credit.
- Shipment and presentation of the documents. If the exporter agrees with the terms of the credit, it then proceeds to ship the goods. After shipment, the exporter goes to the bank nominated in the credit to effect payment and presents the documents that the importer has asked for. The exporter usually also presents a bill of exchange or draft, a document representing the bank's payment obligation.
- Examination of documents/discrepancy/waiver. The bank examines the documents carefully to ensure that they comply with the terms of the credit. If the

documents do not comply, the bank cites a documentary “discrepancy”, notifies the exporter and refuses to pay the credit. The exporter may then either correct the documents or obtain a waiver of the discrepancy from the importer.

International documentary credit practice is governed by a set of rules produced by ICC, the latest version of which is known as UCO 6000 Uniform Customs and Practice for Documentary Credits. *See letter of credit. Model of Letter of Credit.*

Documentary instructions. The formal list and description of documents (primarily shipping documents) a buyer requires of the seller, especially in a documentary letter of credit.

Documents against acceptance (D/A). Collection terms of payment that require the drawee to accept a draft or drafts drawn for future maturity at the presenting bank prior to receiving the accompanying documents. Typically, such collections include a document that restricts possession or ownership, thereby forcing the drawee to accept the draft in order to obtain the relevant goods. The presenting bank then conveys the acceptance at maturity date(s) to the drawer through its bank, and presents the draft for payment when due. There are two kinds of time drafts: those payable at a predetermined time from the day shown on the face of the draft (date drafts), and those payable at a predetermined time from the date(s) the draft was accepted (time-sight drafts). As the date shown on drafts normally corresponds to the date of the transport document, date drafts extend time from shipment. Time-sight drafts, however, are normally accepted once the goods have arrived and thereby extend time from arrival. The net difference, therefore, is which party finances the goods during transit time. The question of protest should be addressed when considering these payment terms.

Documents against payment (D/P). Collection terms of payment that require the drawee to pay a draft prior to receiving the accompanying documents. Typically, such collections include a document that restricts possession or ownership, thereby forcing the drawee to honour the draft in order to obtain the relevant goods. While it is possible to protest for non-payment of sight drafts, the benefit is questionable, as the drawee will not have received the contract goods.

Doing Business Project. The Doing Business Project provides objective measures of business regulations and their enforcement across 189 economies. This report, launched in 2002, looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle. By gathering and analysing comprehensive quantitative data to compare business regulation environments across economies and over time, Doing Business Project encourages countries to compete towards more efficient regulation; offers measurable benchmarks for reform; and serves as a resource for academics, journalists, private sector researchers and others interested in the business climate of each country.

Doing business Project evaluates 10 topics related to business regulations:

- Starting a business
- Dealing with construction permits.
- Getting electricity.
- Registering property.
- Getting credit.
- Protecting investors.
- Paying taxes.
- Trading Across borders.
- Enforcing contracts.
- Resolving insolvency.

The Doing Business Project is published annually by the World Bank Group. [Website](#).

Domicile. 1. A place of permanent residence. 2. In banking, the place where a draft or acceptance is made payable. *See bill of exchange.*

Door-to-airport. A contract carriage whereby a single carrier undertakes transportation responsibility from the point where the shipment originates (usually the seller's door) to a designated airport on the buyer's side. Unless the seller is physically located at an airport, door-to-airport transportation includes pre-carriage and main carriage, but does not include on-carriage.

Door-to-door. A transport service covering carriage from seller's premises to the buyer's premises. This term refers to a freight in a carriage contract between a carrier and a shipper and thus is distinct from the issue of the Incoterms chosen in the contract of sale (an agreement between seller and buyer). Depending on the circumstances of the transaction, it could be possible to quote prices on either EXW, FCA, CPT, CIP, DP or DDP Incoterms in conjunction with so-called house-to-house transport services. Attention should be given to the inclusion of loading (unloading charges in the house-to-house rate, especially in comparison with the responsibility under the respective Incoterms for loading or unloading). The shipper should make sure that the transport service corresponds to the contractual obligations under Incoterms. It is sometimes said that door-to-door services imply that loading and unloading are not included in the freight charge. Door-to-door is sometimes used as synonymously with house-to-house, but it is claimed by some that there is a distinction between the two, namely that house-to-house only refers to rental rates for containers from container yard to container yard. *See house-to-house.*

Door-to-port. A contract carriage whereby a single carrier undertakes transportation responsibility from the point where the shipment originates (usually the seller's door) to a designated port on the buyer's side. Unless the seller is physically located at a

port, door-to-port transportation includes pre-carriage and main carriage, but does not include on-carriage.

Double column tariff. A tariff schedule listing two duty rates for some or all commodities. Under such arrangements imports may be taxed at a higher or lower rate, depending on the importing country's trade relationship with the exporting country.

Downstream dumping. A situation where producers sell at below cost to another producer in the same country, who further processes and exports the products to another country. *See dumping.*

Draft. An unconditional order in writing, signed by a person (drawer) such as a buyer, and addressed to other person (drawee), typically a bank, ordering the drawee to pay a stated sum of money to yet another person (payee), often a seller. A draft, also called a bill of exchange, may be payable to a named person or his order (order draft), or to bearer (bearer draft). The most common versions of a draft are sight draft, which is payable on presentation or demand, and the time draft, which is payable at a future fixed (specific) or determinable (30, 60, 90 days, etc.) date. Should the beneficiary under a time draft require the money before the bill matures, he may discount his claim for immediate payment with his bank. Also called bill of exchange.

Drayage. Charge made for local hauling by dray or truck. Also called cartage.

Drawback. The refund by a government, in whole or part, of customs duties assessed on imported goods that are subsequently exported. Drawback may also often be claimed for duty paid on the imported material content of domestically produced goods that are exported. Drawback regulations and procedures vary among countries.

Drawee. The individual or firm on whom a draft is drawn. The drawee is instructed by the drawer to pay a specified sum of money to, or to the order of the payee, or to the bearer. In a documentary collection, the drawee is generally the buyer. *See bill of exchange; draft; documentary collection; drawer.*

Drawer. The individual or firm that issues or signs a draft instructing the drawee to pay a specified sum of money to, or to the order of, a named person (payee), or to bearer. In the case of a draft to one's order, the drawer is also the payee. Like the endorser(s), the drawer is secondarily liable on the draft. In a documentary collection, the drawer is the seller. *See draft; documentary collection.*

Drawing. A term used to describe the payment of a letter of credit based on a presentation of documents that comply with the terms and conditions of the letter of credit.

Drum. A cylindrical shipping container.

Dry port. A dry port is a port situated near sea. If the importer or exporter is far away from a sea port, it will be an inconvenience to co-ordinate and handle the goods

properly. So governments of certain countries allow CFS (container freight station) to handle export and import formalities under customs supervision. The cargo will be moved by rail or road from the sea port to CFS. The exporter can complete customs formalities in CFS and ship the goods without moving cargo to sea port. Likewise, importer can take delivery of cargo near his place after completing procedures at dry port. If the buyer insist for on board bill of lading, as a proof of export, the buyer waits to get the shipment reached at sea port and once cargo loaded in to vessel, the on board bill of lading is obtained from shipping line. If the buyer needs only a proof of shipment, the exporter can obtain Received for shipment B/L from the carrier who is a multi model transporter. A multimodal transporter is a carrier who carries goods in two or more modes of transport like road, rail, air, or sea. *See transit zone.*

D/S Days after sight. Payment term often used in conjunction with bank drafts and documentary credit.

Due diligence. Investigative research to independently establish the background of a potential partner. Matters investigated typically include financial statements, legal status and any key matters that affect the viability of the partner to follow through on a particular transaction. Openness and access to records are not standardized globally, and a result of the ability to conduct such research may be greatly restricted by legal structure of individual economies and company policy.

Dumping. The practice of selling a product in a foreign market at an unfairly low price (a price that is lower than the cost in the home market, or which is lower than the cost of production) in order to gain a competitive advantage over other suppliers. Dumping is considered an unfair trade practice under GATT and World Trade Organization agreements. It is regulated by national government through the imposition of anti-dumping duties, in some cases calculated to equal the difference between the product's price in the importing and the exporting country.

DUNS number. An international numbering system provided by the American company Duns & Bradstreet for identifying companies.

Duopoly. A market controlled by two suppliers.

Duty. In customs, a tax levied by government on the import, export or consumption of goods. Usually a tax imposed on imports by the customs authority of a country. Duties are generally based on the value of the goods (ad valorem duties), some other factors such as weight or quantity (specific duties) or a combination of value and other factors (compound duties).

Duty paid. A price that includes the cost of import clearance. *See DDP Incoterms.*

E

E-auction. An online reverse auction that takes place in real time. It gives suppliers the opportunity to bid against each other to improve their offers.

E & OE Errors and omissions excepted. When appended to a signature on a shipping document, indicates a disclaimer of responsibility for spelling, typographical or clerical errors.

Eco-label. A voluntary mark awarded by the European Union to producers who can show that their product is significantly less harmful to the environment than similar products.

Economic integration. Economic integration has been one of the main economic developments affecting international trade in the last years. Countries have wanted to engage in economic cooperation to use their respective resources more effectively and to provide large markets for member-countries of the resulting integrated areas. There are mainly four levels of economic integration:

- Free trade area: is the least restrictive and loosest form of economic integration among nations. In a free trade area all barriers to trade among members countries are removed. Each member country maintains its own trade barriers vis-à-vis con-member countries.
- Customs union: is one step further in the economic integration process. As in the free trade area, goods and services are freely traded among members. In addition, however, the customs union establishes a common trade policy with respect to non-members. Typically this takes the form of a common external tariff, whereby imports from non-member are subject to the same tariff when sold to any member country.
- Common market. The common market has the same features as a customs union, but, in addition, factors of production (labour, capital and technology) are mobile among members. Restrictions on immigration and cross-border investment are abolished.
- Economic union: it is the last step in an economic integration process. In addition to free movement of goods, services and production factors, it also requires integration of economic policies, both monetary and fiscal. Under an economic union members harmonize monetary policies, taxation and government spending. In addition, a common currency is used by members and this could involve a system of fixed exchange rates.

Economic union. An economic union is the last step in an economic integration process. The previous ones are: free trade area, customs union and common market. In addition to free movement of goods, services and production factors, it also requires integration of economic policies, both monetary and fiscal. Under an economic union

members harmonized monetary policies, taxation and government spending. In addition, a common currency is used by members and this could involve a system of fixed exchange rates. Clearly the formation of a economic union requires the surrender of a large measure of national sovereignty to a supranational body. Such a union is the previous and last step to political unification. *See economic integration.*

EDI. The Electronic Data Interchange is a computer-to-computer transmission of business messages (such as purchase orders, invoices, booking instructions, etc.) using standard, industry accepted message formats.

EDIFACT. The Electronic Data for Administration, Commerce and Transportation is an international syntax used in the interchange of electronic data.

EFTA. The European Free Trade Association is an intergovernmental organization set up for the promotion of free trade and economic integration to the benefit of its four Member States: Iceland, Liechtenstein, Norway and Switzerland.

Embargo. A prohibition upon export or imports, either with respect to specific products or specific countries. Historically, embargoes have been ordered most frequently in time of war, but they may also be applied for political, economic or sanitary reasons. Embargoes, imposed against an individual country by the United Nations - or a group of nations - in an effort to influence its conduct or its policies are sometimes called "sanctions".

E-marketplace. An online market place where buyers and seller can do business electronically.

Enabling clause. The decision on Differential and More Favourable treatment, Reciprocity and Fuller Participation of Developing Countries made at the GATT Tokyo Round, permits developed counties to extend preferences to developing countries without violating the most-favoured-nation treatment agreements.

End date. The date a contract ends.

Endorsement. The act of a person who is holder of a negotiable instrument in signing his or her name on the back of that instrument, thereby transferring title or ownership. An endorsement may be made if favour of another individual or legal entity, resulting in a transfer of the property to that other individual or legal entity. There are several types of endorsements:

- Endorsement in blank is the writing of only the endorser's name on the negotiable instrument without designating another person to whom the endorsement is made, and with the implied understanding that the instrument is payable to the bearer.
- Collection endorsement is one that restricts payment of the endorsed instrument to purposes of deposit or collection.

- Conditional endorsement is one that limits time at which the instrument can be paid or further transferred or that requires the occurrence of an event before the instrument is payable.
- Restrictive endorsement is one that directs a specific payment of the instrument, such as for deposit or collection only, and that precludes any other transfer of it.

Endorsee. The party in whose favour a document and/or the rights contained therein are transferred by signature of the endorser.

Endorser. The party executing transfer of a document and/or the rights contained therein by affixing his or her signature.

Entrepot. An intermediary storage facility where goods are kept temporarily for distribution within a country or for re-export.

Equity joint venture (EJV). A type of joint venture in which two or more parties set up a separate legal company to act as the vehicle for carrying out the project. This new company would usually be located in the same country as one of the two partner companies, with the purpose of mutually establishing an activity with its own objectives: marketing and distribution, research, manufacturing, etc. The joint venture contract establishes all the agreements needed to start up and manage the Joint Venture. *See joint venture; contractual joint venture.* [Model of International Joint Venture Contract](#).

Equivalence. In sanitary-phytosanitary measures (SPS): governments recognizing other countries' measures as acceptable even if they are different from their own, so long as an equivalent level of protection is provided.

Escrow account. A temporary pass through account held by a third party during the process of a transaction between two parties. This is a temporary account as it operates until the completion of a transaction process, which is implemented after all the conditions between the buyer and the seller are settled. This term is mainly used in the United States.

European Economic Interest Grouping (EEIG). Type of legal structure that allows companies to found a legally independent cooperation entity with the aim of facilitating, streamlining and developing their economic activities. The partnership must be related to the economic activity of its member companies and must play a supporting role (e.g. joint accounting or prospecting). The EEIG is fiscally transparent: it is not deemed to have legal personality for income tax purposes, so that its results are only taxable as profits or benefits derived by its members.

ETA Estimated time of arrival. The anticipated date or time that a carrier will arrive at destination.

ETD Estimated time of departure. The anticipated date or time that a carrier will leave the port or airport of loading.

eUCP. The Uniform Customs and Practice for Documentary Credits (Supplement for Electronic Presentation) is a supplement to the International Chamber of Commerce's Uniform Customs and Practice for Documentary Credits (UCP 600) to accommodate presentation of documents and records alone or in combination with paper documents.

EUR 1 Movement Certificate. Goods transport certificate and proof of preference for export in countries and regions associated with the European Union through free trade agreements, association of preferential agreements, as long as the goods concerned are included in the tariffs preferences.

EUR-Lex. Portal that offers most European Union legal texts. EUR-Lex goal is bringing together the whole body of EU texts for online consultation in a streamlined environment. [EUR-Lex](#).

Eurobox. A plastic stackable container with closed grips. This normalization turns out to be essential for the coordination and adaptation among different manufacturers, for which the eurobox boxes are available in standardized sizes and all of them are stacked among each other and on pallets. Their smooth interior and without ribbings, as well as their size, facilitate the loading and the management of these boxes. Manufactured in polypropylene, they resists impacts, humidity, oils and a great variety of chemical products.

Europages. Europages is the main business directory for finding, selecting and contacting companies in all European countries. It has near 3 million companies registered. The search can be done by product, country (or region). *See Globaltrade; Kompass.* [Website](#).

EURO-pallet. A type of wooden pallet measured in millimeters that has the dimensions 800 mm by 1,200 mm by 144 mm. This is equal to a pallet 31.50 inches wide and 47.24 inches long. This pallet, which is commonly used in European countries, also come in a few variations. The EURO 2 measures 1,200 mm wide by 1,000 mm long. A EURO 3 pallet flips those dimensions. Its width is 1,000 mm while its length is 1,200 mm. There are three varieties of EURO 3 pallets. Their measurements are 800 mm by 600 mm, 600 mm by 400 mm and 400 mm by 300 mm.

European option. A foreign exchange type of contract containing a provision to the effect that it can only be exercised on the expiry or maturity date. *See currency option and American option.*

Eurostat. Eurostat is the Statistical Office of the European Union. Its task is to provide the European Union with statistics at the European level. By harmonising statistics through a single methodology, the statistics are made comparable for products and

services in the European Union. The registration works for all Eurostat products and services. This means that by registering, individuals and companies can activate the alert function and access the enhanced functionalities of the databases. [Website](#).

Evergreen letter of credit. A letter of credit that automatically renews itself beyond its stated expiration.

Ex ante, ex post. Before and after a commercial measure is applied to protect the internal market.

Ex Cellar. A non standard trade term used in the trade of wines and liquors. It must be replaced by EXW Ex Works. [Practical Guide to Incoterms](#).

Ex Factory. A non standard trade term that must be replaced by EXW Ex Works. [Practical Guide to Incoterms](#).

Exchange control. A government policy of regulating access to foreign currency. Typically, countries resort to exchange control because of chronic shortages of foreign currency, particularly the so-called hard (freely convertible) currency. There are several ways governments implement exchange control. Import licensing limits the kind and quantity of products that may be legally imported. A second and often concurrent practice is to restrict foreign currency transactions to the government central bank or selected banks under government supervision. When such measures are imposed, importers must apply for prior authorization from the government to obtain the foreign currency required to bring in designated amounts and types of goods. Since such measures have the effect of restricting imports, they are considered non-tariff barriers to trade.

Exchange rate. The price of one currency expressed in terms of another, i.e., the number of units of one currency that may be exchanged for one unit of another currency. There are mainly two systems of exchange rates:

- Free exchange rates: the actual exchange rate is determined by supply and demand on the foreign exchange market.
- Fixed exchange rates: the exchange rate is tied to a reference (e.g., gold, USD, etc.).

Influences on exchange rates include differences between countries; investor expectations about the future changes in a currency's value; investor views on the overall quantity of assets in circulation; arbitrage; and central bank exchange rate support. *See floating exchange rate; Oanda.*

Exchange risk. The possibility of receiving less or paying more money because a receivable or a payable is denominated in a foreign currency. Countries with shortages of convertible currencies reserves often resort to exchange control. Under these conditions, delays in payments often occur even after buyers have paid, while the

central bank allocates the corresponding foreign exchange. *See Oanda.*

Excise tax. A selective tax, sometimes called consumption tax, on certain goods produced within or imported into a country. An example is a tax on the import of crude oil, or a tax on certain luxury goods.

Exclusive distribution. This is a type of distribution in which only one distributor is authorized to sell a specific product within a particular territory. The legality of an exclusive distribution agreement can vary depending on the specifics of the case. In some instances, such agreements are entirely legal, while in others, rivals may create legal challenges. If a firm can show that an exclusive distribution agreement harms competition in some way, it may be able to argue that the agreement is not legal. This type of distribution agreement is usually seen with high end and luxury products. The structure of an exclusive distribution contract favors both the manufacturer and the distributor or retailer. From the point of view of people moving the product to consumers, having an exclusive contract means that consumers must come to them if they want the product. [Model of International Distribution Contract](#).

Eculpatory clause. A contract clause by which a party is released from liability for wrongful acts committed by the other party. A seller may agree to release a buyer, for example, from liability for all or specified defects in the design, packaging or manufacture of a product.

Execution. 1. The signing of a document, such as a contract. 2. A legal process for enforcing a judgment for damages, usually by seizure and sale of the debtor's personal property. For example, if a court awards damages in a breach of contract action and the reaching party fails to remit them, the party awarded damages may request the court to order seizure and sale of breaching party's inventory to satisfy the award.

Exhibit. A document attached to a contract or agreement. For example, a document entitled Exhibit A listing product specifications attached to a supply contract. Also called annex or schedule.

Expatriate. An expatriate is someone who has chosen to live and work in a country other than the one in which he or she legally resides. Most often, an expatriate is a citizen of a Western nation who has chosen to live in a non-Western country, such as one in South America, Asia, or Africa. Expatriates are often known simply as expats, and they often form their own communities in their new host countries. In areas popular with expatriates, such as parts of Africa and South-East Asia, there are often services such as hotels and cafes that cater specifically to the needs of the local expatriate community. In addition to salary, companies give their expatriate employees benefits such as relocation assistance, housing allowance company car, school fees, medical insurance, etc. Relationships between companies (mainly multinationals corporations) and their expatriate employees are governed through a [Model of Expatriate Contract of Employment](#).

Expatriate contract. Changes in the world economy have made most of the jobs for executives and managers focus on the so-called emerging countries (China, India, Brazil, South Africa). Thus in the Western world there is a large number of highly qualified professionals who are looking for work outside their home countries. Due to this new situation, many opportunities arise to negotiate expatriate contracts of employment. Main aspects that should be negotiate in an expatriate contract are:

- Salary.
- Cost of living.
- Housing and accommodation.
- Healthcare.
- Schooling and education.
- Car.
- Flights home and vacation.

Also called expat contract. [Model of Expatriate Contract of Employment](#).

Expiration date. In a letter of credit transaction, the final date the seller (beneficiary of the credit) may present documents and draw a draft under the terms of the letter of credit. Also called expiry date. *See letter of credit.*

Expiry date. In foreign exchange options business, the last day on which an option can be exercised.

Export. To ship an item away from a country for sale to another country.

Export broker. An individual or firm that brings together buyers and sellers for a fee but does not take part in actual sales transactions.

Export business plan. The purpose of an export business plan is to prepare companies, specially middle and small to enter the international market place or to better organize their existing international business activity. This type of plan serves as step-by-step guide to lead the company through the process of exporting products and services to international markets. Some of the goals of an export business plan are:

- Assessment of export potential and capabilities.
- Identify target markets.
- Choose the best market entry strategy.
- Selection of most suitable marketing actions.
- Better management of international business operations.
- Evaluate the financial resources, sales goals and profits.

This trade tool will help exporters to set their goals, effectively allocate their resources and determine which countries offer the most potential for their products as well as how to reach the clients and how to make competitive offers. [Export Business Plan Template and Example](#).

Export clearance. The act of complying with the export regulations of an exporting country.

Export contract. The export contract is used for the international sale of certain products (industrial supplies, raw materials, manufactured goods), which are projected for resale, where the buyer is a trader, importer, distributor or wholesaler that will sell the products to another company or merchant. Though it is common practice to export products based a proforma invoice or quotation received from exporters, it is a safe practice to use written and legal export contracts. Some of the essential elements of an export contract are:

- Products, standards and specifications.
- Quantity. Units of measure in both figures and words.
- Total value. The total contract value in words and figures, and in a specific currency.
- Terms of delivery. Delivery terms, based on the Incoterms.
- Terms of payment. Amount, mode and currency.
- Documentary requirements. Documents needed for international trade transactions.
- Delay in delivery. Damages due to the importer from the exporter in the event of late delivery owing to reasons other than force majeure.
- Insurance. A contract should provide for the insurance of goods against loss, damage or destruction during transportation.
- Force majeure. Provisions in the contract defining circumstances that would relieve partners of their liability for non-performance of the contract.
- Applicable law. The law of the country that is to govern the contract.
- Arbitration. Arbitration clause to facilitate amicable and quick settlement of disputes or differences that may arise between the parties.

See International sale contract. [Model of Export Contract](#).

Export credit insurance. Special insurance coverage for exporters to protect against non payment by the importer (coverage may extend to certain other risks, depending on the policy). Export credit insurance is available from private insurance underwriters, such as the German company Atradius, the French COFACE as well as from government agencies, such as US Eximbank.

Export declaration. A government document declaring designated goods to be shipped out of the country. This document should be completed by the exporter and filed with the country government.

Export duty. A tax imposed on exports of some nations. *See duty; tariff.*

Export entry modes. In establishing export channels a company has to decide which functions will be the responsibility of external agents and which will be handled by the company itself. While export channels may take different forms, three major types may be identified: indirect, direct and cooperative export marketing group:

- Indirect export: this is when the manufacturing company does not take direct care of the exporting activities. Instead another domestic company, such as an export agent or trading company, perform these activities, often without the manufacturing firm's involvement in the foreign sales of its products.
- Direct export: This usually occurs when the producing firm takes care of exporting activities and is in direct contract with the clients in the foreign target market. The firm is typically involved in handling documentation, physical delivery and pricing policies, with the products being sold to final clients.
- Cooperative export. This involves collaborative agreements with other firms (export marketing groups) concerning the performance of exporting functions.

Export license. A government document granting the licensee the right to export a specific quantity of a commodity to a specified country. This license may be required in a few countries (mainly developing countries) for most of all exports and in other countries only under special circumstances.

Export incentives. Assistance provided by governments to enable or assist their suppliers in securing foreign markets. Incentives take many forms. Some, such as assisting exporters in locating foreign importers through a country's foreign service post or providing government-sponsored credit insurance, do not distort markets. Others such as direct subsidies promote unfair competition and violate World Trade Organization rules. A third class of incentives -reduced taxation of export-related profits - are highly controversial and government programmes are referred to the World Trade Organization for rulings on a regular basis.

Export management company (EMC). Independent private company that acts like an export department for several non-competing manufacturers and suppliers. Export management companies can be quite varied.; they can be either local or foreign-owned, and operate on either a commission (as an agent), a fee basis (as a consultant) or taking possession of the goods for direct export. The EMC also has the ability to appoint sales representative in importing countries, promote goods and services of its clients, arrange transportation, provide warranties and after-sales-service, and extend import credit. The Export Management Companies can act as:

- An external export sales department, which represents the product of its clients

along with various other non-competitive manufacturers. The relationship with its clients is established through an International Sales Representative Contract.

- An agent for those exporters that are domestic. The EMC establishes the marketing presence in foreign markets soliciting orders from foreign customers in the name of the manufacturer. Invoicing is done in the name of the manufacturer and the EMC helps the manufacturer with all details of the export transaction. The EMC may suggest the export price, but the principal has the final say on even whether to accept the order. The relationship with its clients is established through a International Commercial Agency Contract.
- A consulting company with a broad experience and knowledge in the field of exports. Export management consultants typically do not hold title to exported goods, making money instead from commissions paid on each export. The relationship with its clients is established through a International Consulting Contract.
- An exclusive distributor on a buy-sell basis. The EMC buys manufacturers at a set price and resells to foreign customers at a price established by the EMC. In this case, the EMC is responsible for invoicing and bears the risk on nonpayment. It is very important to note, that the EMC is acting as a distributor, the manufacturer may have no control over the export price and not even know the foreign clients are. The relationship with its clients is established through a International Distribution Contract.

Export management companies are similar to trading companies, but have some important differences because trading companies:

- Specialize mainly in international purchasing and selling on behalf of foreign clients, while an ETC has no loyalty to a particular manufacturer. They are seeking the best terms for their clients.
- Usually buy products in big orders and pay cash to suppliers.
- Identify what foreign buyers want to spend their money on and then searches domestic sources willing to export, in comparison with Export Management Companies, which attracts buyers.

See agent; distributor; international consultant; trading company.

Export manager. An export manager serves as intermediary between foreign buyers and domestic sellers. Unlike trading companies who buy the products before selling directly to foreign buyers, export managers find buyers internationally for a domestic manufacturer that employ them. A export manager plans and coordinates the international shipment of goods. During the course of the day, he/she may negotiate with a variety of people, such as shippers, agents and vendors, and are expected to have excellent customer service skills in dealing with customers. Export managers are also often responsible for personnel management, which often includes the hiring, training and supervision of the international department staff. In their accounting function,

export managers may keep track of invoices and prepare reports to expedite the billing process. They may also have to ensure that shipments are in compliance with the laws and regulations governing the export industry. They have also to negotiate Export Contracts. While there are no specific requirements for entry into this profession, most employers (mainly new exporters) require that candidates have at least a high school education, and many prefer an university degree mainly in marketing or business administration. However, experience in the industry may often substitute for the lack of a degree. Extensive knowledge of languages (Spanish, French, German and Chinese) is also appreciated. *See agent; distributor; export management company (EMC); trading company.*

Export marks. Words or symbols placed on the outside of a export packed goods to indicate the shipment's destination. Typical marks for vessel shipments include the buyer's name or symbol destination port, gross weight and dimensions, while marks for air or ground shipments usually include the buyer's full address. In all cases marks should include the sequential number of the particular shipping piece (box, drum, package, etc.) followed by a slash and the total number of shipping pieces. For example a box market 1/7 would indicate that it is the first piece of a shipment total seven boxes.

Export packing. The preparation of goods for international shipping. The degree of export packing required greatly depends on the kind of product, the mode of transportation, and the facilities at the shipment and destination port or airport. Shipments made by vessel typically require extensive packing and moisture protection because of longer transit time, exposure to the humid environment, and the fact that they are usually handled and re-handled more than with other transport modes. Although containerization may reduce the need for crating, it does not remove the need for robust packing and careful container loading. Shipments made by air may require a lesser degree of export packing than vessel shipments because the transit times are shorter and air cargo itself tends to be of a lighter weight. However, changes in temperature and altitude may cause condensation, so effective moisture protection is often required. Ground-only shipments made among countries connected by first class infrastructure may often be treated as domestic shipments, unless long distances or multi-modal transport (truck-rail-truck) is involved. Shippers of fragile products or those receiving frequent complaints of in-transit damage should consider consulting a surveyor for specific packing recommendations. To prevent introduction of non-native pests, some countries (for example, Australia) prohibit the importation of non-treated coniferous wood packing materials (pallets) from certain originating countries.

Export-performance measure. Requirement that a certain quantity of production must be exported.

Export quota. A specific restriction on the value or volume of exports of a specified good imposed by government of the exporting country. This restraint may be intended to protect domestic producers from temporary shortages of certain materials, or as means to moderate world prices of specified commodities. Commodity agreements

sometimes contain explicit provisions to indicate when export quotas should go into effect among producers. Export quotas are also used in connection with orderly marketing and voluntary restraint agreements. *See import quota.*

Export processing zones (EPZ). Industrial parks designated by governments to provide tax and other incentives to export firms.

Export quota. A specific restriction on the value or volume of exports of a specified good imposed by government of the exporting country. This restraint may be intended to protect domestic producers from temporary shortages of certain materials, or as means to moderate world prices of specified commodities. Commodity agreements sometimes contain explicit provisions to indicate when export quotas should go into effect among producers. Export quotas are also used in connection with orderly marketing and voluntary restraint agreements. *See import quota.*

Export subsidies. Government payments, economic inducements or their financially quantifiable benefits provided to domestic producers or exporters contingent on the export of their goods or services.

Expression of interest (EOI). A summary from a potential supplier that shows they are interested in and capable of delivering particular goods or services. Asking for EOIs is usually the first stage of a multi-step tender process

EXW Ex Works. In Incoterms EXW the seller fulfils his obligation to deliver when he has made the goods available at his premises (i.e. works, factory, warehouse, et.) to the buyer. In particular, he is not responsible for loading the goods on the vehicle provided by the buyer or for clearing the goods for export, unless otherwise agreed. The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination. This term thus represents the minimum obligation for the seller and should not be used when the buyer cannot carry out directly or indirectly the export formalities. In such circumstances the FCA Free Carrier term should be used. This term may be used for any mode of transport including multimodal transport. *See Incoterms for a list of the eleven Incoterms. [Practical Guide to Incoterms](#).*

F

Facilitation payment. A payment or consideration given to a government official or employee in order to get them to do what they should have done anyway. Unlike a bribe, the facilitation payment seeks no special consideration and is usually legal. *See bribery.*

Factoring. In the context of international trade, the financial service consisting of the granting of cash in advance against accounts receivable from foreign customers. More generally, a range of financing and risk management services offered by specialized companies, called factors, to exporters/sellers, particularly those who deal with a stream of low-value, short-term foreign accounts receivable. The exporter transfers title to its foreign account receivable to a factoring house in exchange for cash at a discount from the face value. Other basic services offered by actors are: export credit risk assessment, collection of overdue foreign accounts and administration of accounting ledgers.

FAK Freight of all kinds. Freight rate applicable to all types of goods and therefore is not restricted to a particular commodity. FAK freight rates are quoted primarily by undercarriers to consolidators (NVOCCs and air freight consolidators) who fill shipping containers with different kinds of cargoes received either from different shippers or for different consignees or both. While the consolidator may charge its clients on a commodity-specific basis, it pays the undercarrier a predetermined FAK rate.

FAS Free Alongside. In Incoterms FAS the seller delivers the goods placing them alongside the ship named by the buyer at the agreed port of shipment. The export clearance is done by the seller. This Incoterm is only used for certain commodities and materials that are not packed and cannot be individualized, such as grain, timber, minerals, steel products, etc.; delivery is done in those ports that have specialized terminals for this type of products. If the goods are carried in containers, Incoterms FCA should be used when containers are delivered at port terminals but not alongside ships. The export clearance must be done by the seller. Usually, it is necessary to clear the goods before placing them alongside the ship. When using FAS, the buyer is responsible for loading the goods on the ship. For this reason, the buyer must know very well the practices in the port of shipment because in the case of problems arise there. This term can only be used for sea and inland waterway transport. *See Incoterms for a list of the eleven Incoterms. [Practical Guide to Incoterms](#).*

Fast track. In United States, fast track procedures for approval of trade agreement were included by the U.S. Congress in trade legislations in 1974, in 1979, and again in the 1988 Trade Act. Fast track provides two guarantees essential to the successful negotiation or trade agreements: a vote on implementing legislation within a fixed period of time and a vote, yes or no, with no amendments to that legislation. *See Trade Act.*

FBL FIATA Bill of Lading. The FIATA Bill of Lading serves as a shipping contract and a proof that the goods have been carried with the use of more than one mode of transportation. It also determines the responsibility of the freight forwarder. When issued “to order”, it is a title of the property of the goods so it can be negotiated. Unlike other transport documents, the FBL does not identify any type of transport as the principal, so the responsibility falls on the forwarding agent which acts as a carrier from the collection till the delivery of the goods, including the involvement of any third party. The forwarder agent identified as Multimodal Transport Operator (MTO), shall be authorized by FIATA for doing multimodal transportation. In maritime transport this document is only used for Full Containers Load (FCL), so that its use does not allow for groupage or bulking. This document is used only in international transactions in which the goods are carried in two or more modes of transportation (multimodal). Also called Forwarder’s Bill of Lading and Multimodal Bill of Lading. [Model of FBL FIATA Bill of Lading](#).

FCA Free Carrier. In Incoterms FCA the seller fulfils his obligation to deliver when he has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into his charge. When, according to commercial practice, the seller’s assistance is required in making the contract with the carrier (such as in rail or air transport) the seller may act at buyer’s risk and expense. When the goods are transported in containers and the place of delivery is the port of shipment, Incoterms rules advised to use FCA instead of FOB, because the containers are delivered regularly in the port’s container terminal and not loaded onto the ship. FCA is one of the most used Incoterms in international trade and will probably replace EXW for the majority of sales where the seller delivers the goods in its own country and does not want to manage international logistics. This term may be used for any mode of transport including multimodal transport. *See Incoterms for a list of the eleven Incoterms. Practical Guide to Incoterms.*

FCL Full Container Load. A shipment of sufficient volume or weight to justify the exclusive use of a shipping container.

FCR Forwarder’s certificate receipt. A receipt for shipped goods tendered by a carrier (such as a dock receipt, or marine, air or ground transport document) that indicates the shortage or damage to one or more of the shipping pieces. When cargo is first picked up for shipment, or is handed off from one carrier to another, it is inspected by receiving carrier for obvious shortage or damage. Any such problems are noted on the carrier’s receipt, thereby exonerating it from causing problems. This creates a paper trail that can be followed backwards to determine where the damage or shortage took place and thereby assign responsibility on the carrier that caused it. Clean transport documents are those that bear no damage or shortage notations, and are opposite of foul transport documents.

Feeder vessel. A ship that transports cargo from a major port (often called base port)

to a smaller ports within a given range. This is akin to the hub and spoke system used in air transport.

Fees. The amount clients pay to consultants or other service providers for the time spent delivering services. Fees may be fixed price or calculated on an hourly or daily basis. [International Consulting Contract](#).

FEU Forty-foot equivalent unit. A practice in marine commerce expressing cargo quantity in terms of forty-foot container loads. One FEU equals two TEUs (Twenty-foot equivalent units).

FHEX. A term meaning that Fridays and Holidays are Excluded in calculating the laytime for vessel chartering.

FHINC. A term meaning that Fridays and Holidays are Included in calculating the laytime for vessel chartering.

FIATA. The International Federation of Freight Forwarders Association is a non-governmental organization founded in 1926 representing the freight forwarding industry worldwide. FIATA has three main divisions, called institutes, covering air freight, customs facilitation and multimodal transport. Each has its own advisory body and working groups. In addition it has created the following documents to establish a uniform worldwide standard for freight forwarders:

- FIATA FBL Negotiable Multimodal Bill of Lading.
- FIATA FWB Non negotiable Multimodal Transport Waybill.
- FIATA FCR Forwarders Certificate of Receipt.
- FIATA FCT Forwarders Certificate of Transport.
- FIATA FWR Warehouse Receipt.
- FIATA SDT Shipper's Declaration for the Transport of Dangerous goods.
- FIATA SIC Shippers Intermodal Weight Certificate.
- FIATA FFI Forwarding Instructions.

FIFO First in, first out. Inventory management and/or accounting procedure whereby the earliest arriving goods of their kind (first in) are shipped prior to those that have arrived more recently.

FILO First in, last out. Inventory management and/or accounting procedure whereby the earliest arriving goods of their kind (first in) are shipped after those that have arrived more recently (last out).

FIO Free in and out. A transport or freight term which indicating that loading/discharging costs are not included in the freight. In the charter party context means

that loading/discharging are not the shipowner's responsibility. The charterer is responsible for loading/discharging. May be used with addition of stowed (FIOS) and/or trimmed (FIOST).

FIOST Free in, out, stowed and trimmed. And elaboration of the FIO chartering terms whereby the vessel owner is not responsible for the costs of loading, unloading, stowage, trimming. This is the opposite of gross terms.

Fixing. In foreign exchange, establishing of the official exchange rate of a domestic currency against other negotiable currencies.

Flag carrier. A vessel registered under the flag of a particular country. Some countries support their merchant marine industry by limiting certain types of cargo to vessel registered in their nationality such as government-financed purchases of foreign aid. *See preferential cargo.*

Flag of convenience. A ship registered under the flag of a country (like Cyprus or Liberia) that offers a minimal degree of control in the areas of taxes, crew and safety requirements.

Flagship store. In retail business the designation of flagship is given to a retailer's primary location, a store in a prominent location, a chain's largest store, the store that holds or sells the highest volume of merchandise, a retailer's most well-known location, a chain's first retail outlet, a store location with decor or merchandise mix that is distinctly different from the rest of the chain, or the store location in a chain which carries the most high-priced merchandise catering to the most upscale customers.

Floating currency. One whose value in terms of foreign currency is not kept stable (on the basis of the par value or a fixed relationship to some other currency) but instead is allowed, without a multiplicity of exchange rates, to be determined (entirely or to some degree) by market forces. Even where a currency is floating, the authorities may influence its movements by official intervention. If such intervention is absent or minor, the expression "clean float" is sometimes used.

Floating exchange rate. A rate of exchange that is determined by market forces. *See clean float and dirty float.*

Flotsam. Floating debris or wreckage of a ship or a ship's cargo. Also called jetsam.

FOB Airport. A no longer valid Incoterms. It has been replaced by FCA. It was withdrawn from use as valid Incoterms because it was felt that the term was the source of much potential disagreement, especially as regards to allocation of customs clearance and export handling charges. [Practical Guide to Incoterms](#).

FOB Free on Board. FOB is the oldest Incoterms and together with CIF the most widely used with sea transport. The seller delivers the goods by placing them on board

the ship named by the buyer in the port of shipment. The terminal costs and export clearance are borne by the seller. This Incoterm should be used preferably with bulk, heavy loads and general cargo. Also, in the case of complex goods (e.g. machinery) whose loading on board the ship may involve some risk so it is better that the seller assumes this risk till the loading has been completed and the goods delivered. When the goods are transported in containers and the place of delivery is the port of shipment, Incoterms rules advise to use FCA instead of FOB, because the containers are delivered regularly in the port's container terminal and not loaded on board the ship.

This term may only be used for sea and inland waterway transport. *See Incoterms for a list of the eleven Incoterms.* [Practical Guide to Incoterms](#).

FOR Free on Rail. A no longer valid Incoterms, but still used for some traders when goods are delivered in railway station in the seller's country. The suitable term from Incoterms rules is FCA Free Carrier. *See Incoterms.* [Practical Guide to Incoterms](#).

Force majeure clause. A contract clause that excuses who breaches the contract when performance is prevented by the occurrence of certain events such as natural disasters (earthquakes, floods), war or labor strike, that is beyond the party's reasonable control.

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If a force majeure clause is not expressly included in a contract, a legal action may brought on the basis that such a clause should be implied under the doctrine of commercial frustration or commercial impracticability. A typical force majeure clause is as follows: *Force majeure means war, emergency, accident, fire, earthquake, flood, storm, industrial strike or other impediment which the affected party proves was beyond its control and that it could not reasonably be expected to have taken the impediment into account at the time of the conclusion of this contract or to have avoided or overcome it or its consequences. If the performance by either party of any of its obligations under this contract is prevented or delayed by force majeure for a continuous period in excess of three [specify any other figure] months, the other party shall be entitled to terminate this contract by giving written notice to the Party affected by the force majeure.*

Foreign Direct Investment (FDI). Capital flows from non-residents in a country to the economies of other countries in order to participate and control the management of enterprises in the country in which the investments take place. To be considered IDE, usually, each capital movement require two conditions: Cross-shareholding company in which it invests at least 10% of the capital and that the foreign investor has at least one representative in the board of directors of the company. UNCTAD publishes annually the [World Investment Report](#) in which FDI flows between countries are analyzed.

Fork lift. A machine used to pick up and move goods loaded on pallets or skids.

Foul bill of lading. A receipt for goods issued by a carrier with an indication that the goods were damaged or short in quantity when received. *See bill of lading.*

Foul transport document. A receipt for shipped goods tendered by a carrier (such as a dock receipt), or marine, air or ground transport document) that indicates shortage or damage to one or more of the shipping pieces. When cargo is first picked up for shipment, or is handed off from one carrier to another, it is inspected by the receiving carrier for obvious shortage or damage. Any such problems are noted on the carrier's receipt, thereby exonerating it from causing the problem. This creates a paper trail that can be followed backwards to determine where the damage or shortage took place and thereby assign responsibility on the carrier that caused it. Clean transport documents are those that bear no damage or shortage notations, and are the opposite of foul transport documents.

Four-way pallet. A pallet designated so that the forks of a fork lift truck can be inserted from all four sides.

Free of particular average (FAP). A type of marine cargo insurance providing minimal coverage. It corresponds to the Institute of London Underwriters "C" clauses. Free of particular average covers:

- Total or partial loss from stranding, sinking, burning or collision.
- Total loss from errors in vessel management, boiler bursting, defects in hull or machinery and explosion,

This coverage is usually inadequate for shipments of goods of more than nominal value. Nevertheless, both the current versions of Incoterms and ICC's Uniform Customs and Practice for Documentary Credit (UCP 600) accept minimum-cover insurance as the seller's compliance with its obligation to insure in the absence of any agreement to the contrary. *See London Institute of Underwriters Clauses.*

Free trade. System in which goods, capital, and labor flow freely between nations, without barriers which could hinder the trade process. Many nations have free trade agreements, like NAFTA (North America Free Trade Agreement, between Canada, United States and Mexico) and several international organizations promote free trade between their members. A number of barriers to trade are struck down in a free trade agreement. Taxes, tariffs, and import quotas are all eliminated, as are subsidies, tax breaks, and other forms of support to domestic producers. Restrictions on the flow of currency are also lifted, as are regulations which could be considered a barrier to free trade. In conclusion, free trade enables foreign companies to trade just as efficiently, easily, and effectively as domestic producers. *See economic integration.*

Foreign currency. The currency of any foreign country which is authorized medium of circulation and the basis for record keeping in that country. Foreign currency is traded by banks either by the actual handling of currency or checks, or by establishing balances in foreign currency with banks in those countries.

Foreign currency account. An account maintained in a foreign bank in the currency of the country in which the bank is located. When such accounts are kept, they usu-

ally represent that portion of the carrying bank's foreign currency account that is in excess of its contractual requirements.

Foreign exchange. Current or liquid claims payable in foreign currency and in a foreign country (bank balances, checks, bills of exchange). Not to be confused with foreign bank notes and coin, which are not included in this definition.

Forfaiting. The purchase by the forfaiter of an exporter's accounts receivable which are based on negotiable instruments such as bills of exchange and promissory notes. In contrast to factoring, forfaiting involves a series of independent, medium-to-longer-term obligations of higher value. Since the forfaiter purchases the bills on a non-recourse basis, he assumes both commercial and political risk. Forfaiting differs from export factoring in the following three ways:

- Factors usually want access to all or a large percentage of an exporter's business, while forfaiters will work on a transaction-by-transaction basis.
- Forfaiters usually work with medium and long term receivables, while factors work with short term receivables. Since payment terms usually reflect the types of products involved, forfaiters usually work with sales of capital goods (machinery), commodities and large projects, while factors work mostly with sales of consumer goods.
- Most factors do not have strong capabilities with developing countries where legal and financial frameworks are inadequate and credit information is rarely available through affiliate factor. However, most forfaiters are willing to work with sales to such countries because they usually require bank or sovereign guarantees.

F

Forklift trucks. A motorized truck equipped with two hydraulically powered forks that can lift, move and position skidded or palletized cargo.

Forward rate. The price of a foreign currency that is bought or sold for delivery and payment at a fixed future time, usually 30, 60 or 90 days. Forward transactions enable importers and exporters who will have to make, or will receive, payment in a foreign currency at a future time to protect themselves against the risk of fluctuations in the spot rate.

FOT Free on track. A no longer valid Incoterms, but still used by some traders. The term may create confusion as to whether it applies to motor vehicle or to rail shipments. The suitable terms for Incoterms rules is FCA Free Carrier. *See Incoterms. Practical Guide to Incoterms.*

Forward exchange contract. A contract for the delivery of a specified amount of a named currency at a specified future date in return for a specified amount of another named currency. Forward exchange contracts enable importers and exporters who will make and receive payments in a foreign currency at a future time to protect

themselves from fluctuations in the rate of exchange. In contrast to currency future, forward exchange contracts are for variable amounts and time periods and are transacted through banks and exchange houses.

Forward exchange option. A contractually agreed right to buy (put) or to sell (call) a specific amount of one currency for a specified amount of another predetermined future date (European option) or up to a predetermined future date (American option). Like forward exchange contracts, forward exchange options enable importers and exporters who will make or receive payments in a foreign currency at a future time, to protect themselves from fluctuations in a rate of exchange. However, unlike foreign exchange contracts, the option holder is not obligated to perform the exchange transaction if doing so is not his or her advantage.

Forwarder. A person or company that arranges transportation, usually on behalf of the party contracting for main carriage. Many forwarders provide additional services, such as assistance with country specific documentary requirements, insurance, storage, and even customs clearance. Some forwarders also act as carriers (air freight consolidators or NVOOCs). Typically, forwarders obtain brokerage commission income from the carriers they select. This minimizes the fees that they charge to clients, and makes using forwarders cost-competitive. Some countries require that forwarders obtain a license, at least to be eligible for brokerage income. Also called freight forwarder.

Free of capture and seizure. A provision in standard commercial insurance coverage that exclude loss due to war and warlike acts. This peril can be mitigated by war risk coverage, which is usually available at an additional premium cost.

Free of particular average (FPA). A type of marine cargo insurance providing minimum cover in the US market. London Institute of Underwriters "C" Clauses, offer virtually the same coverage in other markets. Free of particular average covers:

- Total or partial loss from stranding, sinking, burning or collision.
- Total loss from errors in vessel management, boiler bursting, defects in hull or machinery and explosion.

This coverage is usually inadequate for shipments of goods of more than nominal value. Nevertheless, Incoterms rules accept minimum-cover insurance in the absence of any agreement to the contrary. Therefore, the seller and the buyer should carefully define the coverage that they want, and should clearly agree that the responsible party provide it. FPA is the opposite of all risks and London Institute of Underwriters "A" Clauses, which provide maximum cover, especially when augmented to include war, strike, riot and civil commotion perils.

Free trade. System in which goods, capital, and labour flow freely between nations, without barriers that could hinder the trade process. Many nations have free trade agreements, like NAFTA (North America Free Trade Agreement, between Canada, United States and Mexico) and several international organizations promote free trade

between their members. A number of barriers to trade are struck down in a free trade agreement. Taxes, tariffs, and import quotas are all eliminated, as are subsidies, tax breaks, and other forms of support to domestic producers. Restrictions on the flow of currency are also lifted, as are regulations that could be considered a barrier to free trade. In conclusion, free trade enables foreign companies to trade just as efficiently, easily, and effectively as domestic producers. *See economic integration.*

Free trade agreement (FTA). An arrangement that establishes unimpeded exchange and flow of goods and services between trading partners, regardless of national borders of member countries. FTAs do not address labour mobility across borders, common currencies, uniform standards and other common policies such as taxes. Member countries apply their own individual tariff rates to countries outside the free trade area.

Free trade area. A group of countries that agree to eliminate tariffs and other import restrictions on each other's goods, while each participating country applies its own independent schedule of tariffs to imports from countries that are not members. An example of free trade area is NAFTA (North American Free Trade associations) between Canada, United States and Mexico.

Free trade zone. Special commercial and industrial area in or near ports of entry where foreign and domestic merchandise may be brought in without being subject to payment of customs duties. Merchandise including raw materials, components and finished goods, may be stored, sold, exhibited, repacked, assembled, sorted, graded, cleaned or otherwise manipulated prior to re-export or entry into the national customs authority. Duties are imposed on the merchandise (or items manufactured from the merchandise) only when the goods pass from the zone into an area of the country subject to the customs. Foreign trade zones are also called foreign free zones, free ports or bonded warehouses.

Freely negotiable. A letter of credit that can be presented with conforming documents at any bank.

Freight. 1. All merchandise, goods, products or commodities shipped by air, railroad, or water, other than baggage, express mail or regular mail. 2. Transportation charges.

Freight collect. A shipping arrangement whereby the carrier collects its freight charges from the consignee rather than from the shipper. This usually happens when the contract of carriage is between the carrier and the consignee. Also called freight payable at destination (FPAD).

Freight forwarder. A person engaged in the business of assembling, collection, consolidating, shipping and distributing less-than-carload or less-than-truckload freight. Also, a person acting as agent in the trans-shipping of freight to or from foreign countries and clearing of freight through countries, including full preparation of documents, arranging for shipping, warehousing, delivery and export clearance.

Freight prepayable. Terminology designed by carriers to provide transportation documentation indicating the freight charges are for the account of the shipper, while no stating that payment has actually been received. This situation usually arises with letters of credit requiring freight-prepaid transport documents. Freight prepayable, freight to be prepaid, or similar terms does not satisfy such a requirement unless specifically permitted by the individual letter of credit. Also called freight to be prepaid.

Freight prepaid. A shipping arrangement whereby the carrier is paid its freight charges by the shipper rather than by the consignee. This usually happens when the contract of carriage is between the shipper and the carrier. *See freight prepayable.*

Freight rebate. A refund of a portion of previously paid transportation charges, usually in return for the shipper's tendering a certain volume of freight to the carrier. This practice is illegal in some countries, such as US. This can have the unintended consequence of making legitimate claims against carriers difficult, since they must be fully documented to prove that they are not actually rebates in disguise.

Future contract. A contract for the future of delivery of a commodity, currency or security on a specific date. Currency future contracts are for standard quantities over standard periods of time are primarily traded on exchanges (and in this way differ from forward exchange contracts). Future contracts are officially traded on an exchange market such as Chicago Board of Trade (CBOT), London International Financial and Futures Exchange (Liffe) or New York Mercantile Exchange (NYMEX).

G

Gateway. 1. In customs, the port where customs clearance takes place. 2. In shipping, a point at which freight moving from one territory to another is interchanged between transportation lines.

GATS. The General Agreement on Trade Services is a World Trade Organization agreement that is the first multilateral agreement provide legally enforceable rules covering all international trade services and investment in the service sector. Attached to the framework agreement are annexes dealing with rules for specific sectors (movement of natural persons, air transport, financial services, telecommunications, etc.). The agreement also provides for exceptions to the principles of national treatment and most-favoured nation treatment. *See GATT General Agreement on Tariffs and Trade. [Website](#).*

GATT. The General Agreement on Tariffs and Trade is a multilateral trade agreement aimed at expanding international trade and the organization that oversees the agreement. The purpose of GATT organization, based in Geneva, is to provide a forum for discussion of world trade issues that allows for the disciplined resolution of trade disputes, based on the founding principles of the GATT which include nondiscrimination, transparency, and the most-favoured-nation (MFN) treatment. International negotiations known as *Rounds* are conducted to lower tariffs and other barriers to trade, and a consultative mechanism that may be invoked by governments seeking to protect their trade interests. The fundamental principles of the GATT are:

- Trade without discrimination. The first principle embodied in the famous most-favoured-nation clause is that trade must be conducted on the basis of non discrimination. No country is to give special trading advantages to another or to discriminate against it; all are on an equal basis and all share the benefits of any moves towards lower trade barriers.
- Protection through tariffs. Ensures that if protection to a domestic industry is given, it should be extended through the customs tariff and not through other commercial measures.
- Promotion fair competition. Concerns over dumping and subsidies are addressed by the Anti-Dumping Code which provides rules under which governments may respond to dumping in their domestic market by overseas competitors, and rules for the application of countervailing duties which can be imposed to negate the effects of export subsidies.
- Quantitative restrictions on imports. A basic clause of GATT is a general prohibition of quantitative restrictions (import quotas). The main exception to the general rules against these restrictions allows their use in balance of payments difficulties.
- Possible emergency actions. Waiver procedures allow a country to seek release from particular GATT obligations, when its economic or trade circumstances

so warrant. The safeguards rule permit members under carefully defined circumstances to impose import restrictions or suspended tariff concessions on products that are being imported in such increased quantities and under such conditions that they cause serious injury to competing domestic producers.

- Regional trading arrangements. Regional trading groupings, as an exception to the general most-favoured-nations treatment are permitted in the form of a custom union or free trade area.
- Settling trade disputes. Consultation, conciliation, and dispute settlement are fundamental aspects of GATT's work. Countries can petition GATT for a fair settlement of cases in which they feel the rights under the General Agreement are being withheld or compromised by other members.

See most-favoured-nation; safeguards. [Website](#).

Gauger. An individual or company that measures, gauges or otherwise inspected by approved commercial gauger for classification-verification purposes. *See surveyor.*

General average (GA). A voluntary sacrifice or extraordinary expense incurred during waterborne transit to protect all interests from an impending peril. The main principle behind general average is that when sacrifice is made to save the interests of all parties involved in transportation, the party who makes the sacrifice must be compensated by all parties who stand to benefit from the sacrifice or expenditure. For instance, when cargo is jettisoned to save a vessel from sinking, all parties whose cargo was not thrown overboard must contribute to reimburse those parties whose cargo was. Carriers will require some form of security (promissory note) or insurance company guarantee bond prior to releasing cargo, in order to enforce each party's contribution. While this can be a burden for owners of uninsured cargo, insurance companies provide such guarantees for cargoes they insure.

General average contribution. The amount each party involved in a general average must contribute.

General cargo rate. The rate a carrier charges for the shipment of cargo that does not have a special class rate or commodity rate.

General cargo vessels. A vessel designed to handle breakbulk cargo such as bags, cartons, cases, crates and drums, either individually or in unitized or palletized loads. *See breakbulk vessel.*

General conditions of international sale. It is a document that details the general conditions that a seller (exporter) offers to a buyer (importer) for the supplying of goods or for rendering a service. It is usually used for repetitive sales or for sales with a medium or small amount of money. This document must include the most important aspects of the international sale, such as: a description of goods, price and payment conditions, delivery conditions (Incoterms), etc. It can also include some other spe-

cific conditions, typical of contracts, like retention of title of property, delivery and risk transfer or the applicable law. The general conditions are usually attached to the commercial offer or can also be provided in the purchase order overleaf. *See terms and conditions. Model of General Conditions of International Sale.*

General partnership. A partnership in which all of the partners have joint and several liability for the partnerships obligations. *See joint and several liability.*

General order. A place of storage for imported goods that have not been promptly customs-cleared. The length of the goods may await clearance varies from country to country and port to port. General order storage can be extremely expensive, which is why timely carrier arrival notice is so important.

General tariff. A tariff that applies to imports from other countries that do not enjoy preferential or most-favoured-nation tariff treatment. Where the general tariff differs from the most favoured-nation rate, the general tariff is usually older and higher.

Generalized System of Preferences (GSP). A framework under which developed countries give preferential tariff treatment to goods imported from certain developing countries. GSP is one element of a coordinated effort by industrial trading nations to bring developing countries more fully into international trading system. More than thirty countries now maintain GSP programmes. *See enabling clause. Website.*

Global Competitiveness Report. This annually published report by the World Economic Forum assesses the competitiveness of 144 economies, providing insight into the drivers of their productivity and prosperity.

Global quota. In customs, a quota of the total imports of a product from all countries.

Global strategy. Global strategy as defined in international marketing as a type of strategy guide to globalization. As opposed to a multidomestic strategy a global strategy may be appropriate in industries where firms are faced with strong pressures for cost reduction, but with weak pressures for local responsiveness. Therefore, it allows these firms to sell a standardized product worldwide. However, fixed costs (capital equipment) are substantial. Nevertheless, these firms are able to take advantage of scale economies (cost advantages that an enterprise obtains due to expansion) and learning curve effects, because they are able to mass produce a standard product that can be exported (providing that demand is greater than the costs involved). A global strategy should address the following questions:

- What must be (versus what is) the extent of market presence in the world's major markets?
- How to build the necessary global presence?
- What must be (versus what are) the optimal locations around the world for the various value chain activities?

- How to turn a global presence into global competitive advantage?

Global strategies require firms to tightly coordinate their product and pricing strategies across international markets and locations; therefore, firms that pursue a global strategy are typically highly centralized. *See multidomestic strategy.*

Global Trade Alert. Website that offers information about international trade barriers or state measures that are likely to affect international trade. It identifies the trading partners and the effects on imports coming from different countries. [Website](#).

Globalization. The process of integration and interaction among governments of different nations (through free trade agreements), companies (through investment in other countries, creating affiliate companies) and people (with the same consumer trends, thanks mainly to information on Internet). This process has effects on the environment, political systems, economic development as well as prosperity and welfare in societies around the world.

Globaltrade. Online business directory of export services providers and market analysis. It is a private website, sponsored by different agencies of foreign trade promotion. Offers two very useful resources:

- Business Directory: more than 100.000 trade services providers classified by country and specialty: agents and distributors, trading companies, transportation and logistics, lawyers, etc.
- Market Analysis: more than 30.000 documents on market research, industry news, tips for doing business, etc.

See Europages; Kompass. [Website](#).

GmbH Gesellschaft mit beschränker Haftung. In German speaking countries (Austria, Germany, Switzerland) a designation for a private limited liability corporation with limited liability to shareholders.

Go-between. An intermediary employee by foreign firms for the purpose of gaining contacts, language ability, or knowledge of local business practices. A go-between can be effectively used by either side in a negotiation to help smooth over a variety of social, political, and business issues.

Gold reserves. Gold retained by a nation's central bank, forming the backing of currency that the nation has issued.

Gold standard. A monetary agreement whereby all national currencies are backed 100% by gold and the gold is utilized for payment of foreign activity.

Governing law clause. In a transaction with no foreign element involved it will not usually be necessary to specify the system of law which is to govern the transaction

or the courts which are to have jurisdiction in the event of a dispute. However, where there are international aspects to the transaction, it is sensible to set out in the contract both the governing law and jurisdiction – i.e. which country's laws govern the terms of the contract and in which country's courts will any dispute be finally decided. A typical governing law and jurisdiction clause is as follows: *This Agreement shall be governed by the laws of [insert country] and the parties submit to the [exclusive/non-exclusive] jurisdiction of the courts of [insert country] in respect of any dispute or difference between them arising out of this Agreement.*

Government procurement. A System through which official governments agencies purchase goods and services. Government procurement policies and practices may constitute non tariff barriers to trade if they discriminate in favour of domestic suppliers when competitive imported goods are cheaper or of better quality. The GATT Government Procurement Code sought to reduce, if not eliminate, these barriers by improving transparency and equity in national procurement policies, and by ensuring effective recourse to dispute settlement procedures. *See international procurement.*

Grey market. A situation that consists of unauthorized traders buying and selling a company's product in different countries. Companies confronted with a grey situation can react in many ways. They may decide to ignore the problem, take legal action or modify elements of their marketing mix. The option chosen is strongly influenced by the nature of the situation and its expected duration. *See parallel imports.*

Grid. In foreign exchange, fixed margin within which exchange rates are not allowed to fluctuate.

G-7 Group of Seven. Group comprising the major industrialized nations in economic terms, which in view of the global importance of the member states have made in their objective to coordinate their respective domestic economic policies. Member states are the USA, Japan, Germany, France, United Kingdom, Italy and Canada.

G-77 Group of Seventy Seven. A grouping of developing countries founded in 1964. This numerical designation persists, although membership has increased to more than 130 countries. The G-77 functions as a caucus for the developing countries on economic matters in many forums including the United Nations.

Gross sales. The total amount received or receivable for goods sold, before any allowances for returned goods or sales discounts.

Gross terms. Chartering terms whereby the vessel owner is responsible for the costs of loading, stowing, trimming and unloading. Many voyage charters are handled on this basis. Also called gross charter.

Gross tonnage. The capacity of a vessel (no cargo) expressed in vessel tons. It is determined by dividing by 100 the contents, in cubic feet, of the vessel closed-in spaces. (A vessel ton is 100 cubic feet). The register of a vessel states both gross and net tonnage.

Gross weight. The total scale weight of a shipment, including the goods and their packing.

Groupage. Combining cargo from more than one shipper and/or to more than one consignee for shipment together, usually in a single shipping container. On arrival, the container is unloaded, and each individual shipment may be claimed by its appropriate consignee. Also called consolidation.

Guaranteed freight. Freight charges that are not prepaid but are payable whether the cargo is delivered or not, provided that failure to deliver resulted from causes beyond the carrier's control.

Guarantor. An individual or legal entity that makes a guaranty, by which the guarantor agrees to be held liable for another's debt or performance.

Guaranty. A contract by which one person (the guarantor) agrees to pay another's debt or to perform another's obligation only if that other individual or legal entity fail to pay or perform. A guaranty is usually a separate contract from the principal agreement, and therefore the guarantor is secondarily liable to the third person. *See guarantor.*

Guanxi. The network of personal contacts that is the most important trait of Chinese executives. One may refer to this as their "social capital" as it is used for professional advancement. This network consists of family, college or university acquaintances, co-workers, etc. Guanxi functions as the basis to the principle of reciprocity, something the Chinese refer to as hui bao. When a person does another person a favor, it is expected that the favor be returned. It does not have to be immediately, but at some point in that personal relationship, the favor must be returned. It is almost as if Chinese executives maintain an accounting record of the favors they have done, and received, from every member of their personal contact network. China Business Culture & Etiquette Guide.

H

Hague Rules. The International Convention for the Unification of Certain Rules relating to Bill of Lading is a set of rules that are an internationally agreed standard conditions that apply to marine carriage contracts. The Hamburg Rules are often incorporated as a paramount clause in marine contracts of carriage.

Halal certificate. The Halal certificate is a document that guarantees that products and services aimed at the Muslim population meet the requirements of Islamic law and therefore are suitable for consumption in both Muslim-majority countries and in Western countries where there are significant population group who practice Islam (France, Germany, United Kingdom, Spain). Halal certification is a process which ensures the features and quality of the products according to the rules established by the Islamic Council that allow the use of the mark Halal. It is mainly applied to meat products and other food products such as milk, canned food and additives. Specifically, for meat products Halal certifies that the animals were slaughtered in a single cut, thoroughly bled, and their meat have not been in contact with animals slaughtered otherwise and, especially, with pork. Products that are Halal certified are often marked with a Halal symbol, or simply the letter M (as the letter K is used to identify kosher products for Jewish population). *See Kosher certificate. [Model of Halal Certificate](#).*

Hamburg Rules. Formally title The United Nations Convention on the Carriage of Goods by Sea 1978, the Hamburg rules are internationally standard conditions that apply to marine carriage contracts, an are considered more equitable to cargo interest (as opposed to shipowners) than the Hague Rule. These or Hague Rules, are often incorporated as a paramount clause in marine contract of carriage.

Harbor fees. Charges assessed to users for the use of a harbor, used generally for maintenance of the harbor.

Hard money (currency). Currency of a nation having stability in the country and abroad. Refers to currency that is accepted internationally and freely convertible.

Harmonized System (HS). A method of classifying goods in international trade developed by the World Customs Organization. The core system contains 96 chapters and classifies at six-digit lever, with the first two numbers indicating appropriate chapter, the second two numbers indicating the appropriate heading within the chapter and the third two numbers indicating the appropriate sub-heading within the heading. It is organized into 99 chapters arranged in 22 sections with sections generally covering an industry (e.g. Section XI, textiles and Textiles Articles) and the chapters covering the various materials and products of the industry (e.g. Chapter 50, Silk). Many countries place additional digits after the six-digit HS number to achieve greater classification precision. For example, the United States uses ten-digit numbers for export and import classification, of which the first six are harmonized. *See HS 6-digit. [Harmonized System Classification](#).*

Hatch. In shipping, the opening in the deck of a vessel which gives access to cargo hold.

Haulage. The local transport goods. Also the charges made for hauling freight on carts, drays or trucks. Also called cartage or drayage.

Hazardous materials (HAZMAT). Any substance or material that has been determined to be capable of posing an unreasonable risk to health, safety and commerce, and has been designated by a competent organization like the International Maritime Organization (IMO) or the International Air Transport Association (IATA). There are many types of hazard classes, based on a risk or risks that particular substances or materials may pose in transportation. Further, some materials may be considered hazardous for one mode of transport but not for others. Hazardous materials may be transported domestically, but they may be classified as Dangerous Goods when transported internationally.

Heavy lift. Cargo that exceeds the weight capacity or is too large to be loaded by carrying breakbulk vessel's gear (traditionally around 5000 kilos). While containerized cargo is not subjected to heavy lift charges, it may be assessed excess weight charges.

Hedging. Purchasing a future contract for delivery of a commodity or currency to reduce the risk of adverse price changes occurring from the present to the time the performance is due. Hedging consists of counterbalancing a present sale or purchase by a purchase or sale of a similar commodity or currency, usually for delivery at some future date. The desired result is that a profit or loss on a current sale or purchase be offset by the loss or profit on the future purchase or sale. *See arbitrage.*

Hidden costs. Expenses that are not normally included in the purchase price for a piece of equipment or machine e.g. maintenance, supplies, training, support and upgrades.

High context cultures. In this type of cultures managers and executives use and interpret more of the elements surrounding the message to develop their understanding of the message. In high context cultures the social status and knowledge of the person and the social setting add extra information, and will be perceived by the message receiver. Examples of high context cultures are countries such as China, Brazil or Saudi Arabia. *See business culture; low context cultures.* [Business Culture Guides by Countries](#).

High cube. A vessel shipping container with interior and exterior height dimensions greater than standard container nominal dimensions of 7 feet 6 inch and 8 feet. Many high cube containers have a 9 foot 6 inch exterior height dimension.

Hinterland logistics. The hinterland is the land or district behind a coast or the shoreline of a river. Specifically in logistics, the word is applied to the inland region lying behind a port, claimed by the state that owns the coast. The area from which

products are delivered to a port for shipping elsewhere is that port's hinterland. The term is also used to refer to the area around a city or town.

Hold. The space below deck in a vessel used to carry cargo.

Holder in due course. An individual or legal entity (holder) who possesses a negotiable instrument, document of title, and who took possession for value, in good faith, and without notice of other individual's or legal entity's claim or defense against. A holder in due course is generally protected from the claims of third parties against the item transferred, and thus the only recourse of a third party is against the person that transferred the title, instrument or other item to the holder in due course.

Holding company. Holding companies are corporations that are created for the sole purpose of obtaining and managing a controlling interest in other companies. There are several reasons why a holding company may be created. At times, the activity may be a key element in avoiding a takeover situation. In other situations, this sort of company organization may be created in order to more efficiently manage resources used in the operation of a given business. It is important to remember that laws governing the establishment of a holding company vary from one country to the next. For this reason, the legal definition of this type of company is often slightly different around the world. For example, most countries require that a holding company actually control a minimum of 50% of the voting shares in order to be legally recognized. However, some jurisdictions require that the percentage of voting shares be higher. *See parent company; sister company; subsidiary.*

Homologation. Certification by a country that a good (usually equipment goods) conforms to its safety and security standards. Certification is granted to a product that meets a minimum set of regulatory technical & safety requirements as notified by the respective Government. The certification is a must, before a new/modified product is launched commercially. Type approval/Homologation is a customized service, and the terms and conditions vary from country to country.

House airway bill (HAWB). A bill of lading issued by a freight forwarder for consolidated air freights shipments. In documentary letter of credit transactions HAWBs are treated exactly the same as conventional air waybills, provided they indicate the issuer itself assumes the liability as carrier or is acting as the agent of a named carrier, or if the credit expressly permits the acceptance of a HAWB. Sea air waybill; bill of lading.

House bill of lading (House B/L). A bill of lading issued by a freight forwarder. Often covers a consignment of parcels from various shippers that has been grouped or consolidated by the forwarder. The forwarder may, for example, receive a single groupage bill of lading from the carrier, then issue a series of House B/Ls to the respective shipper.

House-to-house. This term generally refers to a container yard to container yard (CY/CY) shipment, in which case it may be used merely to quote the rental rate for the

container itself, but it also used in some cases synonymously with door to door, term which more generally refers to overall transport services from the seller's premises to buyer's premises. *See door-to-door.*

HS 6-digit. The World Customs Organization's Harmonized System (HS) uses code numbers to define products. A code with a low number of digits defines broad categories of products; additional digits indicate sub-divisions into more detailed definitions. Six-digit codes are the most detailed definitions that are used as standard. Countries can add more digits for their own coding to subdivide the definitions further according to their own needs. Products defined at the most detailed level are "tariff lines". *See Harmonized System (HS).*

Hub system. A transport network system in which a carrier routes heavily trafficked flights or voyages among a few large air or sea ports called hubs or base ports, rather than making direct calls on smaller ones. The respective hinterlands of each hub are called spokes and are served with smaller equipment such as commuter aircraft, feeder vessels, barges or ground transportation. The concept resembles wheels, with the spokes radiating from their central hubs. *See base port; feeder vessel.*

Human Development Index (HDI). Indicator created by the United Nations Development Programme (UNDP) measuring the level of development of countries according to three dimensions:

- Revenues, based on GDP per capita, purchasing power parity and wages;
- health measured by life expectancy;
- Education as average years of education of the country's inhabitants.

Normally are the Nordic countries (Norway, Sweden) which topped the index and the countries of Central Africa (Niger, Chad) who occupy the last positions. [Website](#).

Husbanding. A general term used for managing the affairs of a ship while in port, including such tasks as customs formalities, fueling, supplies, repairs and any requirements of the crew. Husbanding is normally handled by ship line employees, or vessel owners or their agents.

IATA International Air Transport Association. Air transport industry association and issuer of standard air waybill form. Established in 1945 and headquartered in Geneva (Switzerland), IATA is a trade association serving air carriers, passengers, shippers, travel agents and governments. The Association promotes safety and the standardization of forms (Baggage checks, tickets, waybills and hazardous material declarations). [Website](#).

International Bank for Reconstruction and Development (IBRD). IRBD is a financial institution that belongs to the World Bank Group and provides low-cost developmental loans for reasonably creditworthy sovereign buyers by issuing bonds backed by its own triple-A rating.

ICC International Chamber of Commerce. Founded in 1919 and headquartered in Paris, France, ICC is the most important world business organization. Its role is to promote free trade and private enterprise, and to represent business interests at national and international levels. ICC has drawn up a number of widely accepted rules that govern the conduct of business across borders - some of its best products are Incoterms rules, the current version of Uniform Customs and Practice for Documentary Credit (UPC 600), arbitration services and other publications. The ICC International Arbitration Court is one of the best services provided by ICC. The organization has more than 10000 members in more than 130 countries throughout the world and is coordinated by national committees in the world's major capitals. [Website](#).

ICC International Court of Arbitration. The ICC International Court of Arbitration was created in 1923 as the arbitration body of the International Chamber of Commerce. The ICC Arbitration has administered nearly 30.000 cases involving parties and arbitrators from some 180 countries. ICC arbitration has been conceived specifically for business disputes in an international context. International Court of Arbitration supervises arbitrations held under the ICC Rules of Arbitration. It meets weekly in Paris and monitors the work of ICC arbitral tribunals, which conduct procedures in countries on all continents. The ICC Court is assisted by a Secretariat, which closely follows all cases and acts as a neutral link between the parties, arbitrators and the ICC Court. [Website](#).

ICDR. The International Centre for Dispute Resolution (ICDR) is the international branch of the American Arbitration Association (AAA), providing international arbitration and dispute resolution services. The ICDR is headquartered in New York City (U.S.A.) and also has offices in Mexico, Ireland, Bahrain and Singapore. The ICDR is responsible for administering arbitration proceedings. As an administrative body, the ICDR processes a case from filing to closing, by:

- Providing arbitration rules.
- Appointing arbitrators.

- Assigning case managers.
- Setting hearings.
- Transmitting documents.
- Scheduling conference calls.

The ICDR also maintains a worldwide panel of more than 650 independent arbitrators and mediators, who are assigned to hear and resolve cases. [Website](#).

Ice clause. A standard clause in vessel chartering, dictating the course that a vessel master may take if the ship is prevented from entering the loading or discharge port because of ice, or if the vessel is threatened by ice while in port. The clause establishes the rights and obligations of both vessel owner and charterer in these events occur.

ICEX. The Spanish official agency depending on the Ministry of Economy that administers the export and investment programmes of the Spanish Government. [Website](#).

IHC Inland Haulage Charges. Inland Haulage Charges means the transportation charges from inland container freight station to sea port of loading or vice versa. If Cargo freight station is away from sea port of loading, the shipper completes customs formalities at such container freight station and arranges to move cargo to port of loading either by rail or road. Normally, most of cargo in such locations is moved by rail. If moved by rail, the charges of moving goods from such location to port of loading or movement charges from port to inland freight station is known as Inland Haulage Charges. Inland haulage charges vary CFS to CFS, as the distance from CFS to port of loading varies one to another. Inland Haulage Charges is collected by a shipping line when releasing bill of lading for export shipments, and when issuing a delivery order in case of import. *See THC Terminal Handling Charges.*

International Development Association (IDA). IDA is a financial institution that belongs to the World Bank Group and provides low cost development loans for less-developed nations from funds donated by nearly 40 countries. [Website](#).

International Finance Corporation (IFC). IFC is an institution that belongs to the World Bank Group and finances and advises for private-sector ventures and projects in developing countries. [Website](#).

International Monetary Fund (IMF). IMF is a specialized United Nations agency, created in 1945, that promotes international monetary harmony, monitors the exchange rate and monetary policies of member nations and provides credit for member countries that experience temporary balance of payment deficits. Each member country has a quota, which reflects both the relative size of the member's economy and the member's voting power in the Fund. Over 180 countries are members of the IMF. *See World Bank Group.* [Website](#).

Import. 1. To receive goods and services from abroad. 2. An imported item.

Import clearance. The act of complying with the import regulations of an importing country. Generally, governments require some sort of import declaration. Depending on the country and the product, additional supporting documentation such as origin certificates, consulate documentation and product relates health and safety certificates may also be required. Payment or agreement to pay any applicable import duty and taxes often accompanies customs clearance. Also called customs clearance.

Import contract. The import contract is suitable when a company is buying goods from abroad by way of import in the course of a business to business transaction. The contract sets out the standard terms and conditions of purchase. This type of contract includes clauses covering: price and payment, delivery, sub-contracting, title and risk, packaging, inspection, indemnity, confidentiality, and termination.

Import duty. Any tax on items imported. *See tariff.*

Import license. A document required and issued by some national governments authorizing the importation of goods.

Import quota. A protective ruling establishing limits on the quantity of a particular product that can be imported. Quotas are a means of restricting imports by the issuance of licenses to importers, assigning each a quota after determination of the total amount of any commodity that is to be imported during a period of time. Import licenses may also specify the country from which the importer must purchase the goods. *See export quota; tariff quotas.*

Import restrictions. Any one of a series of tariff and non-tariff barriers imposed by an importing nation to control the volume of goods coming into the country from other countries. May include the imposition of tariffs or import quotas, restrictions on the amount of foreign currency available to cover imports, a requirement for import deposits, the imposition of import surcharges, or the prohibition of various categories of imports. *See non-tariff barriers.*

Import substitution. A strategy that emphasizes the replacement of imports with domestically produced goods, rather than the production of goods for export, to encourage the development of domestic industry.

Importer. 1. The individual, firm or legal entity that brings articles of trade from a foreign source into a domestic market in the course of trade. 2. A party responsible for customs clearance of imported goods. Some countries define importer as the party responsible for payment of duty on imported goods, or an authorized agent acting on behalf of that party.

In transit entry (I.T.). This term allows foreign merchandise arriving at one port to be transported in bond to another port, where a superseding entry is filed.

In trust (documents). In documentary collections, when a bank releases documents to the importer/buyer to allow him to inspect them prior to payment.

In-bond. A term used to describe cargo that has not been cleared by customs to enter the commerce of a country.

Inbound logistics. The activities concerned with receiving, storing and distributing the inputs to the product or service. These includes materials, handling, stock control, transportation, etc.

Incorporated (Inc.). In United States, designation for a private limited liability corporation with limited liability to shareholders.

Incoterms. A set of 11 international standard trade terms which last version is Incoterms 2010. Incoterms allows the parties to designate a point at which the costs and risks of transport are precisely divided between the seller and the buyer. Incoterms also allocate responsibility for customs clearance/duties between the parties. Since Incoterms are not law but are contractual standard terms, they do not apply to a given transaction unless the parties specifically incorporate them by referring to last version of Incoterms. Incoterms are elements of the international sale contract, which may be derived from the seller's tender or proforma invoice. Thus, Incoterms only apply to the seller and buyer, one of whom will assume dovetail with the Incoterms in terms of allocation of transport costs and risks, but this will depend on the shipper giving precise directions to the carrier to ship according to the constraints of the given Incoterms. The 11 Incoterms are divided in two groups: those than can be used for any mode or modes of transport, and those used only for sea and inland waterway transport.

Incoterms for any mode or modes of transport:

- EXW Ex Works.
- FCA Free Carrier.
- CPT Carriage Paid to.
- CIP Carriage and Insurance Paid to.
- DAT Delivered at Terminal.
- DAP Delivered at Place
- DDP Delivered Duty Paid.

Incoterms only for sea and inland waterway transport:

- FAS Free Alongside Ship.
- FOB Free on Board.
- CFR Cost and Freight.

- CIF Cost, Insurance and Freight.

See each Incoterms for definition of seller's and buyer's obligations. [Practical Guide to Incoterms](#).

Indemnity. To compensate for actual loss sustained. Many insurance policies and all bonds promise to indemnify the insured. Under such a contract, there can be no recovery until the insured had actually suffered a loss, at which time he or she is entitled to be compensated for the damage that has occurred (i.e. to be restored to the same financial position enjoyed before loss).

Indirect tax. A tax that is levied on expenditure such as a sales tax imposed at the retail level. *See direct tax; excise tax; sales tax; VAT.*

Inducement. When steamship lines publish in their schedules the name of a port and the words "by inducement" in parentheses, this means the vessel will call at the port if there is a sufficient amount of profitable cargo available and booked.

Industrial design. A scheme, drawing, plan, or other depiction of a new model, shape or configuration that is decorative or ornamental. In most of the countries, the rights to a design can be registered as Intellectual Property Rights (IPR) allowing the registrant to claim exclusive used in that country.

Infotrade. International trade database that provides access to 1.000 international trade best websites classified by subjects and countries. Some of the subjects covered are:

- Country information.
- International trade statistics.
- Market research reports.
- Customs tariffs and trade barriers.
- Business directories.
- International logistics.

Infotrade also permit access to trade and business websites in more than 70 countries. [Website](#).

Inherent vice. Damage to goods which one can foresee is bound to occur during any normal transit, and which arises solely because of the nature or condition of the goods shipped. Such damage is said to arise from "inherent vice" which may be defined as an internal cause rather than an external cause of damage. Exclusion of insurance coverage for inherent vice is implied in every cargo policy. This type of exclusion is reinforced by the words "from any external causes" and the "all risks" coverage. The word "risk" itself implies that only fortuitous losses are intended to be covered. Insurance protects against hazards, not certainties.

Inland carrier. A transportation line that hauls export and import traffic between ports and airports and inland points.

Inland clearance depot. A combination transport terminal and customs clearance center at a location other than a port. Also called inland dry port.

Institute Cargo Clauses. Standard international transport insurance clauses, published by the Institute of London Underwriters. The Institute Cargo Clauses are three sets of clauses providing different level of protection: the "A" Clauses correspond to the general notion that is commonly referred to trade as "all risks" coverage, while Clauses "B" and "C" indicate a lower level of coverage and a greater number of exclusions. *See all risks.*

Insurable interest. A principle of insurance that in order to obtain coverage on a shipment, a party must have a legal relationship to either the transportation (entitlement to freight cost or wages) or to the insurable property, the carrier itself, or the cargo. This means that if the insurable property is safe or arrives safely at its destination, the party itself will benefit. Conversely, if there is loss or damage or detention to the insurable property, the party will suffer some detriment. Typical parties with insurable interests include those responsible for the condition of the goods while in transit, unpaid sellers, and buyers who have prepaid. *See party at risk.*

Insurance broker. An individual or firm who represents buyers of insurance and deals with insurance companies or their agents in arranging for insurance coverage for the buyer. An insurance agent represents a single insurance company whereas an insurance broker is free to obtain insurance coverage from any insurance company.

Insurance certificate. A document used so that coverage is provided to cover loss or damage to cargo while in transit when insurance is placed against an open marine cargo policy. In some cases a shipper may issue a document that certifies that a shipment has been insured under a given open policy, and that the certificate represents and takes the place of such open policy, the provisions of which are controlling. Because of the objections that an instrument of this kind did not constitute a "policy" within the requirements of letters of credit, it has become the practice to use an insurance certificate. Also called cargo insurance certificate and special cargo policy. *See open marine cargo insurance policy; open policy.*

Insurance coverage. The total amount of insurance that is carried.

Insurance policy. The entire written contract of insurance. More specifically, it is the basic written or printed document, as well as the coverage forms and endorsement added to it.

Insurance premium. The amount paid to an insurance company for coverage under an insurance policy.

Insured. The person or firm protected under an insurance policy.

Insured value. The combined value of merchandise, inland freight, ocean freight, cost of packaging, freight forwarding charges, and insurance cost, for which insurance is obtained.

Integrated contract. A contract that states every provision to which the parties intend to agree. Parol evidence cannot be used to change or supplement the provisions of an integrated contract.

Intellectual Property Rights (IPR). The ownership of the right to possess or otherwise use or dispose of a product created by human work, including patents, trademarks, industrial designs and copyright. Intellectual Property Rights are transmitted and sold through license agreements such as [International Trademark License Agreement](#) and [International Manufacturing License Agreement](#).

Intended. A reference which may appear on marine bills of lading, non-negotiable sea waybills and multimodal transport documents where the carrier reserves the right to change the port of loading, the ship or the port of discharge. Examples: “intended port of shipment Rotterdam”; “intended container vessel CGM Marco Polo”; “intended port of discharge Veracruz”.

Intercultural business. Intercultural business refers to business relationships with people from different cultures. Such an interaction is becoming more inevitable with the growth of globalization and the assurance that any sizable business can expect to encounter some form of intercultural business during its various transactions. This sort of business interaction can be viewed from several standpoints, including the influx of people from other cultures and the exportation of businesses to other cultures. We can distinguish mainly three kinds of business culture effects:

- Business roles: the fact that the differences in cultures usually have a direct effect on the manner in which business affairs are carried out by the members of such a community. For example, cultures that do not allow women to have certain rights will also reflect this bias in the business aspect of their dealings, something that businessmen and women from other less repressive cultures would have to understand in order for them to communicate effectively.
- Business law: Another consideration in cross-cultural business is the manner in which the law of the foreign culture affects the manner in which they conduct their business. This is very important because most times, miscommunications may occur due to the assumption by one party to a business communication that the law in his or her country is also the same in the country of the foreign business partner. One way to avoid this miscommunication is through a conscious effort by a business to study the law and customs in a country before it ventures into that country.
- Language: It is also a concern in cross-cultural business due to the fact that the

language barrier must be surmounted in order for business communication to occur. Some businesses achieve this by hiring interpreters or using translation services as a medium for channelling to the other party, and also for them to decipher what the other party is trying to say.

Also called cross-cultural business. *See business culture. [Business Culture Guides by Countries](#)*.

Interline. A mutual agreement between airlines to link their route networks.

Intermediary. In international trade, an individual or firm that brings together buyers and sellers for a fee without taking part in actual sales transactions. Due to the sporadic nature of his/her work, at the end of it, the intermediary does not have the right to agreements of exclusivity or non-competition. *See agent; sales representative. [Intermediary Contract for Trade Operations](#)*.

Intermediate consignee. Any party shown in the consignee field of a transport document other than the party for whom the shipment is destined. Typical intermediate consignees include buyer-appointed customs brokers or banks taking a security interest in shipped goods.

Intermodal transport. The coordinated transport of freight, especially in connection with relatively long-haul movements using any combination of freight forwarders, piggyback, containerization, air-freight, ocean freight, assembles and motor carriers.

International agreement. A broad term for legally binding arrangements covered by international law between or among countries. Such arrangements are variously titled as treaties, conventions, protocols, annexes, accords and memoranda of understanding, notes, pacts, declarations, statutes, constitutions and processes-verbal. The title is not an important factor in making distinctions among arrangements.

International Arrangement on Export Credits. An agreement among the members of OECD (Organization for Economic Cooperation and Development) governments that they will not lower interest rates for export credits below specified levels or offer most tied-aid credits without informing other OECD governments.

International business plan. Planning is essential for any business. Before venturing into international markets companies have to draft an International Business Plan as this document will help them set their goals, effectively allocate their resources and determine which countries offer the most potential for their products as well as how to reach the clients and how to make competitive offers. The purpose of the international business plan is to prepare companies, specially middle and small, to enter the international market place or to better organize their existing international business activity. The International business plan can be divided into six sections following a time sequence. Each section helps to plan international business strategies and take effective export decisions.

- Section 1. Export diagnostics.
- Section 2. Market selection.
- Section 3: Market entry methods.
- Section 4: International offer.
- Section 5: International promotion strategy.
- Section 6: Economic plan.

The Plan will serve as step-by-step guide to lead the company through the process of exporting products and services to international markets. [International Business Plan Template and Example.](#)

International business protocol. When doing business in a foreign country executives and managers need to have some knowledge of the rules and behaviors that are considered acceptable in social and professional relationships. The culture and traditions of each country make people behave differently and if international managers do not know how to adapt to business culture differences, they can cause rejection in the other party and even jeopardize the success of the negotiations. Some aspects related to international business protocol are:

- Greetings and introductions.
- Names and titles.
- Organizing meetings.
- Punctuality and time.
- Business cards.
- Preliminary conversations.
- Verbal communication.
- Non-verbal communication.
- Business meals.
- Gift giving.
- Tipping tips.
- Business attire.

Also called International business etiquette. See *business culture*. [Business Culture and Etiquette Guides by countries.](#)

International consultant. International consultants are individuals who assist companies in finding answers to questions regarding the future activities in foreign markets. An effective international consultant can work with his/her clients in specific projects within a wide range of areas (management, market research, human resources,

corporate strategy, engineering, IT, etc.). While there are exceptions, international consultants are likely to work closely with the management team of a company that has already certain experience in foreign trade. As with many types of consulting work, an international consultant must possess several skills that are essential when working with a diverse range of clients. The consultant must be well-schooled in the art of communication (in English and other languages), have the ability to accurately evaluate information and make feasible projections for the outcome of specific courses of action, and exhibit enough creativity and vision to see all the potential strategies that would ultimately benefit the client. Along with these skills, the international consultant should have a solid educational and also work background in international markets that is relevant to the consulting jobs that are accepted. The commercial relationships between the international consultant and their clients in international markets are governed through an [International Consulting Contract](#).

International Center of Dispute Resolutions (ICDR). Institution that belongs to the World Bank Group and is one of the most recognized providers of international dispute resolution services in the world, handling numerous cases for disputes throughout the world. [Website](#).

International Container Bureau (BIC). Established in 1933 under the International Chamber of Commerce and headquartered in Paris, France, BIC is the main organization for promoting and forming international links for the development of containerization and combined transport. It developed the BIC-CODE, a unique registration system for containers. [Website](#).

International contracts. International contracts refers to a legally binding agreement between parties, based in different countries, in which they are obligated to do or not do certain things. International contracts may be written in a formal way. Most businesses create contracts in writing to make the terms of agreement clear, often seeking legal counsel when drawing important contracts. Contracts can cover all aspects of international trade, although the most commonly used are:

- International sale contract.
- International distribution contract.
- International agency Contract.
- International sales representative contract.
- International supply contract.
- International manufacturing contact.
- International services contract.
- International strategic alliance contract.
- International joint contract.
- International franchise contract.

In international trade, the UNIDROIT Principles establishes general rules applicable to commercial contracts. They shall applied when the parties have agreed that their contract be governed by them. They also may be applied when the Parties have not chosen any law to govern their contract. In other cases they may be used to interpret or supplement domestic law. [Models of International Contracts in several languages.](#)

International franchising. A system based on the licensing of the right to duplicate a successful business format in foreign markets. The franchisor grants to the franchisee the exclusive power to distribute its products or services in establishments which are equivalently equipped and furnished, as well as the right to use Intellectual Property Rights (commercial signs, brands, trademarks etc.). It also provides the Know-How (Franchise Handbook), and the technical and commercial support for distribution to be carried out correctly. The franchisee follows the instructions stated by the franchisor in regards to the appearance, commercialization and corporate image on the authorized premises. For the services provided, the franchisee pays the franchisor a series of different fees (sales fee, Front-end fee, advertising fee, etc.). The two principal kinds of franchise contracts in international markets are:

- direct franchise agreement, which are direct contracts between the franchiser or sub-franchiser and the operator of the franchise unit.
- master franchise agreement under which the franchiser grants another party the right to sub-franchise within a given territory.

In international markets, relationships between the franchisor and the franchisee are governed through a International Franchise Agreement. [See master franchise. Model of International Franchise Contract.](#)

International Group of P & I Clubs. The thirteen principal underwriting member clubs of the International Group of P&I Clubs (“the Group”). Between them provide liability cover (protection and indemnity) for approximately 90% of the world’s ocean-going tonnage. [Website.](#)

International Maritime Organization (IMO). Established as a specialized United Nations agency in 1948 and headquartered in London, England, the IMO facilitates cooperation on technical matters affecting merchant shipping and traffic, including improve maritime safety dangerous goods and prevention of marine pollution. [Website.](#)

International product life cycle (IPLC). This marketing describes the diffusion process of an innovation across national boundaries. Typically, demand first grows in the innovating country (usually a developed nation like United States). In the beginning, excess production in the innovating country (greater than domestic demand) will be exported to other developed countries where demand also grows. Only later does demand begin in less developed countries. Production, consequently, takes

places first in the innovating country. As the product matures and technology is diffused production occurs in other industrialized countries and then in less developed countries. Efficiency and comparative advantages shift from developed countries to developing countries. Finally, advanced countries, no longer cost effective, import products from their former customers. Examples of typical IPLCs can be found in the textile industry and the computer/software industry. For example, many textiles are manufactured in Bangladesh and software in India (Bangalore). *See assembly operations; offshoring; outsourcing;*

International procurement. The process of allowing firms around the world to bid on contracts for goods and services. The concept has gained popularity as shipping and transportation costs have decreased due to an influx of cheap, readily available fuel. The globalization of large corporations has allowed them to reap the benefits of lower labor and materials costs while still selling the same quality and quantity of products. There are three primary benefits to international procurement: lower costs, stimulation of a global economy, and increased consumer base. In an open economy as more goods and services are purchased from other countries, the wealth of those economies increases. This creates the capacity for increased spending, allowing customers and businesses to purchase goods and services. *See government procurement.*

International Road Transport Union (IRU). An organization with members in 75 countries, the IRU assists bus, coach and truck operators throughout the world by briefing them on developments affecting their business. [Website](#).

International Road Transportation Convention (CMR). The Convention on the Contract for the International Carriage by Road was adopted in Geneva in 1956. This convention applies when goods are taken from one country to another and at least one of these countries is a party of the convention. In this situation CMR Document is used. [Model of CMR Transport Document](#).

International sales contract. An agreement between a seller and a buyer for the sale of goods. The contract should, at a minimum, identify the seller and buyer, the quantity and type of product, delivery time, price and conditions of payment. In addition, a well-constructed international sales contract will reference the governing body of law, the forum where any disputes are to be resolved and the method of dispute resolution, such as arbitration as opposed to litigation. For international sales of goods, the body of law will often be the UN Convention on Contracts for the International Sale of Goods (CISG), known as Vienna Convention. Contracts for the international sale of goods should also indicate the terms of sale, preferably one of the 11 Incoterms. Sales contracts covering goods that are not shipped under a negotiable marine bill of lading should also specify when (time and place) and/or how ownership passes from seller to buyer. Often international transactions are conducted without the benefit of an international sales contract. Instead the seller provides a quotation (often in the form of proforma invoice) and the buyer responds with a purchase order. This may be sufficient for repeat sales between well acquainted

parties that have developed a basis of previous dealings. However, it can lead to unanticipated problems in case of disputes. Major issues not covered in the international sale contract and without precedence in previous dealings between the parties will be “filled in” by the dispute resolving authority, often with surprising consequences. See *Incoterms; proforma invoice; purchase order; Vienna Convention. Model of International Sales Contract.*

International service provider. A service provider is a business that supplies expert care or specialized services rather than an actual product. In international markets, the term is used for companies that offer a variety of services such as: business management, technology, consulting, education and training, software and web services, engineering, marketing research, advertising and design, etc. Other service-related businesses, such as banks or mechanics, rarely are called a service provider, even though the name would fit. The commercial relationships between the service provider and its clients in international markets are governed through an *International Services Contract.*

International trade websites. Internet is the main tool to obtain information on foreign markets. There is a huge amount of information online including: international trade statistics, country information, market research, business directories, model documents and international contracts, etc. Ten of the most relevant websites for businesses and professionals involved on international trade are:

- Comtrade. International trade statistics by products and countries.
- Market Access Data Base. Tariffs and import documents in countries that do not belong to the European Union.
- Coface. Country-risk and macroeconomic data.
- Global Trade Alert. Information about international trade barriers.
- UK Trade and Investment. Doing business guides of most countries
- International Contracts. International contracts models in five languages.
- Incoterms. Information about the 11 Incoterms rules.
- Globaltrade. Business directory of export services providers and market analysis.
- Kompass. Worldwide business directory.

A selection of the best websites with information of international trade can be found in the database [Infotrade](#).

International Underwriting Association of London (IUA). Entity that publishes the most known marine cargo insurance conditions through its “A”, “B” and “C” clauses.

- “A” Clauses. The broadest type of standard coverage generally available. This does not include coverage for the perils of war risk, strike, riot and civil com-

motion. These additional coverages are available for most markets, usually at modest additional premiums.

- “B” Clauses. It includes partial losses for heavy weather, and covers the following additional perils: lightning, seawater as a result of heavy weather and jettison.
- “C” Clauses. It provides minimum cover: total or partial loss from stranding sinking, burning or collision; and total loss from errors in vessel management, boiler bursting, defects in hull or machinery and explosion.

The IUA was formed in 1998, through the merger of the London International Insurance and Reinsurance Market Association (LIRMA) and the Institute of London Underwriters. [Website](#).

Intra-industry trade. Trade in which a country exports and imports goods of the same industry. Examples of this kind of trade are automobiles, food and beverages, computers or textiles.

INTRACEN. The International Trade Center is a Geneva based organization that belongs to the United Nations and provides a wide range of technical assistance to developing countries seeking to expand and promote their export potential. [Website](#).

Intrastat. This is the system for collecting statistical data on the trade between members States of European Union (EU). When a country becomes a member state of the EU, the customs control over the goods movement between this country and other member states disappears, so that the traders will no longer be obliged to fill in a customs declaration for these goods. To replace this data source, it was created and developed the Intrastat system for collecting statistical data directly from trade operators from EU member states which undertake activities of exchange of goods with other EU member states.

Invisible barriers to trade. Government regulations that do not directly restrict trade, but indirectly impede free trade by imposing excessive or obscure requirements on goods sold within a country, especially imported goods. These regulations are often known to business owners within the country, because they may be required to comply with them, but are often not known by foreign businesses seeking to export their products, and therefore such regulations are “invisible”. Examples include labelling requirements, sanitary standards, and size or measurements standards. *See non-tariff barriers.*

Invisible trade. Non-merchandise items such as freight, insurance, and financial services that are included in a country’s balance of payments accounts (in the current account), even though they are not recorded as physically visible exports and imports. Also called invisibles. *See balance of payment; visible trade.*

Invitation to tender (ITT). Asking potential suppliers to submit tenders to supply goods or services.

Inward foreign manifest (IFM). A complete listing of all cargo entering the country of discharge. Required at all world ports, it is the primary source of cargo control, against which duty is assessed by the receiving country.

Ipso jure. By operating of law. Contract terms that are implied by a court from the conduct of the parties, for example, are enforceable ipso jure.

Irrevocable corporate purchase order (ICPO). An offer to buy goods under specified terms and conditions; for example, for misuse.

Irrevocable letter of credit. A letter of credit that cannot be amended or canceled without prior mutual consent of all parties to the credit. Such a letter of credit guarantees payments by the bank to the exporter/seller so long as all the terms and conditions of the credit have been met. Documentary letters of credit issued subject to the Uniform Customs and Practice for Documentary Credits (UCODC) Publication No. 500 of ICC, are deemed to be irrevocable unless expressly marked as revocable. *See letter of credit. [Model of Irrevocable Letter of Credit.](#)*

ISO. The International Standards Organization was established in 1947 as a worldwide federation of national bodies representing approximately 90 members. The scope of ISO covers standardization in all fields except electrical and electronic engineering standards, which are the responsibility of the International Electrical Commission (IEC). ISO is the world's largest non-governmental system for voluntary industrial and technical collaboration at the international level. The result of ISO technical work is published in the form of international standards.[Website](#).

ISO codes (currency). Acronyms used to identify a standardized currencies of different countries, according to regulations of the International Standard Organization (ISO). These codes have three letters: the first two for the country and the third for the currency, so that e.g. USD corresponds to United States Dollar, GBP to Great Britain Pound GBP or JPY Japan to Yen. The currency of the European Union, the euro (EUR), is the only one that does not follow this rule as it represents not only a country but to all member countries of the eurozone. The code of each currency can be found in website currency converter [Oanda](#). See currency.

Issuance. The establishment of a letter of credit by the issuing bank (buyer's bank) based on the buyer's application and credit relationship with the bank. *See letter of credit.*

Issue date. The date a letter of credit was opened, or the date an amendment was issued.

Issuing bank. The buyer's bank which establishes a letter of credit at the request of

the buyer, in favour of the beneficiary (exporter/seller). Also called buyer's bank or opening bank. *See letter of credit.*

ITU Intermodal transport unit. Container or pallet suitable for multimodal transport.

J

JETRO. The Japan External Trade Organization, an official agency depending on the Ministry of International Trade and Industry that administers the export and import promotion programmes of the Japanese Government. [Website](#).

Jetsam. Articles from a ship or ship's cargo that are thrown overboard, usually to lighten the load in times of emergency or distress and that sinks or is washed ashore. Also called flotsam and jettison.

Jettison. To unload or throw overboard at sea a part of a ship's cargo to lighten the ship in time of emergency. Also called flotsam and jetsam.

Joint and several liability. Liability for damages imposed on two or more individuals or legal entities who are responsible together and individually, allowing the party harmed to seek full remedy against all or any number of the wrongdoers. The availability of joint and several liability varies among countries, and some jurisdictions have placed limitations on the amount of damages for which a single person can be held liable when multiple parties could be responsible.

Joint venture. An agreement by two companies, typically one foreign and one domestic to work together for mutual benefit with specific ownership percentages specified in a long-term contract. These two companies set up a third company (the Joint Venture). This new company would usually be located in the same country as one of the two partner companies, with the purpose of mutually establishing an activity with its own objectives: marketing and distribution, research, manufacturing, etc. The terms of some joint ventures deals are regulated heavily by governments of certain countries (mainly developing countries) as to the limits of foreign ownership and the minimum amounts of money or assets invested. Companies of different countries that enter into a joint venture govern their relationship through the [International Joint Venture Contract](#). See *contractual joint venture; equity joint venture; strategic alliance*.

Jurat. A statement signed by a person authorised to take oaths certifying to the authenticity of a document or affidavit. See *authentication; notary public*.

Juridical person. An individual or legal entity recognized under law as having legal rights and obligations. Corporations, and partnerships are examples of legal entities that are recognized as persons under the law. In countries that allow the formation of limited and unlimited companies, those companies are recognized as persons under the law. See *legal entity*.

K

Keiretsu. The horizontally and vertically linked industrial structure of Japan's private economy. Horizontally linked groups include a broad range of industries linked by banks and trading companies. Vertically linked groups are centered around parent companies, with subsidiaries frequently serving as suppliers, distributors and retailers. *See sogo shoshas.*

Key currency. A major currency in the global economy. Small countries, which are highly dependent on exports orientate their exchange rate to major currencies in the global economy, the so-called key currencies. Key currencies include the Euro, the US dollar, the British pound or the Japanese Yen.

Key performance indicators (KPIs). A set of financial and non-financial values used to measure the success of an organization or a particular activity, e.g. a project or contract deliverables.

KISS. An acronym for keep it simple and straight. A project management tool used to set project objectives and evaluate if those objectives fit the project. The KISS principle states that most systems work best if they are kept simple rather than made complicated; therefore simplicity should be a key goal in business management. The KISS principle has another variations such "keep it short and simple" and "keep it simple stupid" (probably the best known).

Knot. A measure of ship's speed. One knot is equal to one international nautical mile (1.852 meters) per hour.

Know-how. Knowledge of how to do something, expertise. In international trade, Know-how can be defined as confidentially in the form of unpatented inventions, designs, drawings, procedures and methods, together with accumulated skills and experience in the hands of a licensor firm's professional personnel which could assist a transferee/licensee of the object product in its manufacture and use and bring to it a competitive advantage. It can be further supported with privately maintained expert knowledge on the operation, maintenance, use/application of the object product and of its sale, usage or disposition. Know-how is transmitted from one company to others through technology transfer agreements. [Model of International Technology Transfer Agreement](#).

Know loss. Loss or damage that was discovered before delivery.

Kompass. Kompass is the leading online global business directory with nearly 4 million registered businesses in 60 countries. The search can be done by country, product or company name. The classification of products is very ample which facilitates the search for potential customers and suppliers in each country. It has a first level of free information (identification of the company and contact details) and then a second

payment level (commercial report of the company). *See Europages; Globaltrade; Website.*

Kosher certificate. The Kosher certificate is a document issued by certification agencies and the Chief Rabbinate of Israel, in which a Rabbi certifies that the products referred (usually food products) fulfil the biblical precepts of the Jewish religion. This certificate is not only required for Israel but also for other countries in which there are Jewish communities calling for kosher products, such as the USA, United Kingdom, France, Russia, Argentina or Mexico. Kosher certificates are requested especially for food: meat (slaughter of animals and salting process), fish, milk and eggs, canned and preserved foods. They also include feed additives (preservatives and dyes) and fiber of animal origin. Products that are kosher certified are often marked with a kosher symbol, or simply the letter K (as the letter M is used to identify Halal products for Muslim population). *See Halal certificate. Model of Kosher Certificate.*

KOTRA. The Korean Trade and Investment Agency, and official agency depending on the Korean Government that administers the export, import and invest programmes of Korea. *Website.*

L

Landbridge. Multi-modal transportation where containerized cargo is brought to a port on one coast, unloaded to ground transport, transported to a port on another coast, and loaded on to another vessel. Usually, a single carrier (often the provider of main carriage transportation) takes responsibility for the entire shipment.

Landed costs. The costs of the imported goods at the port or point of entry into a country, including the cost of freight, insurance and port and dock charges. All charges occurring after the goods leave the import point are not included.

Landed value. The value of cargo at the arrival point on the buyer's side.; i.e., cost of goods, packing, forwarding fees, pre-carriage, main carriage and insurance.

Landlocked. Having no direct access to the sea.

Language clause. A clause used in international contract drawn up in two or more languages (English, Spanish, French, German). The language clause has to establish which version prevails over the others. An example of language clause is as follows: *The whole text of the present Contract, as well as the documents derived from it, including those in the Annexes, have been written in and English, both versions being deemed authentic, but for legal purposes the text in is to be given priority of interpretation.*

Lashing. This is the operation executed by the ship's personnel or by the palleters, so that cargo is tied and secured according to navigational techniques. Also called securing.

Lay order. The period during which imported merchandise may remain at the place of unloading without some action being taken for its disposition., i.e. beyond the 5-day general order period. *See general order.*

Laytime. The time allowed by the shipowner to the charterer or shipper in which to load or discharge the cargo. May be expressed in days or hours, or tonnes per day. Laytime may be set in running days (calendar day), working days (excludes Sundays and holydays observed by the port), or weather working days (excludes in addition days where operations are prevented by bad weather). It may be contractually provided that if the charterer or shipper loads/unloads more quickly than is necessary, he will be eligible for payment of an incentive called dispatch money; if the loading/unloading time is excessive however, the charterer or shipper may have to pay a penalty known as demurrage. Also called laydays.

Lead time. The amount of time required for something to happen. For example, production lead time would be the length of time required to produce a good once the work order has been placed to the factory, including any lead times for materials that must be ordered.

LCL Less than container load. Refers to shipments of goods that will have to be packed together with other consignments in order to fill up a container. A container may be packed with LCL cargo at a container freight station for LCL delivery.

LCL/FCL. A way of quoting container freight rates in which the carrier agrees to pack the container at the outset (LCL) but unpacking at destination must be carried out by the receiver or consignee. It is a common approach for importers who wish to consolidate small purchases from multiple suppliers in a foreign market into container shipments.

LCL/LCL. A way of quoting container freight rates in which the carrier agrees to pack the container on departure as well as unpack the container at destination.

Legal entity. And individual, proprietorship, partnership, corporation, association, or other organization that has, in the eyes of the law, the capacity to make a contract or an agreement, and the abilities to assume an obligation and to discharge indebtedness. A legal entity is a responsible being in the eyes of the law and can be sued for damages if the performance of a contract or agreement is not met. *See a juridical person.*

Legalized invoice. Occasionally, customs in the Middle East, require invoices to be both certified and legalised. After certification, invoices have to be presented to the embassy of the destination country for legalisation. This involves presentation of the certified invoices to the embassy which then attaches their stamp to the documents. Allow sufficient time for presentation as goods should not be dispatched before the invoices are legalised. Legalisation can take between five and seven working days depending on the embassy concerned. *See commercial invoice.*

Less developed country (LDC). A country showing: (1) a poverty level of income; (2) a high rate of population increase; (3) a substantial portion of its workers employed in agriculture; (4) a low proportion of adult literacy; (5) high unemployment; and (6) a significant reliance of a few items for export. Terms such as third world, poor, developing nations, and underdeveloped have been used to describe less developed countries.

Lesser developed country (LLDC). The classification LDC was developed by the United Nations to give some guidance to donor agencies and countries about and equitable allocation of foreign assistance. The criteria for designating a country an LLDC include low per capita income, literacy, and manufacturing share of the country's total gross domestic product.

Letter of assignment. A document with which the assignor assigns rights to third party. *See assignment.*

Letter of correction. A letter addressed to a consulate containing such data as needed to resolve any necessary corrections in consular documentation.

Letter of credit (L/C). A document issued by the importer's bank stating its commitment to honor a draft, or otherwise pay, on presentation of specific documents by the exporter within a stated period of time. The documents the importer requires in the credit usually include, at least, a commercial invoice and clean bill of lading, but may also include a certificate of origin, inspection certificate or other documents. The most widely used type of credit in international trade is the irrevocable letter of credit, which cannot be changed or cancelled without the consent of both, the importer and the exporter. In a confirmed irrevocable letter of credit, the confirming bank adds its irrevocable commitment to pay the beneficiary (exporter). The confirmation is an additional guarantee of payment. The types of letters of credit are:

- Advised. A credit the opening of which the beneficiary has been informed by a local bank.
- Back-to-back. A system utilized by intermediaries/brokers to finance a single transaction through the use of two L/Cs opened in succession in order to permit the intermediaries/brokers to use the proceeds from the first credit to pay off his supplier the second credit.
- Confirmed. L/C that has received an additional guarantee of payment by a local or highly reputable bank.
- Deferred. L/C of credit under which payment by the importer is to take place at a specified time after his receipt of the shipping documents.
- Red clause. L/C of credit used to provide the supplier with some funds prior to shipment to finance production of the goods. The credit may be advanced in part or in full, and the buyer's bank finances the advance payment.
- Irrevocable. L/C letter of credit that cannot be retracted or revoked once the beneficiary has been notified. There is a presumption under UCP 600 that every L/C is irrevocable.
- Revolving. L/C letter of credit which can be drawn against repeatedly by the beneficiary; it can take a variety of different forms depending on whether the credit is limited in terms of time, number of possible drafts, maximum quantity per draft, or maximum total quantity.
- Sight. L/C letter of credit under which the beneficiary is entitled to present a sight draft or sight bill of exchange, which is a call for immediate payment upon acceptance of shipping documents.
- Standby. L/C akin to demand guarantee or bank guarantee, the standby L/C is generally used to assure performance or payment by the counterparty.
- Transferable. L/C which allows the beneficiary to make part or all of his credit payable to another supplier; used in intermediary/broker context; distinguishable from back-to-back L/C as the transferable L/C requires the knowledge and authorization of the importer.

Also called Documentary credit (D/C). *See irrevocable letter of credit; standby L/C.*

Model of Letter of Credit.

Letter of Indemnity (LOI). A document that serves to protect the carrier/owner financially against possible repercussions in connection with the release of goods without presentation of an original bill of lading. A letter of indemnity is used in cases in which the goods arrive at the port of destination before the original bill of lading. The issuance of the letter of indemnity allows the purchaser to take immediate delivery of the goods, thus saving himself time, additional demurrage, storage expenses, insurance costs, etc.

Letter of Intent (LOI). A letter of intent is a collection of key points of an agreement between two parties that are negotiating a contract; in this respect a letter of intent is simply the agreement signed prior to the final contract. Without a certain formality, the letter of intent is meant to acknowledge the will of the parties to carry out in the near future all the steps necessary to perform a contract that gives way to a transaction in international business. It involves a reciprocal wills statement, without binding effect, but with high ethical value to the parties who sign. Among the purposes of the letters of intent are include:

- Clarifying the key points of an operation for the convenience of the parties.
- The statement that the parties are currently negotiating.
- Provides guarantees if the deal collapses during negotiation.

Another characteristic of the letters of intent is that it can resemble a written contract but is usually not binding on the parties in their entirety. However, the majority of these agreements, contain provisions that are binding, such as non-disclosure and non-compete agreements. There are different types of letters of intent in international business. The most common are: [Letter of Intent for International Sale](#), [Letter of Intent for International Distribution](#) and [Letter of Intent for Joint Venture](#).

Letter of Introduction (LOI). A statement, often by a third party, in letter form, that briefly profiles a company with an eye toward doing business together. When written by a third party it will take on the form of a recommendation.

Leverage. In foreign exchange (options), this term expresses the disproportionately large change in the premium in terms of the relative price movement of the underlying instrument.

Lex mercatoria. Internationally accepted general trade practices. The principles of lex mercatoria primarily juxtaposed freedom of contract and alienability of property, along with an aversion to legal technicalities and choices of going beyond the realm of law. The branch of law largely draws on the sources of law that include public international law and the general principles of law, as also from the UNIDROIT Principles of International Commercial Law.

Licence. In international trade a revocable privilege granted by a government for activities that would otherwise be illegal, such as an import licence.

License agreements. A contractual arrangement in which the licensor's patents, trademarks, service marks, copyrights or know-how may be sold or otherwise made available to a licensee for compensation negotiated in advance between the parties. Such compensation may consist of a lump sum royalty, a *running* royalty (based on volume of production), or a combination of both. Licensing enables a firm to enter a foreign market quickly and poses fewer risks than setting up a foreign manufacturing facility. Furthermore, it allows parties to overcome tariff and non-tariff barriers to trade. In international markets the licence agreement most commonly used are the [International Trademark License Agreement](#) and the [International Manufacturing License Agreement](#).

Licensee. A person to whom a license has been granted to use someone else's specified thing such usually of intellectual property (trademark, patents, know how). The person with the ownership rights which are voluntarily compromised by extending the license, is called a licensor. The legal arrangement by which this occurs is called a license. There are many types of licence agreement. The most used in international trade are the International Manufacturing License Agreement and the International Trademark License Agreement

Licensor. A person or a company with exclusive legal rights over a thing that gives, sells or otherwise surrenders to another a limited right to use that thing. The person benefiting from the grant is called a licensee and the legal term used to describe the authority so given is license. There are many types of licence agreement. The most used in international trade are the International Manufacturing License Agreement and the International Trademark License Agreement

LIFO Liner in free out. In international trade, referring to a freight charge which includes the cost of loading in the port of departure but does not include unloading costs in the port of destination.

Lift-On/Lift-Off (Lo/Lo). Method by which cargo is loaded onto and discharged from an ocean vessel, which in this case is by the use of a crane.

Lift truck. Machine that carries out the transportation of loads and also to elevates them to a certain height. To be able to perform this second function it is provided with a mast elevator, normally telescopic. As for its traction, it can be manual or self-propelled.

Lifting cart. The most utilized vehicle of hard work in the loading and discharge of docks or a store. It is self-propelled (diesel, gasoline or electric). It responds to the type of counterbalanced truck since they carry the load placed ahead of their point of support.

Lightringe. Barge transport from pier to vessel or vessel to pier at ports that are too shallow to permit vessels to berth directly at piers. Goods subject to lighterage provide one of the few instances where they are actually placed directly alongside a vessel as defined in the FAS Incoterms.

Limitada (Ltda.). In Brazil and Portugal, designation for a private limited liability corporation with limited liability to shareholders.

Limitation period. A maximum period set by statute within which a legal action can be brought or a right enforced. A statute may prohibit, for example, any individual or legal entity from bringing an action for breach of contract more than one year after the breach occurred. Also called prescription period.

Limited (Ltd.). In United Kingdom, United States and other countries, designation for a private limited liability corporation with limited liability to shareholders.

Limited liability. A situation whereby the liability of a party within the company is limited to some extent. There are many forms of limited liability companies. For instance, corporations normally limit share holder liability to the amount invested in a business, while limited partnerships may hold only one or several designated partners personally liable yet limiting the liability of other partners. Most jurisdictions required that a business with limited liability indicate this by using a recognized symbol, such as Incorporated (Inc.), Limited (Ltd.) or Sociedad Anónima (S.A.).

Limited partnership. A partnership in which at least one partner has general liability and at least one of the other partners has limited liability.

Line haul. The direct movement of cargo on a single ship between two ports of call.

Liner service. Regularly scheduled marine transportation provided by a carrier having a fixed port rotation and advertising it as such. Liner service is done on liner terms, where the shipowner provides vessel loading and unloading.

Liner shipping. Services provided by a steamship company or shipping line, under which cargo vessels operate according to a fixed schedule and publicly advertised freight rates.

Liner tariff reduction. A reduction by a given percentage for all tariffs maintained by countries participating in trade negotiations, with or without exceptions for products deemed to be sensitive.

Liner terms (LT). Freight rates that include loading/unloading charges according to the custom of the respective ports, which unfortunately varies. Liner terms is, thus, not yet a standard designation, and may not include cargo handling charges or the costs of moving cargo between the ship's hold and the quay. Traders are therefore well advised to require full details in advance from carriers.

Liquidated damages. A sum of money that a contracting party agrees to pay to the other party for breaching and agreement, particularly important in a contract in which damages for breach may be difficult to assess. A manufacturer, for example, that agrees to develop, produce, and sell unique products to a buyer may insist on a contract clause for liquidated damages in the event that the buyer rejects the goods without justifiable reason because the market for resale of the unique goods will be so limited that damages will be difficult to assess. *See damages.*

Lloyd's Register. An organizational maintained for the surveying and classifying of ships so that insurance underwriters and other interested parties may know the quality and condition of the vessels offered by insurance or employment. [Website](#).

Loading. The physical placing of cargo into a carrier's container, or onto a vessel.

Logistics platform. The space located strategically in the territory to act as complementary and central element with the different ways of transportation. These platforms are interspersed inside the network of intermodal traffic of merchandise and they have a mission to serve as a link among the different methods of transportation: railroad-highway, maritime-highway, air cargo-highway, and their possible combinations.

Logistic services contract. The logistics contract regulates relations between the companies that provide these services - known as logistics operators - and their clients. Logistics services include general services such as transportation, distribution and storage of different types of products and merchandises, as well as other more specialized services that are considered additional services such as point of sale management, labelling and marking of prices, invoicing, after sales, collection management, etc. [Model of Logistics Services Contract](#).

London Court of International Arbitration (LCIA). The LCIA is one of the world's leading international institutions for commercial dispute resolution. The international nature of the LCIA's services is reflected in the fact that, typically, over 80% of parties in pending LCIA cases are not of English nationality. The LCIA's dispute resolution services are available to all contracting parties, without any membership requirements. *See arbitration.* [Website](#).

Long date forward. A forward exchange contract whose maturity exceeds one year. *See forward exchange contract.*

Longshoreman. A person having charge of the loaded and unloading of ships in port. Also called stevedore.

Losing face. An essential element of Chinese business culture is reputation (called Mianzi) which the Chinese have within their personal relationships (*Guanxi*). Actions that can result in "losing face" for a Chinese negotiator are: interrupting while he is talking or directly challenging him or pointing out an error of his. If during

negotiations someone is made to lose face before his peers, this person will react very negatively and it will be very difficult to reach an agreement, as decisions are reached as a group. As a counter position to the concept of “losing face” there is also “giving face” (*Gei Mianzi*) which is achieved, for example, by paying compliments or praising their work in front of a superior. This is recommended as it improves their reputation and will make them take a more favorable attitude in reaching an agreement. *See guanxi.* [China Business Culture & Etiquette Guide](#).

Low context cultures. A type of culture in which managers and executives rely on spoken and written language for meaning. Senders of messages encode their messages, expecting that the receivers will accurately decode the words used to gain a good understanding of the intended message. Examples of low context cultures are countries such as China, Brazil or Saudi Arabia. *See business culture; high context cultures. Business Culture Guides by Countries.*

LTL Less than truck load. 1. A shipment too small to fill a truck. 2. Rates applicable when the quantity of freight is less than the volume or truckload minimum weight.

M

Madrid Agreement. Treaty, administered by the World Intellectual Property Organization (WIPO), Concerning the International Registration of Marks and the Protocol Relating to that Agreement.

Main carriage. International transportation, as from the departure point on the seller's side to the arrival point on the buyer's side.

Maintenance. The work of keeping something in proper condition, care or upkeep including: taking steps to avoid something breaking down (preventative maintenance) and bringing something back to working order (corrective maintenance). Some international contracts as the international distribution contracts include a clause of after-sales services and maintenance: *The Distributor undertakes to carry out with its own staff and means, and assume the costs of, and adequate after-sales and maintenance service for all Products sold within the Territory. The Supplier shall provide the Distributor with the spare parts and other means required to service the warranty conditions of the Products. See after-sale service. [International Distribution Contract](#).*

Managing director. A managing director is someone who is responsible for the daily operations of a company, organization, or corporate division. In some countries, the term is equivalent to CEO (Chief Executive Officer) the executive head of a company. In other countries, managing directors primarily work as the heads of individual business units within a company rather than heading up the company as a whole. As a member of senior management, the managing director is also expected to keep a company solvent and to promote expansion and innovation within the industry.

Manifest. In international trade, a listing of all cargo transported on a particular marine voyage or flight. The manifest prepared for cargo loaded at a given port or airport should equal the sum total of all transport documents (bills of lading, air waybills) issued for cargo taken on at that port or airport.

Manufacturing license agreement. This type of contract establishes a relationship between two companies, Lessor and Licensee, whereby the Lessor grants a license of Intellectual Property Rights (patents, trademarks, utility models, industrial designs, know how) that are required in order for the Licensee to manufacture and sell the products in a defined territory, usually a country. [Model of International Manufacturing License Agreement](#).

Margin. The difference between the cost of sold items and the total net sale income.

Marine bill of Lading B/L. A receipt for the cargo and a contract for transportation between a shipper and the ocean carrier. It may also be used as instrument of ownership (negotiable bill of lading) which can be bought, sold or traded while the goods are in transit. To be used in this manner, it must be a negotiable "order bill of lading".

M

There several types of marine bill of lading:

- A Clean bill of lading is issued when the shipment is received in good order. If damaged or a shortage is noted, a clean bill of lading will no be issued.
- An on board bill of lading certifies that the cargo has been placed aboard the named vessel and is signed by the master of the vessel or his representative. In letter of credit transactions, an on board bill of lading is usually necessary for the shipper to obtain payment from the bank. When all bills of lading are processed, a ship's manifest is prepared by the steamship line. This summarizes all cargo aboard the vessel by port of loading and discharge.
- An inland bill of lading is used to document the transportation of the goods between the port and the point of origin or destination. It should contain information such as marks, numbers, steamship line, and similar information to match with a dock receipt.

Also called ocean bill of lading. *See bill of lading. Model of Marine Bill of Lading.*

Marine cargo insurance. Insurance covering loss of, or damage to, goods at sea. Marine insurance typically compensates the owner of merchandise for losses in excess of those which can be legally recovered from the carrier that are sustained from fire, shipwreck, piracy and various other cases. The most known marine cargo insurance conditions are published by London Institute of Underwriters (Clause "A", "B", and "C"). *See all risk; Institute Cargo Clauses.*

Market Access Data Base. Database of the European Union with comprehensive information about tariffs in all countries of the world to European products and documents required for export to each country. It is only accessible to members of the EU countries. It has two very useful resources for European companies that want to export to non EU countries:

- Tariffs: tariffs rates that must be paid to export to each country. The search is performed by tariff codes (4 or 6 digits) and countries of destination of the goods.
- Import Documents: all documents required by the customs of non EU member for each commodity. It is necessary to insert the tariff code of the product (4 or 6 digits) and the countries of destination. For each document the site provides the model and explains how to complete it.

Market risk. The possibility that results at the time a product is delivered may differ from expectations held at a time it was ordered. For instance, the market price may have increased or decreased, or the product may be in greater or lesser demands than was the case when the order was placed.

Marks. Information placed on outer surface of shipping containers or packages such as address labels, identifying numbers, box specifications, caution, or directional warnings.

Markup pricing. Markup pricing refers to the difference between the cost to produce and market an item for sale, and the retail price that is charged for that item. Typically, the markup is expressed as a fixed percentage, and is determined by applying that percentage to the actual cost of the item. When calculating mark up pricing in international trade you have to take into account the specific costs of exporting products such as transportation, customs tariffs or intermediary margins.

Master air waybill (MAWB). An air transport document issued by an undercarrier. This is the opposite of a house air waybill, which is issued by a carrier other than the undercarrier.

Master form. Central document in export administrative systems under which all necessary information is entered into a single master document or computer file, which is used to generate all shipping and export documents.

Master franchise. The master franchise is a type of franchising that involves three levels of participants: the franchisor, the master franchisee and de franchisees. Typically, the master franchisee will pay an initial fee and agree to a minimum development schedule. The master franchisee will benefit from a designated territory, the right to open and operate units directly and the right to grant third parties the right to open and operate units. This type of relationships is often well suited for international markets, as the master franchisee is often far more knowledgeable and connected in the culture and business of the designated country or countries. *See international franchising.* [Model of Master Franchise Contract](#).

Mate's receipt. A document issued by the carrier to the shipper, indicating receipt of the goods, but not loading on board. Like a Bill of Lading B/L, a mate's receipt can be either clean or claused/dirt/foul, depending on whether or not the goods have been received in apparent good condition. The mate's receipt can later be exchanged for the bill of lading. Mate's receipts are used only for charter shipments. Shipments made on liner terms (where the ship line handles vessel loading and unloading) are covered by dock receipts signed when the goods are delivered to the ship lines terminal.

Maturity date. The date an obligation becomes due. In bank collections, the due date of an accepted draft.

Measurement cargo. A cargo on which the transportation charge is assessed on the basis of measurement.

Measurement ton. A space measurement usually 40 cubic feet or one cubic meter. The cargo is assessed a certain rate for every 40 cubic feet of space it occupies. Also known as cargo or freight ton.

Mediation. An attempt to resolve a dispute through discussions under the auspices of a neutral third party (mediator) where the contending parties are not obliged to accept

the offered solution. This is in contrast to binding arbitration, where the contending parties are usually obligated to accept the offered solution.

Memorandum of Understanding (MOU). An informal record, document or instrument that serves as the basis if a future contract. A Memorandum of Understanding between companies is a document like a contract but not binding on the parties, except when confidentiality and non-competition agreements are included. It is essentially a collection of key points of an agreement between two parties that are negotiating a contract; in this respect a Memorandum of Understanding is simply the agreement signed prior to the final contract. Memorandums of Understanding are also known for its acronym MOU. Main purposes of a Memorandum of Understanding for in international trade transactions are:

- The statement that the parties are currently negotiating.
- Clarifying the key points of an operation for the convenience of the parties.
- Assess the interest of the other party to carry out the business.
- Collect the advances that occur in each of the negotiations.
- Provides guarantees if the deal collapses during negotiation.

Another characteristic of the Memorandum of Understanding is that can resemble a written contract but usually not binding on the parties in their entirety. However, the majority of these agreements, contain provisions that are binding, such as non-disclosure and non-compete agreements. The two Memorandums of Understanding more used in international transactions are the [Memorandum of Understanding for International Distribution](#) and the [Memorandum of Understanding for Joint Venture](#).

Merchant's credit. A letter of credit issued by the buyer himself. Contains no commitment whatever on the part of a bank. *See letter of credit.*

Merchant's haulage. The inland, move from or a port that has all arrangements made by the cargo interests (Exporter/seller).

MERCOSUR. The *Mercado Común del Sur* (Southern Common Market) is an economic and commercial group of countries in South America comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela with associate countries like Chile, Bolivia, Colombia, Ecuador and Peru. Its purpose is to promote free trade and the fluid movement of goods, people, and currency till form a common market. [Website](#).

Middleman. An intermediary acting as an agent or dealer between buyers and sellers. In international trade, a middleman usually charges a commission as percentage of the sales effectively made through a Intermediary Contract for Trade Operations.

MIGA. The Multilateral Investment Guarantee Agency (MIGA) is a financial institution that belong to the World Bank Group and provides political risk coinsurance and reinsurance for investment in client-developing countries. [Website](#).

Mixed container load. A container load with different articles in a single consignment.

Money laundering. The process whereby criminal seek to “wash” illicit funds (generally garnered from international terrorism or drug dealing). By moving funds around from country to country, a fraudster’s intention is to conceal the source of the funds and make them appear legitimate.

Money order. An instrument used to remit money to a named payee, often used by parties who do not hold a current account with a banking institution to pay bills or transfer money to another party. There are three parties to a money order: the remitter (payer), the payee and the drawee. Drawees are usually financial institutions or post offices.

Monopoly. A market with a single supplier for example of telecommunications or energy (gas, electricity).

Monopsony. A market with a single buyer, for example in certain countries, railway machinery and equipment.

Most Favoured Nation treatment (MFN). A non discriminatory trade policy commitment on the part of one country to extend to another country the lowest tariff rates it applies to any other country. All contracting parties to the General Agreement on Tariffs and Trade (GATT) - now World Trade Organization (WTO) - undertake to apply such treatment to one another under Article 1 of the treaty. Under MFN principles, when a country agree to cut tariffs on a particular product imported from one country, the tariff reduction automatically applies to imports of this product from any other country eligible for most favoured nation treatment. This principle of non discriminatory treatment of imports appeared in numerous bilateral trade agreements prior to the establishment of the GATT.

M/T (Metric Ton). 1.000 Kilos.

Multicurrency clause. A clause in a loan agreement stating that more than one currency may be used in paying or redeeming the loan.

Multidomestic strategy. A multidomestic strategy is an international marketing approach that chooses to focus advertising and commercial efforts on the needs of a local market rather than taking a more universal or global approach. This means that companies employing this marketing strategy will seek to understand the culture of various local markets and tailor their entry into those markets based on the demographics of that area. With this approach, a great deal of effort is made to adapt advertising and presentation to appeal to local sensibilities, rather than using a mass market approach. In order for a multidomestic strategy to be successful, is it important to invest a great deal of research into the various localities where the products are actively marketed. This can often provide valuable insights into the nuances of the prevailing culture in

an area, which leads to inspiration on how to present the products to best advantage. By taking the time to learn how to connect with consumers, it is possible to use the multidomestic strategy to create a wide range tactics that can be adapted to fit markets that share a lot of similarities, while still customizing the advertising and marketing efforts to match exactly with the local culture. While employing a multidomestic strategy can be somewhat costly on the front end, the effort can pay off in a big way. Assuming the products do in fact capture the attention and the loyalty of the local populace, those early efforts can yield returns over a number of years, possibly even decades. For this reason, any business seeking to become established and build a loyal client base in a number of different geographical areas will want to consider the potential of this particular marketing strategy. *See global strategy.*

Multilateral agreement. A international agreement involving three or more parties. For example, the GATT (General Agreement o Tariffs and Trade) has been, since its establishments in 1947, seeking to promote trade liberalization through multilateral negotiations. *See bilateral trade agreement.*

Multilateralism. International economy approach defending that all countries access to international markets on equal terms.

Multimodal transport. Transport by more than one means. For instance, in door-to-door transport one might use ground transport for pre-carriage to the port or airport on the seller's side, main carriage by vessel or air to the arriver point on the buyer's side and ground transport for on-carriage. Multimodal transport occurs when a carrier provides more than on of these movements.

Multimodal transport bill of lading. Bill of lading for carriage whenever there are at last two different forms of transport, such as shipping by rail and by sea. *See bill of lading.*

Multimodal transport document. A document issued or signed by a carrier indicating carriage by more than one means of transportation. For example, a multimodal transport document for a door-to-port shipment with main carriage by vessel might indicate pickup at the place where the shipment originates (often the seller's premises) with pre-carriage by truck and main carriage from the named port of loading to the named port of discharge by a named vessel. Depending on how the contact carriage was drafted, the document could be issued either on a received for shipment basis at any time after the goods entered the control of the main carrier, or on an on-board basis after the goods were loaded in the named vessel. As some ship lines accept liability only while the cargo is on their vessel, its is important to carefully read the contract of carriage.

Multimodal transport operator (MTO). A carrier who concludes multimodal transport contracts; i.e., contract involving transport by more than one mode of carriage, and for which MTO accepts liability as a carrier.

Multinational corporation (MNC). A large commercial organization with affiliates operating companies in a number of different countries. A typically one normally functions with a headquarters that is based in one country, while other facilities are based in locations in other countries. In some circles, this type of corporation is referred to as a multinational enterprise (MBE) or a transnational corporation (TNC). There are several models of multinational corporations:

- Centralized: in this model the executive headquarters are in one nation, while production facilities are located in one or more other countries. This model often allows the company to take advantage of benefits of incorporating in a given locality, while also being able to produce goods and services in areas where the cost of production is lower.
- Regional: a third approach to the setup of an MNC involves the establishment of a headquarters in one country that oversees a diverse conglomeration that stretches to many different countries and industries. With this model, the corporation includes affiliates, subsidiaries and possibly even some facilities that report directly to the headquarters.
- Multinational: in this model there is a parent company base in one nation and operate subsidiaries in other countries around the world. With this model, just about all the functions of the parent are based in the country of origin. The subsidiaries more or less function independently, outside of a few basic ties to the parent.

In a globalized world multinational corporations sometimes has a greater ability to adapt to economic and political shifts that corporations that function in a single nation. Along with decreasing costs associated with producing core products, this business model also opens the door for diversification, which often makes it possible for a company to remain solvent even when one division or subsidiary is posting a temporary loss. *See holding company; parent company; sister company; subsidiary.*

Mutual Recognition Agreements (MRAs). Mutual Recognition Agreements are negotiated on a sectoral basis (such as processed foods, telecommunications, medical devices, chemicals, etc.) and allow countries to accept each other's final test results, although quality assurances may be required. Under MRAs the entire testing and certification process may occur outside the importing country.

N

NAFTA. A free trade agreement comprising Canada, Mexico and the United States. The objectives of the agreement are to eliminate barriers to trade, promote conditions of fair competition, increase investment opportunities and also provide protection for intellectual property rights and established procedures for the resolution of disputes. [Website](#).

Named place. Sales terms, specially Incoterms, must be accompanied by a geographic locations such as:

- Named departure point.
- Named airport of departure.
- Named departure port.
- Named vessel.
- Named place of delivery at terminal.
- Named airport of destination.
- Named destination port.
- Named destination point.
- Named destination place.

N

NCND Non-circumvention non-disclosure agreement. Type of contract frequently requested by brokers or intermediaries under which buyers agree to refrain from going around the broker to deal directly with suppliers. These agreements sometimes refer erroneously to ICC Rules for Non-Circumvention Nod-Disclosure Agreements, which do not exist.

NDA Non-disclosure agreement. Type of legal contract between at least two parties that outlines confidential material, knowledge, or information that the parties wish to share with one another for certain purposes, but wish to restrict access to or by third parties. In the contract the parties agree not to disclose information covered by the agreement. An NDA creates a confidential relationship between the parties to protect any type of confidential and proprietary information or trade secrets. NDAs are commonly signed when two companies are considering doing business as a partners (joint ventures, strategic alliances, mergers and acquisitions) and need to understand the processes used in each other's business for the purpose of evaluating the potential business relationship. NDAs can be "mutual", meaning both parties are restricted in their use of the materials provided, or they can restrict the use of material by a single party. Non-disclosure agreements are also known as confidentiality agreements. [Model of Confidentiality Agreement](#).

Nearshoring. The transfer of business processes to companies in a nearby country,

where both parties expect to benefit from one or more of the following dimensions of proximity: geographic, temporal (time zone), cultural, linguistic, economic, political, or historical linkages. Nearshoring is a derivative of the business term offshoring. In contrast, nearshoring means that the business has shifted work to a lower cost organization, but within its own region, broadly defined.

Negotiable bill of lading B/L. A marine transport document showing that the shipment has been made with a designated carrier that includes the word “order” in the consignee field. Once signed by the carrier and endorsed by the shipper or whoever’s name follows the word “order” a negotiable B/L becomes a bearer instrument of title to the shipped goods. A second feature of negotiable B/Ls is that they permit goods to be sold and resold while in transit by the simple expedient of endorsing and passing on the original B/L to the new owner. For these reasons, the carrier will insist upon surrender of the original negotiable B/L prior to releasing the goods. Marine B/Ls are frequently issued in sets of three originals clauded “one original being accomplished, the others are void” (or similar terminology). As any one of the originals serves to release the goods, unpaid sellers should carefully control the accessibility of all three originals. Also called order B/L. *See bill of lading.*

Negotiable instrument. A written document that can be used to transfer the rights embodied in it by mere delivery (in the case of instruments made out to bearer) or by endorsement and delivery (in the case of instruments made out to order). Some instruments, such as the bill of exchange and the cheque, are negotiable unless their negotiability is explicitly, while the bill of lading is negotiable only if made negotiable by the shipper.

Negotiable warehouse receipt. A certificate issued by an approved warehouse that guarantees the existence and the grade of a commodity held in store.

Negotiating bank. In a letter of credit transaction, the bank that:

- receives and examines the seller’s documents for adherence to the terms and conditions of the letter of credit,
- gives value to the seller, so long as the terms of the credit have been met, and
- forwards them to the issuing bank (the buyer’s or importer bank).

Depending upon the of credit, the negotiating bank will either credit or pay the seller/exporter immediately under the terms of the letter of credit, or credit or pay the exporter once it has received payment from the issuing bank. *See advising bank; issuing bank.*

Negotiation. 1. In banking, the action by which a negotiable instrument is circulated (bought and sold) from holder to another. 2. In letter of credit transactions, the examination of the seller’s, documentation by the negotiation bank to determine if they comply with the terms and conditions of the letter of credit and the giving of value

for drafts and/or documents by the bank authorized to negotiate. Mere examination of the documents without giving value does not constitute a negotiation. *See Availability; letter of credit.*

Negotiations. The activities (including discussions, transfer of information, compromise, etc.) leading to a settlement or agreement concerning a business transaction. Each party to the negotiation must gain enough from the process to make it worthwhile to themselves and concede a sufficient amount to keep counterparts interested. *See agenda; win-lose strategy; win-win strategy; zero-sum game.*

NES. Not elsewhere specified is used for an item that is not mentioned elsewhere in a classification system, such as a customs or freight tariff. Similar to NESOI (Not elsewhere specified or indicated).

NESOI. Not elsewhere specified or indicated is used for an item that is not mentioned elsewhere in a classification system, such as a customs or freight tariff. Similar to NES (Not elsewhere specified).

Net price. The price paid or payable after all discounts and rebates have been applied.

Net profit. What's left of the profit after all of the expenses and losses are deducted, either before or after tax.

Net terms. Vessel chartering terms under which the vessel owner is not responsible for the cost of loading, stowing, trimming and unloading the vessel. *See FIO and FIEST.*

Net tonnage. A vessel's gross tonnage minus deductions for space occupied by accommodations for crew, machinery for navigation, the engine room, and fuel. A vessel's net tonnage represents the space available for the accommodations of passengers and the stowage of cargo.

Net weight. The weight of only the goods in a shipment, exclusive of any packing materials.

Neutral marks. Cargo marks that agree with the relevant packing list but which do not indicate either the shipper or the consignee. Neutral marks are commonly used to reduce theft, when either the shipper or consignee is generally known to be involved with products having a "street value".

No commercial value (NCV). Acronym used in proforma invoices and commercial invoices to express that the merchandise shipped, usually samples, do not have commercial value and therefore do not pay tariffs in customs clearance.

Non-negotiable B/L. A transport document showing that shipment has been made with a designated carrier. For vessel shipments, the consignee field will not contain the word "order", but will include the name of the party entitled to claim the cargo. Since

a non-negotiable B/L is not a bearer instrument of title, the carrier will release the shipped goods to the named party only upon identification, often without insisting upon surrender of the original B/L. Goods shipped against a straight B/L cannot be sold in transit, and only the party named in the consignee field is entitled to receive the shipped goods. Also called straight B/L. *See bill of lading.*

Non-tariff barriers (NTBs). Market access barriers that result from prohibitions, restrictions, conditions or specific requirements and make importing products difficult and/or costly. The term covers any restriction or quota, charge, or policy (other than traditional customs duties), domestic support programmes, discriminatory labelling and health standards, and exclusive business practices limit the access of imported goods. NTBs may result from government or private-sector actions. *See Global Trade Alert; Market Access Data Base.*

NOR Notice of readiness is a term used in vessel chartering to indicate that a ship has arrived and is ready for loading or unloading.

Normal value. A customs term meaning the price at which merchandise is sold or offered for sale in principal markets of the country from which it is exported. In some countries a comparison of the price said paid or payable by a local importer with the same item's normal value can provide the basis for anti dumping investigation.

Nostro account. A bank account held by a bank with its foreign correspondent bank, in the currency of the foreign country.

Notary public. A person commissioned by a state to administer certain oaths and to attest and certify documents, thus authorizing him or her to take affidavits and depositions. A notary is also authorized to "protect" negotiable instruments or non acceptance.

Not otherwise specified (NOS). This expression and abbreviation is often applied to air freight tariffs, indicates that the rate stated in the tariff applies to all commodities within the commodity group except those appearing under their own rate. This abbreviation, as used in air freight tariffs, is comparable to the abbreviation NOIBN (not otherwise indexed by number) and NOS (not otherwise specified) which appear in tariffs published by the surface modes. Similar to NESOI (not elsewhere specified or indicated).

Notify address. Address mentioned in the transport document (bill of lading or air waybill) to which the carrier is to give notice when goods are due to arrive.

Notify party. The party to which a carrier should send notice of a shipment's arrival. This information is normally shown on the transport document or its electronic equivalent. As some carriers are notoriously negligent in advising arrivals, the party contracting transportation with the carrier should keep the party awaiting arrival informed as the shipment's progresses. This can be done via Internet and sending

copies of all relevant documents including the transport document. Otherwise, demurrage charges can quickly accrue for shipments unclaimed because the carrier failed to inform the notify party.

NVOCC. Non-vessel-operating common carrier is company providing point-to-point international transport of goods although it does not necessarily operate or own transport vehicles or equipment. NVCCOs will commonly contract with a shipper to move goods from the exporter's premises to the importer's premises and will issue their own door-to-door transport document, although they will in fact sub-contract the different stages of the transport chain to various road haulers and ocean carriers. *See VOCC.*

O

Oanda. Currency converter and calculator tool used by major corporation, tax authorities, auditing firms, and individuals around the world. *See exchange rate.*

Ocean bill of lading. A receipt for the cargo and a contract for transportation between a shipper and the ocean carrier. It may also be used as instrument of ownership (negotiable bill of lading) which can be bought, sold or traded while the goods are in transit. To be used in this manner, it must be a negotiable “order bill of lading”. There are several types of ocean bill of lading:

- Clean bill of lading is issued when the shipment is received in good order. If damaged or a shortage is noted, a clean bill of lading will not be issued.
- On board bill of lading certifies that the cargo has been placed aboard the named vessel and is signed by the master of the vessel or his representative. In letter of credit transactions, an on board bill of lading is usually necessary for the shipper to obtain payment from the bank. When all bills of lading are processed, a ship's manifest is prepared by the steamship line. This summarizes all cargo aboard the vessel by port of loading and discharge.
- Inland bill of lading is used to document the transportation of the goods between the port and the point of origin or destination. It should contain information such as marks, numbers, steamship line, and similar information to match with a dock receipt.

Also called marine bill of lading. *See bill of lading.* [Model of Ocean Bill of Lading](#).

OEM Original Equipment Manufacturing. Type of contract whose purpose is to offer a guarantee to foreign companies subcontracting their manufacturing in China that the manufactured products comply with certain technical and commercial requirements, and also that the Chinese manufacturer complies with the confidentiality and intellectual property rights of the foreign company. [OEM Manufacturing Contract for China \(en English and Chinese\)](#).

Offer. In international trade, a proposal that is made to a foreign individual or legal entity to enter into a contract, that is definitive in its terms, and that indicates the offer's intent to be bound by acceptance. For example, an order delivered on certain terms is an offer, but an advertisement sent to many potential buyers is not. *See counteroffer.*

Offset requirements. A type of counter trade transaction, in an offset contract, which may be required by an importer's government as a condition for approval of major sales agreements, the exporter makes an additional agreement to buy goods and services from the importer's country. There are two types of offset requirements:

- Direct offset: the exporter may be required to establish manufacturing facilities

in the importing country or to use a specified percentage of the components in the product sold from the importer's country.

- Indirect offset: the exporter may be obliged to buy goods or services from the importing country without any link to the product sold.

See countertrade.

Offshoring. Offshoring occurs, when a company moves all or some of its activities to another country. When the costs of running a company are cheaper in another country, the company may choose to move their activities or offices abroad in order to reduce expenses. As opposite to outsourcing, offshoring requires that the third party being hired to complete a job, will be located in another country. Companies that practice offshoring use [International Manufacturing Contracts](#) to produce in low cost countries of Asia and Latin America. *See nearshoring; outsourcing.*

Oligopsony. A market where many suppliers compete to sell their product to a few large and powerful buyers who have a disproportionate influence over the market.

Oligopoly. A situation where a few large and powerful suppliers and manufacturers try to maintain their position by excluding newcomers from a particular market. This situation is not a good for buyers because it limits competition.

On-board B/L. A marine transport document indicating that the shipped goods have been loaded on the carrying vessel.

On-board notation. Loading information shown on on-board B/Ls. The on-board notation should show the date that the goods were actually loaded, and should be initialed by an employee or agent of the carrier.

On-carriage. The movement from the arrival point on the buyer's side to the place where transportation will end, often the buyer's premises. On-carriage is often called "inland freight on the buyer's side".

On-deck. A notation on marine transportation documents that the shipped cargo was loaded on the deck of the carrying vessel as opposed to within the ship's hold ("under deck"). On deck shipments are more susceptible to in-transit damage, and normally command a higher insurance premium. Further, on-dock shipments constitute automatic discrepancies for letters of credit that do not specifically permit them.

Open account. A payment term under which the buyer promises to pay the seller within a predetermined number of days, and the seller does not restrict the availability of documents that control possession rights to the goods. In practice, required documentation is sent directly to the buyer or the buyer's customs broker. Buyers requesting open account payment terms sums in excess of their seller's comfort levels can be accommodated by opening standby letters of credit on favour of sellers. However, this payment term is prudent only when a buyer has absolute confidence

that the seller will not wrongfully draw on the standby letter of credit. Export credit insurance may also increase open-account seller's comfort levels. *See payment terms.*

Open-end contract. A contract by which the buyer may purchase the seller's goods at any time within a specified period without changes in the price or other contract terms.

Open marine cargo insurance policy. A type of insurance policy intended to cover an indefinite number of future individual shipments. The insurance contract remains in force until cancelled. Under the open policy, individual successive shipments are periodically reported or declared to the insurer and reported shipments are automatically covered on or after the policy's inception date. Open policies can provide efficiency and savings for all parties concerned, especially when the insured conducts a significant volume of highly similar transactions.

Open policy (OP). A type of insurance policy intended to cover and indefinite number of future individual requirement. The insurance contract remains in force until canceled. Under the open policy, individual successive shipments are periodically reported or declared to the insurer and automatically covered on or after the inception date. Open policies can provide efficiency and savings for all parties concerned, especially when the insured conducts a significant volume of highly similar transactions. Some letter of credit transactions require evidence of an individual policy covering the specified shipment. In such cases it has become the practice to use an insurance certificate. *See insurance certificate; open marine cargo insurance policy.*

Open top container. A container fitted with a solid removable roof, or with a tarpaulin roof so the container can be loaded or unloaded from the top.

Opportunity cost. The cost of any activity, measured in terms of the value of the next best alternative that was not selected.

Option. In foreign exchange, the contractually agreed upon right to buy (call options) or sell (put options) a specific amount of an underlying instrument at a predetermined price on a specific date (European option) or up to a future date (American option). *See American option; call option; European option; put option.*

Order. A request to deliver, sell, receive, or purchase goods or services.

Order bill of lading. A negotiable bill of lading, which is made out to, or to the order of, a particular person and can be transferred by endorsement and delivery of the bill. In practice, the bill is made out either to the shipper's order or to that of the consignee or to his order. *See bill of lading.*

Original documents. In documentary collections and letters of credit, the requirement for an original document may also be satisfied by the presentation of documents

produced or appearing to have been produced originally and marked as “originals” and where necessary appearing to be signed. *See documentary collection; letter of credit.*

Outbound logistics. The collection, storage and distribution of the product to customers. For tangible products this would involve warehousing, material handling, transportation, etc.; in the case of services it may be more concerned with arrangements for bringing customers to the service if it is in a fixed location.

Outsourcing. Outsourcing, is the process of utilizing third party workers for traditionally in-house business tasks; this may take place either inside or outside the company's home country. It is a common practice that businesses use to cut expenses, gain access to employees with a special skill set, and obtain other benefits. Unlike offshoring, outsourcing does not need to take place in a separate country to occur. Businesses that remain in their countries of origin may seek out local third party workers, resulting in outsourcing. Outsourcing can, however, take place outside of the company's country of origin as well. In this sense companies that practice outsourcing abroad use International Manufacturing Contracts to produce in low cost countries of Asia and Latin America. *See offshoring.*

Outright. In foreign exchange, a forward purchase or sale of currency which is not offset by a corresponding spot transaction. i.e. which has not been contracted through swaps. *See foreign exchange.*

Overdraft. A deficit in a bank account caused by drawing more money than is credited to it.

P

Pacific Alliance. The Pacific Alliance is a regional integration initiative created in 2011 in Latin America whose member states are Chile, Colombia, Mexico and Peru. Its main objective is create an area of deep economic integration and to move gradually toward the free circulation of goods, services, capital and persons. *See APEC; Andean Community; Website.*

Packaging film. Packaging film can produce a tightly wrapped package and is particularly useful in unitizing smaller packages on pallets. There are two types in common use: shrink film and stretch film. Shrink film, also called shrink wrap, contracts when heated after packing; stretch film attempts to return to its original dimensions after packing without the necessity of heat application.

Packing list. A seller-prepared commercial document indicating the net and gross weights, dimensions and contents of all shipping pieces (boxes, crates, bundles, etc.) in a shipment. Each packing list should reference the shipment for which is made, and the line item totals should agree with the relevant commercial invoice. A packing list should be made for all shipments consisting of more than one shipping piece for the following reasons:

- They aid in identifying lost cargo, especially for carrier and insurance claims.
- They permit selective inspection by customs authorities, and many government require them for large shipments.
- They provide a “map” of the shipment, enabling the buyer to easily unpack and stock the shipped goods.

In certain cases it is advisable elaborate the packing list considering the information requested by the importer, especially for customs purposes, as may be the case that the Customs request a “detailed document”, for example, in the case of a machine, the identification of each of the parts and components. [Model of Packing List](#).

Pallet. A shallow portable platform used to facilitate handling of goods by forklift trucks. Often, packages are packed together on a pallet and then over-packed or shrink-wrapped to form a unitized load. Pallets are commonly made of wood, plastics or fiberboard. A four-way pallet is particularly useful, as it is constructed to enable forklift truck tines to engage from any of its four sides. To prevent introduction of non-native pests, some countries, for instance, Australia, prohibit the importation of non-treated coniferous wood packing materials from certain originating countries. Although pallets come in all manner of sizes and configurations, all pallets fall into two broad categories: stringer pallets and block pallets:

- Stringer pallets: use a frame of three or more parallel pieces of timber (called stringers). The top deck boards are then affixed to the stringers to create the pallet structure. Stringer pallets can have a notch cut into them allowing

“four-way” entry.

- **Block pallet:** are typically stronger than stringer pallets. Block pallets utilize both parallel and perpendicular stringers to better facilitate efficient handling. A block pallet is also known as a “four-way” pallet, since a pallet-jack may be used from any.

Pallet loader. Device employing one or more vertical lift platforms for the mechanical loading or unloading of palletized freight at planeside. *See pallet.*

Pallet transporter. Vehicle for the movement of loaded pallets between an aircraft and the freight terminal or truck dock. Sometimes the functions of a pallet loader and a pallet transporter are combined into a single vehicle. *See pallet.*

Palletizing. The loading and securing of a number of sacks, bags, boxes or drums on a pallet base. *See pallet.*

Par value. An official fixed rate of exchange between two currencies, or between a currency and a basket of currencies or a specific weight of gold.

Parallel imports. Imports made by parties other than the factory-authorized importer. *See gray market.*

Paramount clause. The clause in a bill of lading or charter party invoking coverage by the Hague Rules or by the particular enactment if these rules in the country with jurisdiction over the contract.

Parent company. A parent company, sometimes called a holding company, is a corporation that has subsidiaries which are wholly or partially-owned separate businesses controlled by the parent. Although corporate law varies from one country to another there are several ways in which a parent company can create a subsidiary. One method is a takeover, in which the company acquires at least 51% of the stock in another company. This majority share ensures that the parent controls the subsidiary. It is also possible to buy another company outright or to create a new company which is owned by the parent entity. When a parent corporation owns a subsidiary completely and there are no minority shareholders, the subsidiary is known as a wholly owned subsidiary. Sometimes a parent company is structured as a holding company. Holding companies are created specifically to hold subsidiaries and do not produce any products or provide services. People own shares in the holding company, but not any of the companies it controls, making it easier to control the subsidiaries and to do things like selling or spinning off subsidiary properties. Holding companies may be created for the purpose of protecting investors and also for allowing multiple companies to be controlled under the ownership of a parent, rather than merging with each other. *See holding company; sister company; subsidiary.*

Paris Convention. The Paris Convention for the Protection of Industrial Property,

first adopted in 1833, is the major international agreement providing basic rights for protecting intellectual property rights. It covers patents, industrial designs, services marks, trade names, indications of source and unfair competition.

Parity. Exchange relationship of a currency to a legally binding reference, i.e., to a specific amount of gold or to other currencies.

Partial shipment. A portion of less than total quantity of an order. *See back order.*

Particular average. An insurance loss that affects specific interest only. There are two kind or particular average losses: the total losses of a part of goods, and the arrival of goods at destination in damaged condition.

- Total loss: in this situation, it is necessary to determine how much of the total amount insured is applicable to the missing item. In homogeneous or fungible cargo - that is, cargo which is capable of mutual substitution, like oil or coal - is frequently a matter of simple arithmetic.
- Arrival in damaged condition: the method of calculation is slightly different. The value of the insurance is divided by the number of units in the expected arrived quantity rather than the shipped quantity. This can be determined either by the normal percentage of trade loss for similar shipments or by examinations of sound arrived cargo forming part of the shipment in question.

Partnership. An unincorporated business owned and operated by two or more persons (partners) who may have general or limited liability in accordance with the partnership agreement. The definition of status of partnerships varies from country to country, and is not recognized as a business entity in some countries. *See general partnership; limited partnership.*

Party at risk. Between the seller and the buyer, that party who has the most to lose in the event of damage or loss to a shipment, such as:

- Unpaid sellers, especially if the problem occurs before the point where their responsibility for the condition of the shipped goods has passed.
- Buyers who have prepaid, especially if the problem occurs after the point where the seller's responsibility for the condition of the goods ends.
- Whichever party is shown as shipper for the purpose of general average.

Patent. A grant by law to an inventor of a device of the right to exclude other persons from making, using, or selling the device. The patent holder has the right to license to another person or company the right to make use, or sell the device. A patent is available only for devices that embody a new idea or principle and that involve a discovery. Patent protection varies from country to country, and may not be available in some jurisdictions. A country that is a member of the Paris Convention of Protection Of Industrial Property may recognize patents held in other jurisdictions. Patents

rights are transmitted and sold in international markets through an [International Manufacturing License Agreement](#). *See Paris Convention; WIPO.*

Patent Cooperation Treaty (PCT). Established in 1978 and open to any Paris Convention member country, the PCT addresses procedural requirements in order to simplify the filing, searching and publication of international patent applications. [Website](#). *See patent.*

Payee. The party to receive payment of a negotiable instrument. In a cheque or draft, it is the party shown after the words “pay to the order of”. *See negotiable instrument; payer.*

Payer. The party primarily responsible for the payment of the amount owed as evidenced by a given negotiable instrument. *See negotiable instrument; payee.*

Paying bank. The bank designated in a letter of credit as the party that will honour drafts drawn under the L/C.

Payment at sight. Payment terms used in bank collections that require the drawee to pay before receiving certain documents. Typically, the drawer will send these documents to the drawee’s bank with instructions that it secure payment before releasing them. Also called CAD (cash against documents).

Payment in advance. A payment term whereby the buyer remits the amount of money at the time the order is placed. Under this term the buyer is actually extending credit to the seller. Also called CWO (cash with order).

Payment terms. That part of a contract that defines when, where, to whom and in what currency the underlying obligation is to be discharged. The exporter will consider the following factors in negotiating terms of payment for goods to be shipped:

- Practices in the industry.
- Terms offered by competitors.
- Relative strength (negotiation power) of the buyer and the seller.

Some of the payment terms commonly used in international trade are: cash in advance; open account; letter of credit, documents against payment and acceptance; and consignment.

Payment under reserves. In a letter of credit payment made against a non-complaint or questionable presentation, against which the beneficiary agree to repay if reimbursement is not received from the opening bank within a specified time.

Perfect competition. A market situation where a large number of suppliers have equal opportunity to offer comparable goods or services to a large number of buyers. It is the opposite to oligopoly. Also called pure competition.

Performance bond. A bond which guarantees proper fulfillment of the terms of a contract. In practice, the beneficiary of the bond (usually the buyer or services and/or goods), will claim financial restitution under the bond if the principal (supplier of the services and or the goods) fails to comply with the terms and conditions in the contract. *See bid bond; guaranty.*

Phytosanitary certificate. An inspection certificate issued by a competent governmental authority to show that a particular shipment has been treated to be free from harmful pests and plant diseases. The phytosanitary certificate must be issued before the customs clearance for export and import. It is granted for a period of sixty days covering the usual deadlines for shipping and international freight. [Model of Phytosanitary Certificate](#).

Pickup and delivery (PU & D). Freight quote that includes service of picking cargo up at shipper's premises and delivering it at consignee's premises.

Pickup order. An order from a broker (working as the agent of a consignee) to carrier to pick up freight at location.

Pier-to-house. A shipment loaded into a container at the pier or terminal, thence to the consignee's facility.

Pier-to-pier. Freight quote which only covers from export pier to import pier; that is, which excludes handling charges to bring cargo to and from piers. Also called quay-to-quay.

Piggyback distribution. Piggyback is a form of distribution in foreign markets in which a SME company (the "rider"), deals with a larger company (the "carrier") which already operates in certain foreign markets and is willing to act on behalf of the rider that whishes to export to those markets. This enables the carrier to utilize fully its established export facilities (sales subsidiaries) and foreign distribution. The carrier is either paid by commission and so acts as an agent or, alternatively, as an independent distributor buying the products. Piggyback marketing strategies are typically used for products from unrelated companies that are non-competitive (but related) and complementary (allied).

Piggyback logistics. The transportation of truck trailers and containers on specially equipped railroad flat-cars.

Pilferage. As used in marine insurance policies, the term denotes petty thievery-the taking of small parts of a shipment-as opposed to the theft of a whole shipment or large unit. Many ordinary marine insurance policies do not cover against pilferage, and when this coverage is desired it must be added to the policy.

Place of delivery. Place where cargo leaves the care and custody of carrier.

Place of receipt. Location where cargo enters the care and custody of carrier.

Point of origin. The location at which a shipment is received by a transportation line from the shipper.

Port of call. A port where the ship discharges or receives traffic.

Port of debarkation (POD). The port from which cargo are discharge. This may be a seaport or aerial port from which merchandises are discharge; it may or may not coincide with the port of destination. Also called port of discharge.

Port of embarkation (POE). The port from which cargo depart. This may be a seaport or aerial port from which merchandises flow to a port of debarkation; it may or may not coincide with the port of origin. Also called port of exit.

Port of entry. The port at which foreign goods are admitted into the receiving country. Ports of entry are officially designated by the importing country's government.

Port of exit. Place where cargo is loaded and leaves a country. Also called port of loading.

Port of loading. The port where a shipment is loaded aboard a vessel. Also called port of exit.

Port-to-port. Main carriage vessel transportation only from the port of loading to the port of discharge, i.e. excluding pre-carriage and on-carriage.

Portfolio investment. In general, any foreign exchange that is not direct investment is considered portfolio investment. Foreign portfolio investment includes the purchase of voting securities (stocks) at less than a 10 percent level, bonds, trade finance, and governments lending or borrowing, excluding transactions in official reserves.

Postdated check. A check bearing a date that has not yet arrived. Such a check cannot be paid by a bank before the date shown and must be returned to the maker or to the person attempting to use it. If presented on or after the date shown, the same check will be honored if the account contains sufficient funds.

Post-tender-negotiation (PTN). A practice the public sector uses to negotiate better terms after receiving formal tenders and before awarding contracts.

Power of attorney. The authority to act for another in legal or financial matters. In international, some countries require that a customs broker and/or forwarder have a power of attorney in order to represent a principal for import or export control purposes. For example: to enter into contracts, to sign documents, to sign checks, etc. A principal may execute a special power of attorney authorizing an agent to sign a specific contract or a general power of attorney authorizing the agent to sign all

contracts for the principal. When you set up a power of attorney, make sure that it is broad enough in its language to cover the types of situations likely to arise, but not so broad that it gives more power to that individual than you intend. Before giving someone power of attorney in a foreign country, be sure you understand what the local legal ramifications are. *See agent; customs broker; forwarder.*

Pre-advice. In letters of credit, at the request of an applicant, the issuing bank may give a pre-advice of issuance and/or amendment of the letter of credit. A pre-advice is usually marked with a reference such as “full details to follow”. Unless otherwise stated, the pre-advice irrevocably commits the issuing bank to issue/amend the credit in a manner consistent with the said pre-advice. *See amendment; advising bank; issuing bank; letter of credit.*

Pre-carriage. Transportation from the place where a shipping originates to the departure point on the seller’s side. Pre-carriage brings the goods to the main carrier, and is often called “inland freight on the seller’s side”.

Preferences. Special advantages extended by importing countries to exports from particular trading partner countries, usually by admitting their goods at tariff rates below those imposed on imports from other supplying countries.

Preferential cargo. Cargo that by the rules of the exporting or importing country must be transported by a particular flag carrier.

Premises. Any building or offices occupied and used for commercial services.

Premium. 1. The amount above regular price paid as an incentive to do something. For example, a buyer might pay a premium for quick delivery. 2. In insurance, the amount paid to an insurance company for coverage under an insurance policy. Opposite to discount.

Prepaid. A notation on a shipping document indicating that the shipping charges have already been paid by the shipper or his agent to the carrier.

Pre-qualified suppliers list. A list of suppliers that a government agency has pre-approved as capable of delivering specific goods or services.

Prescription period. A maximum period set by statute within which a legal action can be brought or a right enforced. A statute may prohibit, for example, any individual or legal entity from bringing an action for breach of contract more than one year after the breach occurred. Also called limitation period.

Presentation date. The date on which compliant documents were given to the issuing bank or any other institution permitted under a letter of credit.

Presenting bank. In bank collections, the collecting bank that deals directly with the

drawee; usually is the drawee's bank of the account.

Pre-shipment inspection (PSI). An inspection of contract goods prior to shipment so as to ascertain their quality, quantity or price. Importers may insist on PSI, requiring the exporter to furnish a certificate of inspection - commonly issued by neutral, internationally respected firms such as SGS or Bureau Veritas) - so that the importer is assured of receiving goods of quality/quantity specified in the sale contract. Government agencies may require inspection certificates as regards price, so as to prevent parties from under or over invoicing in an attempt to pay lower customs duties or evade foreign exchange restrictions. *See certificate of inspection. Model of Certificate of Inspection.*

Price differentiation. Price strategy for international markets that allows each local subsidiary or partner (agent, distributor, etc.) to set a price that is considered to be the most appropriate for local conditions, and no attempt is made to coordinate prices from country to country. The weakness of the price differentiation strategy is the lack of control that headquarters has over the prices set by the subsidiary operations or external partner. Significantly different prices may set in adjacent markets and this can reflect badly on the image of multinational firms. It also encourages the creation of parallel importing and grey markets, whereby products can be purchased in one market and sold in another, undercutting the established market prices in the process.

See price standardization.

Price standardization. Price strategy for international markets based on setting a price for the product as it leaves the factory. At its simplest it involves setting a fixed world price at the headquarters of the firm. This fixed world price is then applied in all markets after taking account of factors such as foreign exchange rates and variance in the regularity context. This pricing strategy might be appropriate if the firm sells to very large customers, who have companies in several countries. In such a situation the firm might be under pressure from the customer only to deliver at the same price to every country subsidiary, throughout the customer's multinational organization. Another advantage of price standardization includes the potential for rapid introduction of new products in international markets and the presentation of a consistent price image across markets. *See price differentiation.*

Price undertaking. Undertaking by an exporter to raise the export price of the product to avoid the possibility of an anti-dumping duty.

Prima Facie. A Latin term frequently encountered in foreign trade that means "on first appearance." When a steamship company issues a clean bill of lading, it acknowledges that the goods were received "in apparent good order and condition" and this is said by the courts to constitute prima facie evidence of the conditions of the containers; that is, if nothing to the contrary appears, it must be inferred that the cargo was in good condition when received by the carrier.

Principal. 1. In international contracts, an individual or legal entity who authorizes

another party (agent, sales representative) to act on the principal's behalf. 2. In bank collections, the party entrusting the handling of a collection to a bank.

Prior import deposit. A deposit required by a government of a specific sum, in domestic or foreign currency, usually corresponding to a certain percentage of the value of the imported products. Such deposits are characteristically held without interest, sometimes for many months -from the time an order is placed until after the import transaction is completed - and represent real costs to importers. The purpose of prior deposits is mainly to discourage imports, particularly for balance of payments reasons, and they are generally recognized as non-tariff barriers to trade.

ProChile. The Chilean official agency that administers the export and investment programmes of the Chilean Government. [Website](#).

Procurement. All aspects of acquiring and delivering goods, services and works. It starts with identifying a need and finishes with either the end of a service contract or the end of the useful life and disposal of an asset.

ProExport. The Colombian official agency that administers the export and investment programmes of the Colombian Government. [Website](#).

Profit. The financial gain resulting from selling goods or services at a price that exceeds the cost of bringing them to market. *See net profit.*

Proforma invoice. A sample invoice provided by an exporter prior to a sale or shipment or merchandise, informing the buyer of the price, kinds and quantities of goods to be sent, and important specifications (weight, size, and similar characteristics). The proforma invoice no only acts as a contractual offer (which may be accepted by importer's transmission of a purchase order), it is intended to be exactly replicated in the final commercial invoice, so that the buyer receives no surprises as regards, either the goods or the price. Importers may need a proforma invoice to be able to apply for an import licence or a foreign exchange permit. In the case of a letter of credit, the proforma invoice is frequently used to inform the importer of the amount for which the letter of credit has to be opened. The proforma invoice should include the following information:

- A unique proforma invoice number.
- The date the proforma invoice is prepared.
- The identities and addresses of the seller and prospective buyer.
- The proposed terms of sale (preferably Incoterms rules).
- The proposed terms of payment.
- A complete description of all line items including their unit costs and line-item totals.
- The grand total.

- Any certifications required by import authorities of the buyer's country.
- The validity period of quotation.
- A signature by authorized person at the seller's company, if required.

When accepted in their entirety by buyers, proforma invoice often become the "offer" and even act as a sale contract. For this reason, prospective sellers should take care to quote pricing and delivery terms information that they can live with for any order received from the prospective buyer during the validity period of quotation. *See commercial invoice. Model of International Proforma Invoice.*

ProMéxico. The Mexican official agency that administers the export and investment programmes of the Mexican Government. [Website](#).

Promissory note. An unconditional written promise to pay a specified sum of money on demand or at a specified date to, or to order of, a specified person, or to the bearer. Promissory notes are negotiable instruments and perform more or less the same function as accepted bill of exchange.

Proof of delivery (POD). A document required from the carrier or driver for proper payment. POD includes the time of delivery, full delivery address, and the name and signature of the person who accepted the shipment.

Protectionism. The deliberate use or encouragement of restrictions on imports to enable relatively inefficient domestic producers to compete successfully with foreign producers.

Protest. The act of formalizing the dishonour of a draft. Laws differ from country to country, but in general the procedure works as follows:

1. The principal has instructed that dishonoured drafts be protested.
2. A draft matures for payment and is not paid.
3. Whatever applicable grace period in the drawee's country expires.
4. The banker, often accompanied by a public notary, formally presents the draft for payment. Notice of the dishonour is recorded by the notary.

The results of a protested draft vary from country to country, but the net result is often akin to the recording of a judgment entry. Further, in some countries, protested drafts enjoy preferred status over non protested drafts in case of bankruptcy liquidations. Some countries require that drafts covered by avails (third party guarantees) be protested if defaulted at maturity. This assures that the guarantor receives due notice that its contingent liability may be called.

Proxy. A person who is substituted or deputed by another to represent him and act for him, particularly in some meeting or public body. Also the instrument containing the appointment of such person. *See power of attorney.*

Purchase order. A purchaser's written offer to a supplier formally stating all terms and conditions of a proposed transaction. Sometimes, in a certain number of international trade operations, international sale contracts are not made. In these cases, it is usual to confirm the operation with an international purchase order. This practise is usual for sales of a small amount of money and for repetitive sales to the same client concerning products which are not very complex or for products that do not have a high added value. Usually it is the exporter who issues this document. Nevertheless, sometimes, companies with international purchase experience (such trading companies) have their own international purchase order template where they establish the purchase conditions to their suppliers. [Model of International Purchase Order](#).

Purchasing agent. An agent that purchases goods in his/her own country on behalf of foreign purchasers that are his/her clients. The purchasing agent represents and buys a specific kind of products within a specific territory. Also called buying agent. [Model of International Purchasing Agent Contract](#).

Purchasing power parity (PPP). An economic theory that estimates the amount of adjustment needed on the exchange rate between countries in order for the exchange to be equivalent to each currency's purchasing power. The PPP is calculated as: $S = P_1 / P_2$, where "S" represents exchange rate of currency 1 to currency 2; P_1 represents the cost of good X in currency; and P_2 represents the cost of good X in currency 2.

Put option. A contract which entitles one party (exporter or importer), at his option, to sell a specific amount of currency to another party (usually a bank), at a price fixed in the contract, within a specified time limit. *See American option; call option; currency option; European option.*

Q

Quality. The degree of excellence of something, as measured against other things of a similar kind.

Quality assurance. The process of making sure that goods or services perform to agreed quality standards.

Quality control. The process of making sure that goods and services are produced and maintained to agreed quality standards.

Quantitative restrictions. Explicit limit, or quotas, on the quantity of a good that can be imported or exported during a specified time period. This restrictions may be applied id a “selective” basis, with the varying limits set according to the country of origin, or o quantitative global basis that only specifies the total limit and thus tends to benefit more efficient suppliers. Quantitative restrictions are frequently managed through quotas a system of licensing. *See import quota; quota.*

Quay. A structure built for the purpose of mooring a vessel. Also called pier.

Quota. In international trade a limitation of the quantity of goods that may be imported into a country from all countries or from specific countries during a period of time. There are two type of quotas:

- Global quota. Permit a limited number of unit of specified merchandise to be entered or withdrawn for consumption in a country during specified periods of time.
- Tariff-rate quotas. Permit a specified quantity of merchandise to be entered or withdrawn for consumption in a country at a reduced tariff during a specified period of time.

Quotation. An offer to sell goods or services. In international trade, offers to sell goods are often prepared in purchase order or proforma invoice format. [Model of International Purchase Order](#). [Model of International Proforma Invoice](#).

R

Railway consignment note. A freight document indicating that the goods have been received for shipment by rail. The railway consignment note is a rail contract in which the parties are identified, the goods transported are described and responsibilities are assigned. It must be signed by the sender and by the carrier. When this document is included in the documentation of a letter of credit, if the letter does not identify the carrier, any signature or stamp of the railway company will be accepted as evidence that the document has been signed by the carrier. This document do not constitute a title to the goods (unlike the bill of lading B/ L) and therefore is not negotiable and cannot be issued "to order"; it is always nominative.

Range. In shipping, range means extent or scope of places. Carriers, particularly ship lines, quote base rate freight costs based on services from places they serve that are located within one range to the places they serve that are located within another range. Since different ports have different capabilities, cargo handling procedures and terminal handling charges, ship lines quote only base rate freight on a range-to-range basis, and add a terminal handling charge that depends on which ports are actually used.

Receipt. Any written acknowledgment given in exchange for taking goods into one's possession.

Received for shipment B/L. A bill of lading which confirms the receipt of goods by the carrier, but not their actual loading on board. This document can be accepted under letters of credit only if this is expressly permitted in the opening of the letter of credit, or if the credit stipulates a document covering multimodal transport. Otherwise, received for shipment B/Ls must show an additional "on board" notation in order to be accepted as a marine bill of lading. *See bill of lading; letter of credit.*

Red clause L/C. A letter of credit provision allowing the beneficiary to draw partial advance payments under the credit. This provision in used to be set out in red ink, therefore red clause designation. Generally, the beneficiary is only required, in order to receive the payment of the authorize advances, to present drafts along with a statement that the shipping documents will be provided in due time. Liability is assumed by the issuing bank rather than the correspondent bank. *See letter of credit.*

Reefer container. A controlled temperature shipping container, usually refrigerated. Refrigeration may either be mechanical, which means involving an external power supply, or by expendable refrigerant (dry ice, liquefied gases, etc.), which requires no external power supply.

Re-exports. Exports of foreign origin merchandise that had previously been imported.

Reimbursing bank. The bank named in a letter of credit from which the paying, accepting or negotiating bank may request cover after receipt of the documents in

compliance with the letter of credit. The reimbursement bank is often but not always, the issuing bank. If the reimbursement bank is not the issuing bank, it does not have a commitment to pay unless it has confirmed the reimbursement instruction. The issuing bank is not released from its commitment to pay through the nomination of a reimbursement bank. If cover from the reimbursing bank should not arrive in time, the issuing bank is obliged to pay (also any accrued interest on arrears).

Reinsurance. Reinsurance occurs when multiple insurance companies share risk by purchasing insurance policies from other insurers to limit the total loss the original insurer would experience in case of disaster. By spreading risk, an individual insurance company can take on clients whose coverage would be too great of a burden for the single insurance company to handle alone. When reinsurance occurs, the premium paid by the insured is typically shared by all of the insurance companies involved.

Remittance. Funds forwarded from one person to another as payment for bought items or services.

Remittance following collection. In instances when a shipper has performed services incident to the transportation of goods, a carrier will collect payment for these services from the receiver and remit such payments to the shipper. Carriers charge nominal fees for this service.

R

Remitter. In a documentary collection, an alternative name given to the seller who forwards documents to the buyer through banks. *See documentary collection.*

Remitting bank. In a documentary collection, the bank forwarding the exporter's documents and the draft to, an receiving payments from, the buyer's bank (collecting bank). *See documentary collection.*

Representative office. An office opened in a foreign market as a first step for establishing a relationship with potential buyers or sellers. This type of office allows a company to show its commitment to the new market while permitting more intense on-the-ground research. Some developing economies have tight restrictions on the opening and operation of representative offices. Central government approval may be required and significant restrictions may apply.

Request for information (RFI). A market research tool. A formal request from a potential buyer (public or private) to the market asking for information to get an idea of the number and type of suppliers and the range of solutions, technologies and products or services they can provide.

Request for proposal (RFP). A document issued by a purchaser seeking purveyors for very specific goods or services. The RFP will give basic technical requirements and possibly price restrictions. Purveyors will respond with either a request for more data or a bid for providing the good or services. Also called request for quotation. *See tender proposal.* [Model of Request for Quotation Letter](#).

Request for quotation (RFQ). A negotiation approach whereby the buyer asks for a price quotation from a potential seller/supplier for specific quantities of goods (or services) to specifications the buyer establishes in the request for quotation letter.

Also called request for proposal (RFP). [Model of Request for Quotation Letter](#).

Request for tender (RFT). A formal request from an agency asking for offers from potential suppliers to supply clearly defined goods or services or works. Often there are highly technical requirements and a prescriptive solution.

Rescind. To cancel a contract. A contract may, for example, give one party a right to rescind if the other party fails to perform within a reasonable time.

Reserve currency. A national currency such as the US dollar, the European euro EUR, or the Swiss franc CHF, used by many countries to settle debit balances in their international accounts. Central banks generally hold a large portion of their monetary reserves in reserve currencies, which are sometimes called “key currencies”.

Restitution. In law, remedy for a breach of contract by which the parties are restored to their original positions before the contract was made or the breach occurred. Damages are distinguished from restitution in that damages compensate for a party who has suffered a loss. If a buyer for example, partially pays for merchandise in advance and the seller delivers merchandise that fails to meet the buyer's specifications, the buyer may file a legal action seeking restitution, that is, a return of the advance payment to the buyer may accept the goods and may sue for damages in the amount by which the worth of the goods is less than the original contract price.

Restricted letter credit. A letter of credit, the negotiation of which is restricted to a bank specially mentioned in the letter. [See letter of credit](#).

Retaliation. Action taken by a country whose exports are adversely affected by the raising of tariff or other trade-restricting measures by another country. Also called retorsion.

Retention of title clause. A contract clause commonly used in international sale contracts whereby a seller declares his intention to retain title of ownership over the contract goods until payment by buyer is complete. Example of retention of title clause is as follows: *It is understood that the Products hereunder remain the property of the Seller, until the Buyer has completed payment completely. Until such point the Products shall be deemed to be a deposit in possession of the Buyer, and the Buyer shall meet all obligations incurred by receiving such deposit, while being entitled to administer the Products with due diligence.*

Revaluation. The increase of the value (restoration) of a nation's currency (that had once been devalued) in terms of the currency of another nation.

Revenue ton (R/T). A unit measure used in marine transport to compare the volume and weight of a shipment. Freight rates are usually expressed in terms of cost per revenue ton. There are three different formulas in general use for determining the total number of revenue tons in a given shipment when the freight is calculated on a weight or measurement basis:

- The greater of the total number of cubic meters versus the total number of metric tons;
- The greater of total cubic feet/40 versus the total gross weight in pounds/2.000;
- The greater of total cubic feet/40 versus the total gross weight in pounds/2.234.

Occasionally, carriers assign a per-unit freight cost to a particular type of cargo, for instance, locomotives up to “x tons” and “y cubic meters” might pay a fixed amount of money per locomotive. As there are different formulas that produce different results, it is important that the carrier and the party contracting for carriage clearly understand which one applies.

Reverse logistics. Activities associated with a product/service after the point of sale. The ultimate goal of reverse logistics is to optimize or make more efficient aftermarket activity, thus saving money and environmental resources. Some services included in reverse logistics are:

- Customer service (helpdesk).
- Depot repair.
- Transportation/warehousing.
- Spare parts management.
- Replacement management.
- Refurbishment.
- Screening/count auditing.
- End-of-life manufacturing.
- Recycling.
- Scrape/waste management.
- Sustainability.
- Environmental resources.

Reverse logistics is not to be confused with forward logistics or getting the product to market commonly known as the forward supply chain. [Model of Logistics Services Contract](#).

Reverse option. An auction where suppliers bid the price down in competition with each other. Reverse auctions commonly take place over the internet.

Revocable L/C. A letter of credit that can be cancelled or changed by any party at any time without the consent of any other parties. At present there are not revocable L/C; all of them are irrevocable. *See letter of credit.*

Revolving L/C. A letter of credit which is automatically restored to its full amount after the completion of each documentary exchange.

Risks analysis. Identifying and assessing the risks that apply to a particular scenario along with the costs and other effects of those risks if they were to occur and minimising, monitoring and controlling the probability and impact of those effects. *See country risk.*

Roll-on/roll-off (RoRo). A combination of road and sea transport, where loaded road vehicles are driven on to a ferry or ship (roll-on/roll-off ship) and off at the port of destination. Major benefits of RoRo are reduced handling of the actual goods and packages, competitive costs for unit loads and schedules services.

Rollover credit. Any line of credit that can be borrowed against up to a stated credit limit and into which repayments go for crediting. *See letter of credit.*

Rounding. 1. In vessel shipments, the practice of rounding up length, width and height dimensions to the nearest whole centimeter or inch in calculating the dimensional weight factor for revenue tons. 2. In air freight shipments, the practice of rounding up the entire shipment's dimensional or actual gross weight to the nearest whole kilo or pound.

Royalties. Compensation for the use of a person's or company's intellectual property rights based on an agreed percentage of the income arising from its use (e.g. to an author on sale of his/her book, to an inventor for the use of his/her patent, to a company for the use of its trademark, etc.).

Rules of origin. The criteria applied by an importing country to determine the origin of a good. The question of origin is very complex because many goods contain materials of mixed origin and many preferential trade agreements employ different origin criteria

Importers should be sure that they know and understand the particular rules of origin that their governments apply.

Running days. A vessel chartering term meaning days that run consecutively after each other.

S

SAD. The Single Administration Document is a customs declaration document used by all countries within the European Union (EU). It is required for all exports of goods outside the European Union, with the exception of postal exports, and must accompany the goods to the point of exit from the EU.

Safeguards. Emergency measure taken when increased imports of particular products cause or threaten to cause serious injury to the importing country's domestic industry. World Trade Organization (WTO) permits two forms of multilateral safeguards: (a) a country's right to impose temporary import controls or other trade restrictions to prevent commercial injury to domestic industries; (b) the corresponding right to exporters not to be deprived arbitrarily of access to markets.

Said to contain (STC). This is a caveat clause applied to container-shipment transport documents, indicating that the carrier has no firsthand knowledge of what was loaded in the container. They do not deny that the quantity invoiced is actually the quantity shipped, and in themselves do not constitute discrepancies under letters of credit. Also called Said to weigh (STW). *See shipper's load and count.*

Sales agent. A person or a company that acts as a sales agent on behalf of the exporting company (principal), introducing its products to potential buyers in the external market, in exchange for a commission based on the value of the business deals arranged and paid to the principal. As with the distributor, this relationship does not imply a formal interdependence between the principal and the agent intermediary, unless the laws of the country of destination state otherwise. The mechanism of commission agent or intermediary is therefore very useful to companies that are launching their export operations. This type of contract is ideal for small companies with little or no experience in international trade, as it allows them to access international markets without having to make large investments. Everything is left in the hands of the agent. In foreign markets, the relationship between the sales agent and his clients is governed through the [International Sales Commission Agreement](#). *See brokerage; distributor; sales representative.*

Sales representative. An individual or firm that serves as the foreign representative of a domestic supplier and seeks sales abroad for the supplier. The Representative carries out his/her activity continuously and is paid by commission based on sales achieved, although on occasions there may be agreement as to the payment of fees for management and representation expenses. In international markets relationships between sales representative and his/her clients are governed through an [International Sales Representative Agreement](#). *See agent; distributor.*

Sales tax. A tax levied on the exchange of goods and services in the process of distribution. *See indirect tax; VAT.*

Salvage. 1. Compensation paid for the rescue of a ship, its cargo or passengers from a loss at sea. 2. The act of saving a ship or its cargo from possible loss. 3. Property saved from a wreck or fire.

Salvage loss. A method of insurance adjustment where the underwriter pays the difference between the amount of insurance and the net proceeds of the sale of damaged goods. It is sometimes incorrectly assumed that when damaged goods are sold to determine the extent of loss, the underwriter is obligated to pay the difference between the amount of insurance and the net proceeds of the sale. The salvage loss method is regularly used only if goods are justifiably sold short of destination.

Sample. A portion or piece taken as a representative of a whole. When cost permits, sellers often provide samples to new customers, or of new products to existing customers. Either way, this is normally done at low or no charge to the client. In international trade, sample shipments may present problems as countries' rules differ in how they are treated for customs purposes. The safest procedure is to ask the buyer whether a commercial invoice is required and, if so, what verbiage should be used. For many countries, a "no charge" invoice stating the lowest defensible value and clearly indicating the phrase "samples - no commercial value - not for resale" will be enough.

Sanction. An embargo imposed against an individual country by the United Nations -or a group of nations - in an effort to influence its conduct or its policies. *See embargo.*

Sanitary certificate. Some countries require a health or sanitary certificate when animals, animal products, fish, plants and food products are skilled. These certificates confirm that the goods are free from disease or pests (insects), and that products have been prepared in such a way that they reach prescribed standards. Normally, these certificates are issued by the Department of Agriculture of the exporter's country. Also called certificate of health.

Sanitary measures. Regulations that governments impose to restrict imports for health protection reasons. *See phytosanitary certificate; sanitary certificate.*

Schedule. An attachment to a particular contract that forms a material part of the contract. Also called annex or exhibit.

Sea waybill. A transport document for maritime shipment which serves as evidence of the contract of carriage and as a receipt for the goods, but is not a document of title. The sea waybill indicates the on board loading of the goods and can be used in cases where no ocean bill of lading and no other document of title is required. For receipt of the goods, presentation of the sea waybill by the consignee named therein is not required, which can speed up processing at the port of destination. *See bill of lading; ocean bill of lading.*

Second advising bank. In a letter of credit transaction, the seller usually prefers that

the incoming letters of credit be advised through its bank account. However, if the seller's, bank lacks a correspondent banking relation with the issuing bank, it is unable to authenticate the letter of credit. In such cases, the issuing bank will transmit the letter to its correspondent bank (the first advising bank) for authentication, with instructions to relay the credit to the seller's bank (the second advising bank).

Self insured. A shipment on which insurance coverage is not placed. Also called uninsured.

Settlement date. In banking, the date on which payment for a transaction must be made.

Severability clause. A contract term that provides that each provision of the contract is independent of all of the others so that if a court invalidates any of the clauses, the rest of the contract remains valid. An example of severability clause is as follows: *The invalidity or unenforceability of any clauses of this Contract shall not affect the validity or enforceability of any clause of this Contract, which shall remain in full force and effect.*

SHEX. A term meaning that Sundays and holidays are excluded in calculating the laytime for vessel chartering.

SHICN. A term meaning that Sundays and holidays are included in calculating the laytime for vessel chartering.

Shipbroker. In vessel chartering, a party who acts as an intermediary in return for a fee or brokerage, negotiating the terms of a contract between charterer and vessel owner.

Shipment. 1. As in consignment, the act of handing over cargo to a carrier or other transportation service provider for transport. 2. On board a vessel, the act of placing cargo on a vessel. This can be literally defined as passing the ship's rail. Once goods are successfully loaded, the carrier can issue a marine transportation document bearing an "on-board" notation.

Shipment date. The date a shipment takes place, which is usually the date of the relevant transport document. For banking purposes, with shipments by vessel for which on-board marine transport document is issued, the shipment date is considered to be the date of the on-board notation if it is the same date or later than the date on which the document is executed.

Shipped on deck. Annotation in a bill of lading stating that the goods have been shipped on the deck of a ship. *See bill of lading.*

Shipper. 1. As the party who contracts for carriage, the party who enters in a contract of carriage with a carrier and pays the carrier is in a position to give the carrier handling instructions. For freight-prepaid shipments this would usually be the seller, for

freight-collect shipments, it would usually be the buyer. 2. As the party who delivers goods to carrier, the party who hands over cargo for transport is called "shipper". However, in case of conflicting instructions, those given to the carrier by the counterparty may prevail when it is the counterparty who contracts for carriage.

Shipper's letter of instruction (SLI). A form issued by a shipper to authorize a carrier to issue a bill of lading or an air waybill on the shipper's behalf. The form contains all details of shipment and authorizes the carrier to sign the bill of lading in the name of the shipper see bill of lading. *See shipping instructions.*

Shipper's load and count (S & C). A carrier's notation disclaiming responsibility for the quantity of the cargo's contents; the quantity declared is thus purely the shipper's statement. If there is a dispute because less than a contract quantity is delivered, the carrier wishes to be free from liability and the receiver will have to claim directly against the shipper or insurer.

Shipping conference. A group of shipping lines which have associated to offer regular service on specific routes at publicly announced prices. Conferences generally offer specific rebates for regular or high-volume shipments. Shipment by conference lines is sometimes referred to as liner shipping and the freight rates are referred to as liner terms. Shipping lines which are not members of a conference for a particular route are known as outsiders, independent lines, or non-conference lines. Also called steamship conference. *See liner terms.*

Shipper's load and count. A carrier's notation disclaiming responsibility for the quantity of the cargo's contents; the quantity declared is thus purely the shipper's statement. If there is a dispute because less than a contract quantity is delivered, the carrier wishes to be free from liability and the receiver will have to claim directly against the shipper or insurer.

Shipping documents. Documents or electronic files that detail how a shipment has taken or should take place. Typical shipping documents include CMR document, bill of lading, air waybill, sea waybill and multimodal transport document.

Shipping instructions. Information supply by the exporter/shipper providing detailed instructions pertaining to a shipment (e.g., shipper, consignee, bill-to-party, commodity, pieces, weight, cube, etc.). *See shipper's letter of instruction.*

Shipping order. Instructions of shipper to carrier for forwarding o goods; usually the triplicate copy of the bill of lading.

Shipping weight. The total weight usually expressed in kilograms of shipments, including the weight of moisture content, wrappings, crates, boxes, and containers (other than cargo vans and similar substantial outer containers).

Shop in shop. In retail business this concept is used when brand owner (usually a

multinational company) takes space in another retailer's store and fits it out to provide selling space to show its products. There are benefits to both, brand owners and retailers (e.g. shared costs, shared marketing and demand-generation, and speed to market).

Short delivery (SD). Non-delivery of cargo at the intended port. When reported, this will result in the ship's agent sending a cargo tracer to locate the missing cargo.

Short form B/L. A bill of lading that does not include the full terms and conditions of the contract of carriage. Instead, it contains an abbreviated version of the carrier's conditions, with reference to the full set of conditions.

Short-shipped. Cargo manifested but not loaded.

Side loader. A lift truck fitted with lifting attachments operating to one side for handling containers.

Side-door container. A container fitted with a rear door and at least one side door.

Silent confirmation. In letters of credit, in addition to the commitment of the issuing bank, the advising bank can, by silent confirmation, enter into its own, independent commitment to pay or accept. In contrast to the confirmed letter of credit, in this case there is no confirmation instruction given by the issuing bank. Silent confirmations are thus purely agreements between the beneficiary and the "silently confirming" bank. In order to enforce its claim, the "silently confirming" bank requires the assignment of all the rights of the beneficiary under the letter of credit. *See letter of credit.*

Sister company. A sister company is a company with close affiliations to another company with a separate name and personnel. Both companies are owned by the same parent and are considered subsidiaries of the larger company. While some subsidiaries are not closely related and may have limited interactions with each other, others can have a close connection, and are examples of sister companies. It is possible for any number of companies to have this kind of relationship. Each sister company has its own personnel and branding. It is accountable to the parent company but can operate largely autonomously when it comes to making purchasing decisions, designing packaging and facilities, and so forth. Companies with a sister relationship to each other can run cross-promotions, encouraging customers of one to visit the sister company as well. They are usually careful to avoid operating in competition, targeting slightly different markets or operating in different regions to provide complete coverage of a given nation or state. *See holding company; parent company; subsidiary.*

SITC. The Standard International Trade Classification is a numerical code developed by the United Nations for the classification of goods. *See Brussels Tariff Nomenclature; Harmonized System. H 6-digit.*

Sling. A contrivance into which freight is placed to be hoisted into or out of a ship.

SMART. An acronym for specific, measurable, achievable, realistic, time-bound. A project management tool used to set project objectives and evaluate if those objectives fit the project.

SMEs. The acronym for small and medium size enterprises. While the definition varies, SMEs are generally considered to be companies that have no more than one-their capital held by a larger company ad have up to 500 employees.

Smuggling. Conveying goods or persons, without permission, across the borders of a country.

Sociedad Anónima S.A. In Spain, México and Latin America designation for a joint stock company with limited personal to shareholders. *See limited liability.*

Sociedad de Responsabilidad Limitada S.R.L. In Spain, México and Latin America designation for a private limited liability corporation with limited liability to shareholders. *See limited liability.*

Société Anonyme S.A. In France, Luxemburg and Switzerland designation for a joint stock company with limited personal to shareholders. *See limited liability.*

Société à Responsabilité Limitée S.R.L. In France, Luxemburg and Switzerland designation for a private limited liability corporation with limited liability to shareholders. *See limited liability.*

Soft currency. A currency of a nation in which exchange may be made with difficulty. Countries with soft currencies typically have limited exchange reserves so that their currency is generally considered to be high risk.

Sogo Shosha. In Japan, this term means “general trading company,” Unlike typical Western trading companies and Japan’s some 9,000 other trading companies, the sogo shosas are distinguished by their international networks, their trade of numerous commodities, and their large market shares. For example, a sogo shosha may control about 10 percent of Japan’s trade, handle a range of 10,000 to 20,000 products including food, clothing, automobiles, and appliances, and have a network of over 200 offices throughout the world. The sogo shosha are also characterized by their ability to issue large volumes of credit and to help small manufacturers buy and sell goods in the global market. These trading companies serve as intermediaries for distribution at home and abroad for Japanese companies. The major sogo shosha include Mitsubishi, Mitsui, C. Itoh, Sumitomo, Marubeni, Nichimen, Kanematsu-Gosho, and Nisso Iwai Corp. *See trading company.*

Sovereign default. The failure or refusal of a government to pay back its debt in full. It may be accompanied by a formal declaration of a government not to pay (repudiation) or only partially pay its debts (due receivables), or the de facto cessation of due payments. Also called insolvency.

Sovereign risk. The reduced possibility of default because of the guarantee of a national government.

Special cargo policy. A document used to that coverage is provided to cover loss or damage to cargo while in transit when insurance is placed against an open marine cargo policy. Usually is called cargo insurance certificate or insurance certificate. *See insurance certificate; open marine cargo insurance policy; open policy.*

Special marine policy. An insurance policy which is issued to cover a single shipment. The special marine policy form calls for the name of the vessel and sailing date, points of shipment and destination, nature of commodity, description of units comprising the shipment, and the amount of insurance desired. This document is usually utilized on export shipments when the sale is financed through a bank letter of credit and evidence of insurance is a part of the required documentation. *See bordereau; insurance certificate; open policy.*

Specific duty. A duty base on some measure of quantity, such as weight, length or number of units. For example, 0,5 cents of dollar per liter or 1,2 euros per kilogram. *See customs duty. See ad valorem duty.*

Spot cash. Immediate cash payment in a transaction, as opposed to payment at some future time.

Spot exchange. The purchase and sale of foreign exchange for delivery and payment at the time of the transaction.

Spot exchange rate. The price of one currency expressed in terms of another currency at a given moment in time.

Spot market. The market (or exchange) for a commodity or foreign exchange available for immediate delivery (usually one or two days after the transaction date).

Spot price. A price quotation for immediate sale and delivery of a commodity or currency.

Spot rate. Rate of exchange quoted for purchases and sales of a foreign currency for immediate delivery and payment.

Standard Shipping Note (SSN). It is the receiving document for ports and containers bases around the world, and advises of the necessary information to process and handle the goods safely and with care. In most cases, it is completed by freight forwarders or agents in the name of exporters or importers.

Standby L/C. The standby letter of credit is very similar in nature to a guarantee. The beneficiary can claim payment in the event that the principal does not comply with its obligations to the beneficiary. Payment can usually be realized against presentation of a

sight draft and written statement that the principal has failed to fulfill his obligations. A standby L/C can be used to back up a payment commitment. Therefore, an exporter may agree to sell on open account terms granting the importer 90 day credit terms on the condition that the importer open a standby credit in the exporter's favour. If the importer fails to honor the exporter's invoices, the exporter simply draws against the standby letter of credit. *See letter of credit.*

Start date. The date when a contract begins and the supplier must start providing the contracted goods or services.

Statement of Work (SOW). A Statement of Work is a document that describes what needs to be done in the agreed contract. Usually, the SOW is written in a precise and definitive language and This prevents any misinterpretations of terms and requirements.

An SOW covers the work requirements for a specific project and addresses the performance and design requirements at the same time. Whenever requirements are detailed or contained within a supplementary document, SOW makes reference to the specific document. The SOW defines the scope and the working agreements between two parties, typically between a client and a service provider. Therefore, SOW carries a legal gravity as well. In international trade, Statement of Work are used mainly with International Supply Contracts and International Services Contracts. *See Vendor Agreement.*

STC Said to contain. Notations on transport documents by which carriers give notice that they do not wish to accept responsibility for the accuracy of a shipper's declarations as to the contents, weight or quantity of a particular shipment. Also called said to weigh (STW). *See shippers load and count (S&C).*

Steamship agent. A duly appointed and authorized representative in a specified territory acting on behalf of a steamship line or lines and attending to all matters relating to the vessels owned by his principals.

Steamship line. A company usually having the following departments: vessel operations, container operations, tariff department, bookings, outbound rates, inward rates, and sales. The company can maintain its own in-country offices to handle regional sales, operations, or other matters, or appoint steamship agents to represent them doing the same. Some lines have liner offices in several regions and appointed agents in others.

Stop loss order. An order to buy (on a short position) or to sell (on a long position) foreign exchange if the rate rises above or falls below a specific limit. As soon as the rate reaches the prescribed limit, the order will be carried out at the next rate. Depending on the market situation, this rate can differ considerably from the limit rate.

Storage. The keeping of goods in a warehouse.

Storage demurrage. A charge made on property remaining on the dock past the prescribed “free-tie period”. *See demurrage.*

Storage in transit. The stopping of freight traffic at a point located between the point or origin and destination to be stored and forwarded at a later date.

Store-door delivery. The movement of goods to the consignee’s place of business, customarily applied to movement by truck.

Stowage. The arranging and packing of cargo in a vessel for shipment. Sometimes the shipper or his agent give specific instructions concerning the way in which cargo is to be stowed. For example, a shipper may require that his shipment be placed below deck if it may be damaged by exposure to the elements above deck, or amidships if it may be damaged by the greater movement of the vessel in fore and aft sections.

Straddle carrier. Mobile truck equipment with the capacity for lifting a container within its own framework.

Straight B/L. A non-negotiable bill of lading which specifies the consignee to whom the goods are to be delivered. It is used when payment for the goods has been made in advance. A straight bill of lading cannot be transferred by endorsement. Also called non-negotiable B/L. *See bill of lading.*

Straight L/C. A letter of credit payable only at the opening bank or at a bank specified within the credit. *See letter of credit.*

Strategic alliance. A strategic alliance is an agreement between two separate business entities to pool resources in order to achieve a common goal. In strategic alliances, the participants remain separate and do not form a new entity as with joint ventures and some other types of partnerships. They retain autonomy and usually embark on finite projects, rather than an ongoing business relationship. Some of the objectives of a strategic alliance can be:

- To explore the various synergies which may be obtained by working together, particularly in a certain field or industry.
- To undertake joint research projects as may be agreed and consider the joint commercial exploitation of any new technology or products resulting from their joint research.
- To share technical expertise in a certain field or industry to improve research and development results.
- To explore commercial agreements that will be for the mutual benefit of the parties.

Strategic alliances are increasingly used by companies that want to find a way to become more competitive. Working strategically, even with a competitor, provides

a company with an access to more of the market share. As companies compete in a global business environment, smaller entities may have difficulty thriving unless they are willing to work strategically. Forming strategic alliances also provides people with access to new expertise and technology that might not otherwise be available. Companies of different countries that enter into a strategic alliance govern their relationship through an [International Strategic Alliance Agreement](#). *See joint venture.*

Strike clause. An insurance clause included in insurance policies to cover against losses as a result of strikes. *See Strikes, Riots and Commotion Clause (SRCC).*

Strike price. Price at which the option buyer obtains the right to purchase (call option) or sell (put option) the underlying security or currency.

Strikes, Riots and Civil Commotion Clause (SRCC). An insurance clause referring to loss or damage directly caused by strikers, locked-out workmen, persons' participation in labor disturbances, and riots of various kinds. The ordinary marine insurance policy does not cover this risk. Coverage against it can be added only by endorsement.

Stripping. Unloading goods from a container. Also called destuffing or devanning.

Stuffing. The loading of cargo into a container.

STW Said to weigh. Notations on transport documents by which carriers give notice that they do not wish to accept responsibility for the accuracy of a shipper's declarations as to the contents, weight or quantity of a particular shipment. Also called said to contain (STW). *See shippers load and count (S&C).*

Subcontractor. An individual, business, or company a supplier contracts to deliver or carry out any part of the supplier's contract obligations.

Subrogation. The transfer of all rights to claim against third parties to an insurance company upon payment of a claim.

Subsidiary. A company controlled by another company, called parent company, usually through ownership of, at least, 50 per cent of its shares, or through other organizational or managerial agreement. There are several different types of relationship that a subsidiary company may have with a parent company. In one type of relationship, the parent company is a holding company, meaning that its primary function is to control other firms rather than to engage in business of its own. The holding company owns the majority of in the subsidiary. If the parent company owns all the stock, then the subsidiary is a wholly-owned subsidiary. The formation of a subsidiary company may be of benefit to a multinational corporation that wants to adapt its business to work within the legal parameters of a specific country. Forming a subsidiary is often less expensive than merging with another company. In addition, a subsidiary retains its branding, which may have irreplaceable market value, and maintaining a subsidiary rather than merging can limit liability in a risky venture due to the separation of

corporate identities. *See holding company; parent company; sister company.*

Sue & Labor clause. A provision in marine insurance obligating the assured to do things necessary after a loss to prevent further loss and to act in the best interests of the insurer. The sue and labor clause of the open cargo policy reads essentially as follows: *In case of any loss or misfortune it shall be lawful and necessary to and for the assured, his or their factors, servants and assigns to sue, labor, and travel, or, in and about the defense safeguard and recovery of the goods and merchandise or any part thereof ... to the charges whereof this company will contribute according to the rate and quantity of the sum herein insured.*

Sunk costs. Sunk costs are costs incurred in the past that cannot be recovered if a project is cancelled - e.g. research and development costs.

Supplier. The party furnishing goods or services in a business transaction in return for the agreed upon compensation. As such, suppliers do not generally interact with consumers directly, leaving that task to vendors or shop owners. It is not unusual for a supplier to provide volume discounts to vendors when they agree to sign long-term contracts or place orders for large quantities. There are suppliers found in just about any type of business. Wholesale suppliers are very common in the retail industry, where they are likely to manufacture and deliver large quantities of products to their client. Supply companies also work in niche markets as well, such as importing and exporting packaged foods, ethnic or cultural goods, or any other range of products that have a small but reliable demand. In general, exporters of this type will handle all the details for shipment and delivery to the vendor, and include the associated costs in the final charges issued to the client. In international trade relationships between suppliers and its clients are governed by an [International Supply Contract](#).

Supplier appraisal. An assessment of a supplier's suitability and capability to supply specific goods or services, before awarding a contract.

Supplier lead time. The amount of time that normally, elapses between the time an order is received by a supplier and the time the order is shipped.

Supply. The quantity of a good or service that sellers will make available at a given price and a certain time in a specific market.

Supply contract. An agreement by which a seller promises to supply all of the specified goods or services that a buyer needs over a certain time and at a fixed price, and the buyer agrees to purchase such goods or services exclusively from the seller during that time. In international markets a supply contract is often necessary in order to lock in discounted pricing and other benefits that the supplier is agreeing to provide to the client for a specific period of time. The terms of a supply contract often define everything from the means whereby the products are delivered, terms of payment, and any other aspect of the relationship that the two parties have determined to be necessary.

The supply contract protects the rights of both parties. The client knows what to expect in terms of the goods received and how they will be delivered. In turn, the supplier knows what the client is likely to need and how payment will be submitted.

[Model of International Supply Contract](#).

Supply chain. The people, activities, information, and resources involved in transforming raw materials into a finished product for supply to an end customer.

Surcharge. An additional charge for services. Carriers typically assess surcharges for services that they provide, but for which the costs are not included in their base-rate freight prices. Typical transportation surcharges include congestion surcharges which compensate carriers for unusual long delays at crowded ports, currency adjustment factors (CAF), which compensate for exchange rate differentials, fuel adjustment factors, which cover unanticipated increases in the cost of fuel, and terminal handling charges (THC), which cover port-usage fees that are often port-specific.

Surety bond. A surety bond is a guaranty, usually issued by an insurance or surety company, that a particular party will perform according to a contract. In order to collect payment under such a bond, the beneficiary normally must prove actual default on the part of the counterparty, by furnishing a court judgment, arbitral award or official certificate. *See bid bond; guaranty; performance bond.*

Surveyor. An individual or company that acting as an independent third-party expert examines and ascertains the condition of goods or transport equipment (specially ships). Surveyors often participate in the insurance claim process by examining goods to determine the level of damage and often how it occurred.

Sustainability. In the context of operating a business, taking into account the social, environmental and economic impacts of business activities to make sure today's needs can be met without compromising the needs of future generations. Examples of sustainable business practices include building efficiently, minimising waste, and maximising resources.

Swap. In international trade, the trading of almost identical products (such as oil) from different locations to save transportation costs. *See countertrade.*

SWIFT. Payment made through international electronic funds transfer via the system known as SWIFT (Society for Worldwide inter-bank Financial Telecommunications) offered by most major banks.

Switch arrangements. A form of countertrade in which the seller sells on credit and then transfers the credit to a third party. *See countertrade.*

T

Tare weight. The weight of a container and/or packing materials, but without the goods being shipped. The gross weight of a shipment less the net weight of the goods being shipped.

Tariff. In customs, a schedule of duties or taxes assessed by a government ton goods as they enter a country. Tariffs may be imposed to protect domestic industries from imported goods and/or to generate revenue. Types include ad valorem, specific, variable, or compound. Tariff raise the prices of imported goods, thus making them less competitive within the market of the importing country.

Tariff bidding. Commitment not to increase a rate of duty beyond an agreed level. Once a rate of duty is bound, it may not be raised without compensating the affected parties.

Tariff escalation. Higher import duties on semi-processed products than on raw materials, and higher still on finished products. This practice protects domestic processing industries and discourages the development of processing activity in the countries where raw materials originate.

Tariff quotas. Application of a higher tariff rate to imported goods after a specified quantity of the product has entered the country at a lower prevailing rate. *See quota.*

Tax haven. A country, state or territory that offers foreign individuals and businesses little or no tax liability in a politically and economically stable environment. Tax havens also provide little or no financial information to foreign tax authorities. Individuals and businesses that do not reside in a tax haven can take advantage of these countries' tax regimes to avoid paying taxes in their home countries. Tax havens do not require that an individual reside in or a business operate out of that country in order to benefit from its tax policies. Related to international business, tax havens can be classified in three types:

- Primary tax havens: the location where financial capital winds up. Subsidiary there have obtained rights to collect profits from corporate Intellectual Property Rights by transfers from their parent.
- Semi-tax havens: locations that produce goods for sale primarily outside of their territorial boundaries and have flexible regulations to encourage job growth, such as free trade zones, territorial-only taxation, and similar inducements.
- Conduit tax havens: locations where income from sales, primarily made outside their boundaries, is collected, and then distributed. Semi-tax havens are reimbursed for actual product costs, perhaps with a commodity markup. The remaining profits are transferred to the primary tax haven, because it holds rights to profits due to the corporate IP. By matching outflow to income they do not retain capital and their role, while crucial, remains invisible.

Large multinational corporations may have dozen of such tax haven entities interacting with each other. Each haven can claim that it does not satisfy definitions that attempt to place all tax havens into a single class. Even increased transparency does not change the effectiveness of corporate tax avoidance.

Technical specifications. Buying requirements that sets out the engineering requirements of a product or system to be purchased - e.g. functional, mechanical, operational, and quality and performance requirements.

Technology transfer. The movement of scientific methods of production or distribution from one enterprise, institution or country to another, as through foreign investment, international trade, licensing of patents rights, technical assistance or training. The process to commercially exploit research varies widely. It can involve licensing agreements or setting up joint ventures and partnerships to share both the risks and rewards of bringing new technologies to market. Other corporate vehicles, e.g. spin-outs, are used where the host organization does not have the necessary resources or skills to develop a new technology. In international markets, usually, is transmitted through [International Technology Transfer Agreements](#).

Tender. A offer or proposal to purchase a specified quantity of a commodity for a specified price. *See tender proposal.*

Tender proposal. The term tender proposal is used in the procurement field to describe the response from potential suppliers to a request for proposal (RFP). There are three aspects to every tender proposal: company overview, response to specifications, and pricing. Tender proposals are legally binding responses in a procurement process. The format of a tender proposal varies widely by industry, but all have the same basic requirements. The most important part of any tender response is the deadlines. All RFPs have a due date and time clearly specified on the document. Any responses received after this date cannot be accepted or included in the review process. Contract law is very clear on this issue, and many firms have been taken to court over awarding contracts to firms who submitted their tender proposal after the deadline. Tender proposals have mainly three sections:

- Overview of the company: Typically, the firm should include background in the industry, highlighting successful projects of similar size or larger, to indicate an ability to meet the company's requirements.
- Response section: this section will receive the most attention from the client. As a result, it should be focused on meeting the requirements point for point. Many firms use the structure of the RFP to format their response, correlating each section to make comparison easier for the client. Additional supporting documentation that is required in the response should be listed as appendix documents and properly indexed. Many firms include the presentation of the response as a marked item in the evaluation matrix, making the effort well worth it for the responding firm.

- Pricing section: Usually a separate section of the tender proposal. If there are multiple pricing options provided, the response should clearly indicate the primary value, along with the pricing for the different alternate solutions. Many purchase contracts include a recurring charge, such as licensing or annual maintenance. This value should be provided in this section, with a clear indication of length of term.

Any restriction surrounding acceptance of the tender proposal must be included in the response. This includes time lines to accept the offer, scheduling for beginning of the work, flexibility of resources, and other issues. Payment terms are typically indicated in the response as well, so that the negotiation process can begin. *See request for proposal (RFP).*

Termination of contracts. Termination clauses in international contracts, specially agency and distribution contracts, usually involve rights under local legislation and it is best that a contract is revised by a local lawyer before signature, rather than after a relationship has ended and a compensation case could appear. Termination laws differ from country to country. For example in the European Union the agent whose contract is terminated is entitled to the following:

- full payment for any deal resulting from its work, even if concluded after the end of the agency contract;
- a lump sum up to one's year average commission;
- compensation (where appropriate) for damages to the agent's commercial reputation caused by unwarranted termination.

Some countries regard agents as basically employees of the client, while others see agents as self-contained and independent businesses. It is essential to ascertain the legal position of agency agreements in each country in which a firm is considering doing business. For example, laws in Saudi Arabia are extremely strong in protecting agents. *See agent; distributor.*

Terms and Conditions (TS & Cs). The terms and conditions that detail the rules that apply to fulfilling a particular contract and that form an integral part of that contract. Buyers and sellers must agree the terms and conditions to form a contract. In international trade are also known as [General Conditions of International Sale](#).

Terms of trade. The ratio of unit value prices of a country's exports to the unit value prices of its imports.

Terms of sale. This expression refers to the price quotation for a specific product. It states the price for the product as a specified delivery location, sets the time of shipment and specifies payment terms. The responsibilities of the buyer and the seller should be spelled out as they relate to what is and what is not included in the price quotation and when the ownership of goods passes from the seller to the buyer. *See*

general conditions of international sale; Incoterms.

Territory. In commercial usage, an area in which a party operates, such as a “sales territory”. A territory’s size and the degree of exclusivity are often important commercial consideration in international trade specially in distribution agreements. *See exclusive distribution.*

TEU Twenty-foot equivalent unit. It is a means of measuring the carrying capacity of container ships; e.g., a ship can be said to be capable of 3000 TEUs, which roughly equivalent to saying it could carry 3000 standard containers. *See container.*

THC Terminal handling charges. Charges assessed for services rendered within the container terminals or with respect to containers which will be processed through terminals. When delivery or pickup of the goods is expected to be at a container terminal, traders are well advised to stipulate precisely which party will pay for all or part of the terminal charges. TCH varies port to port of each country, as the cost of handling at each port differs one to another port, depends up on the total cost or port terminal handling at each location. Normally, Terminal Handling Charges for exports is collected from shipper by shipping lines while releasing bill of lading after completion of exports customs clearance procedures. Related to terms of delivery (Incoterms), if the buyer has to pay such load port THC, such THC is paid at load port by either buyer’s representative or his authorized agent. In the case of shipments moved from island destinations other than sea port the said THC is collected at same location while releasing bill of lading by carrier. The import terminal handling charges is collected by shipping carriers at the time of issuing delivery order to consignee to take delivery goods. The THC charges at each terminal all over the world vary one to another. The terminal handling charges of each port in a country also differs with another port of the same country. THC is paid on the terms of delivery agreed between buyer and seller in their export contract. If contract of terms of delivery is on FOB, CFR, CIF, CPT, DAP, DDU, DDP etc., the THC is paid by the shipper at load port. However the destination port THC need to be paid by the buyer under these types of delivery terms. In an export contract, if term of delivery is Ex-Works, the THC at load port and destination port has to be paid by the buyer of the goods. *See bill of lading; export contract; Incoterms; IHC Inland haulage charges.*

Third-party beneficiary. An individual or legal entity that benefits from, but it not a contracting party of, a contract between two or more other individuals or legal entities.

Third-party logistics. Most of exporters and importers employ outside logistics expertise that are experts in their industry and should therefore concentrate only in operations of a specific sector (food and wine, automotive industry). On the other hand, third party logistics providers are experts solely at logistics, with the knowledge and means to perform efficient and innovative services for those companies in need. The goal is improved service at equal or lower cost. Relationships between providers of logistics services and its clients are governed through [Logistics Services Contracts](#).

Through bill of lading. A single bill of lading covering receipt of the cargo at the point of origin for delivery to the ultimate consignee, using two or more modes of transportation. *See bill of lading.*

Through rate. A freight cost that includes pre-carriage, on-carriage or both, in addition to main carriage.

Time bar. A limit in time as to when an action may be taken, such as claiming against a carrier for transit-related damage.

Time charter. A charter agreement providing the charterer with the use of a vessel for a stated length of time, or for one or consecutive voyages among ranges of ports.

Time draft. A financial instrument demanding payment at a future fixed rate, or at a specified period of time after sight (30, 60, 90 day etc.), or after the date of issue. Also called usance draft.

Time value money. The value of a sum of money, taking into account the amount of interest that could be earned over a period of time.

TIR Carnet. A document issued pursuant to the TIR (Transport International Routier) permitting sealed road transport shipments to traverse European TIR-members countries without undergoing customs inspection until reaching the destination country. Each TIR Carnet has a unique reference number. A TIR Carnet may have 4, 6, 14, or 20 vouchers, as one pair of vouchers is used per country; the number of vouchers indicates the number of countries that can be transited, including the countries of departure and destination, under cover of this type of Carnet (e.g. a 20-voucher Carnet may be used for a TIR transport through up to 10 countries). Each individual TIR Carnet can be used for only one TIR transport. Once the TIR transport has been terminated at the Customs office of destination of the goods, the driver is handed back the TIR Carnet duly endorsed by the Customs authorities of destination.

Title transfer. The act of point in place or time at which ownership of a thing is passed from one person to another. In international trade, this is usually specified in the international sale contract by statements like:

- “Seller and buyer agree that title for the contract of goods will pass to the buyer when they have been shipped from the seller’s premises”, or
- “Seller and buyer agree that title for the contact of goods will pass to the buyer when they have been arrived at”, or
- “Seller and buyer agree that the seller will continue to own the contract goods until such time as payment for them has been received.”

In some case, a title-bearing document is created through the shipment process; for instance, shipments covered by a negotiable marine bill of lading. Also called transfer of ownership. [Model of International Sale Contract](#).

Total cost of ownership (TCO). An estimate of the total cost of the goods, services or works over the whole of their life. It's the combination of the purchase price and all other expenses and benefits that they agency will incur e.g. installation and training, operating and maintenance costs, repairs, decommissioning and cost disposal and residual value on disposal. It is a tool often used to assess the costs, benefits and risks associated with the investment.

Trade acceptance. A bill of exchange drawn by the exporter/seller on the importer/buyer of goods sold, and accepted by such purchaser. *See bill of exchange.*

Trade Act. In U.S. Law legislation granting the President broad authority to enter into international agreement to reduce import barriers. Major purposes are:

- Protect American industry and workers against unfair or injurious import competition.
- Provide adjustment assistance to industries, workers and communities injured or threatened by increase imports.
- Strengthen economic relations with other countries through open and non-discriminatory trading practices.

The Trade Act allows the President to extend tariff preferences to certain imports from developing countries and set conditions under which Most-Favoured-Nations Treatment could be extended to non market economy countries.

Trade barriers. An impediment to trade, often included in one of the following classifications:

- Import policies (tariffs and other import charges, quantitative restrictions, import licensing, and customs barriers).
- Standards, testing, labelling, and certifications.
- Government procurement.
- Export subsidies.
- Lack of intellectual property rights protection.
- Service barriers.
- Investment barriers.

Some of the international trade barriers are identified in the website [Global Trade Alert](#). *See non-tariff barriers.*

Trade deficit. A nation's excess of imports over exports over a period of time.

Trade documents. Paper documents (or electronic files) used in international trade that prove that certain events have taken place. For convenience, the documents com-

monly used in international trade may be grouped by function into five categories:

- Commercial: the invoice and packing list.
- Transport: air waybill, bill of lading, sea waybill. CMR document, rail waybill, dock receipt, mate's receipt, forwarder's receipt, etc.
- Legal: documents that satisfy a governmental requirement, such as certificates of origin, export declarations, import licences or consularized documents.
- Insurance: insurance policy and insurance certificate.
- Banking: letters of credit, drafts, collection letters of instruction.

All these documents are issued by exporters, shipping lines, airlines, international trucking companies, freight forwarders, logistics companies, customs, banks and insurance companies. [Models of International Trade Documents](#).

Trade facilitation. Removing obstacles to the movement of goods across borders (e.g. simplification of customs procedures).

Trade fair. A stage-setting event in which firms of several nationalities present their products or services to prospective clients in a pre-formatted setting, usually a booth of a certain size which is located adjacent to other potential suppliers. A distinguishing factor between trade fairs and trade shows is size. A trade fair is generally viewed as having a larger number of participants than other trade events, or as an event bringing together related industries. One of the best website searcher of trade fairs is [TSNN](#).

Trade finance. This is the way in which an exporter requires an importer to prepay for goods ship. The importer wants to reduce risks by asking the exporter to document that the goods have been shipped. The importer's bank assists by providing a letter of credit to the exporter (or the exporter's bank) providing for payment upon presentation of certain documents, such as a bill of lading. The exporter's bank may make a loan to the exporter on the basis of the export contract.

Trade Map. Trade Map is a tool developed by the International Trade Centre (INTRACEN) whose objective is facilitate strategic market research, monitoring both national and product-specific trade exports and imports by countries. Through this information, users of this tool can identify the potential for market or product diversification. For users of developing countries this tool is free and users of developed countries have to pay subscription. [Website](#).

Trademark (TM). A distinctive identification of a manufacture product or of a service taking the form of a name, logo, motto, and so on; a trademarked brand has legal protection and only the owner can use the mark. Trademark protection varies from country to country, and may not be available in some jurisdictions. If trademark is available under the laws of a particular country, the trademark can be registered only if it distinguishable from others registered trademarks and it contains a name, brand,

label, signal, devise, or any combination of these items. A country that is a member of the Paris Convention for the Protection of industrial Property may recognize trademarks held in other jurisdictions. In international markets trademarks rights are transmitted and sold through [International Trademark License Agreements](#).

Trademark license agreement. In a Trademark licence agreement the proprietor (Licensor) of a registered trademark gives authorization to another company (Licensee) to manufacture and distribute products under this trademark. The license is given for a specific range of products (typically consumer and fashion products) for which the licensee obtains exclusivity in a distinct territory (typically a country). In exchange for the rights granted, the Licensee shall pay to the Licensor a certain amount of money and a percentage (royalties) based on the sales value of the products sold under the license. [Model of International Trademark License Agreement](#).

Trade facilitation. Removing obstacles to the movement of goods across borders (e.g. simplification of customs procedures).

Trade mission. A trade mission is composed of individuals and companies who are taken as a group to meet with prospective customers overseas. Missions visit specific individuals or places with no specific stage setting other than the appointments. Appointments are made with governments agencies, private clients, distributor, importers, agents, sales representatives, etc.

Trade name. The name under which an organization conduct business, or by which the business or its goods or services are identified. it may or may not be registered as a trademark.

Trade promotion organizations. There are various governmental and non-governmental organizations that play a role in the promotion of international trade. These include the following:

- Public departments and agencies that usually depend on the Minister of Trade of each country, such as UK Trade & Investment in United Kingdom, Ubifrance in France, ICEX in Spain or Promexico in Mexico.
- Industry and trade associations, national, regional or industry associations.
- Chambers of commerce, both national and international.
- Other organizations concerned with trade promotion, such as organizations carrying out export research, regional export promotion organizations, world trade centers, etc.
- Export services organizations such as banks, transport companies, freight forwarders, trading companies, export credit insurance companies, etc.

Trade secret. A trade secret is a piece of information used in business that is an ingredient of a product or key process of a service. A trade secret can be used in any

business. It can be used to make a product, or it can be a part of marketing and sales methods. Many companies have their own zealously guarded customer lists, and these are considered trade secrets. The secret is information that is not available to the public. The best way to keep them secret is to limit the amount of people who know about them. Trade secrets have virtually no specific lifespan. As long as they remain secret, they can be secrets for eternity. There is, however, a risk associated with claiming a trade secret. Companies are not allowed to claim copyright or patents rights. In this sense trade secret can be transmitted or sold in international markets through [International Technology Transfer Agreements](#).

Trade surplus. A nation's excess of exports over imports over a period of time.

Trade terms. The terms of a sale. The setting of responsibilities of the buyer and the seller in a sale, including: sale price, responsibility for shipping, insurance and customs duties. The most widely used trade terms are Incoterms 2010, which are published by the International Chamber of Commerce. [Practical Guide to Incoterms](#).

Trademark (TM). A distinctive identification of a manufacture product or of a service taking the form of a name, logo, motto, and so on; a trademarked brand has legal protection and only the owner can use the mark. Trademark protection varies from country to country, and may not be available in some jurisdictions. If trademark is available under the laws of a particular country, the trademark can be registered only if it distinguishable from others registered trademarks and it contains a name, brand, label, signal, devise, or any combination of these items. A country that is a member of the Paris Convention for the Protection of industrial Property may recognize trademarks held in other jurisdictions. In international markets trademarks rights are transmitted and sold through [International Trademark License Agreements](#).

Trademark license agreement. In a Trademark licence agreement the proprietor (Licensor) of a registered trademark gives authorization to another company (Licensee) to manufacture and distribute products under this trademark. The license is given for a specific range of products (typically consumer and fashion products) for which the licensee obtains exclusivity in a distinct territory (typically a country). In exchange for the rights granted, the Licensee shall pay to the Licensor a certain amount of money and a percentage (royalties) based on the sales value of the products sold under the license. [Model of International Trademark License Agreement](#).

Tradeoffs. Interaction between related activities such as the offsetting of higher costs in one area with reduced costs or other benefits in another. In air freight, for example, the classic "tradeoff" is one of time (quick delivery) versus money (greater expense).

Trading company. Trading companies are specialists that cover all export and import operations and procedures. A trading company buy products in one country and sold them in different countries where it has its own distribution network. This kind of companies mostly work with high production volumes of products such as

raw materials, chemicals, generic pharmaceuticals, etc. The activities of a trading company include:

- Identification of suppliers in different countries with capacity to supply large volumes of generic products at competitive prices.
- Negotiating the terms of sale and delivery of products.
- Financing and assurance of payment to the supplier-exporter.
- Managing logistics and transport.
- Managing customs and barriers of international trade.
- Distribution and sale of the products through its retail network.

At present, trading companies specialize in emerging countries in areas of Asia, Africa or Latin America. Its function is to identify competitive suppliers, negotiate and purchase their products and sell them through a distribution network in its country or neighbouring countries. From a contractual point of view a trading company can act in four different ways:

- Sales agent for those exporters that are domestic. The trading company establishes the marketing presence in foreign markets soliciting orders from foreign customers in the name of the manufacturer. Invoicing is done on the name of the manufacturer and helps the exporter with all details of the export transaction. The trading company may suggest the export price, but this principal has the final say on even whether to accept the order. The relationship with its clients is established through a [International Commercial Agency Contract](#).
- Buying agent for importers that want to buy a specific kind of products within a specific territory that can be a country or multiple countries well known by the trading company. The responsibilities of the trading company may include, among others: identifying manufacturers and suppliers of products within the described territory; negotiating prices, terms of delivery and payment; and managing the international transport of documents which comply with export and import procedures. The relationship with its clients is established through a [International Buying Agent Contract](#).
- Exclusive distributor on a buy-sell basis. The trading company buys a manufacturer at a set price and resells to foreign customers at a price established by itself. When the trading company is acting as a distributor, the manufacturer may have no control over the export price and not even know the foreign clients are. The relationship with its clients is established through an [International Distribution Contract](#).
- Intermediary in specific trade operations in which does not act as a buyer or seller but as an intermediary that charges a commission on export and import operations. The relationships with its clients (usually the exporter/sellers) are established through an [Intermediary Contract for Trade Operations](#).

There are thousands of companies and professionals doing this international trading activity. In the [GlobalTrade Directory](#) there are over 3.500 international trade intermediaries classified by country and sector. *See agent; distributor; export management company.*

Tramp vessel. A vessel which does not operate under any regular schedule from one port to another, but calls any port where cargo may be obtained. To be distinguished from liner ships, operating according to advertised routes, schedules and rates.

Transaction value. The price paid or payable for a good or service.

Transfer pricing. Transfer prices are those charged for intracompany movement of goods and services. Firms need to make transfer-pricing decisions when goods are transferred from the headquarters to the subsidiaries in another countries. This transfer prices are important because goods transferred from country to country must have a value for cross-border taxation purposes. There are three basic approaches to transfer pricing:

- Transfer at cost. The transfer price is set at the level of the production cost and the international division is credited with the entire profit that the firm makes. This means that the production center is evaluated on efficiency parameters rather than profitability.
- Transfer at arm's length. Here the international division is charged the same as any buyer outside the firm. Problems occur if the overseas division is allowed to buy elsewhere when the price is uncompetitive or the product quality is inferior, and further problems arise if there are no external buyers, making it difficult to establish a relevant price. Nevertheless, this approach has now been accepted worldwide as the preferred (not required) standard by which transfer prices should be set.
- Transfer at cost plus. This is the usual compromise, where profits are split between the headquarters and the subsidiaries. The formula used for assessing the transfer price can vary, but usually it is this method that has the greatest chance of minimizing time spent on transfer-price disagreements, optimizing corporate profits and motivating the headquarters and subsidiaries.

The best solution also depends on the tax rates in the countries of the headquarters and subsidiaries. *See price differentiation; price standardization.*

Transferable letter of credit. A letter of credit where de beneficiary specified in the credit has the option of instructing his bank to transfer the credit fully or in part to another beneficiary. A letter of credit can be transferred if it is expressly designated as "transferable" by the issuing bank. This type of letter of credit enables intermediaries (first beneficiaries) to offer security in the form of a letter of credit to their suppliers (second beneficiaries). *See letter of credit.*

Transfer of ownership. The act or point in place or time at which ownership of a thing is passed from one person to another. In international trade, this usually specified in the international sale contract by statements like:

- “Seller and buyer agree that title for the contact of goods will pass to the buyer when they have been shipped from the seller’s premises”, or
- “Seller and buyer agree that title for the contact of goods will pass to the buyer when they have been arrived at”, or
- “Seller and buyer agree that the seller will continue to own the contract goods until such time as payment for them has been received.”

In some case, a title-bearing document is created through the shipment process; for instance, shipments covered by a negotiable marine bill of lading. Also called title transfer. [Model of International Sale Contract](#).

Transit zone. The area surrounding a port of entry in a coastal country that serves as a storage and distribution center for the convenience of a neighbouring country - a landlocked country, for example - lacking adequate port facilities or access to the sea. A transit zone is administered so the goods in transit to and from the neighbouring country are not subject to customs duties, import controls or many of the entry and exit formalities of the host country. *See dry port.*

Transshipment. This term can have several meaning depending on the context in which is used. The literal definition is passing of shipped goods from one carrier to another. Under this strict definition, all through transport shipment would involve transshipment. A more practical definition might be that transshipment occurs whenever more than one of the same kind of conveyance is used for main carrier. For example, transshipment would take place of goods bound for Hamburg are shipped on one vessel from New York to London and then reloaded on a second vessel from London to Hamburg. However, a shipment made by truck to New York, where it is loaded on a vessel bound to Hamburg, would not be considered transshipped, since a single vessel accomplished main carriage. The issue of transshipment becomes very important with letters of credit that prohibit it. Because the hub system, widely used in vessel and air port transport, transshipments frequently take place. When considering vessel shipments, banks consider only the information shown on the transport document, even though the fact that a feeder vessel is being used can easily be ascertained. Further, for air shipments, banks disregard the fact that an air waybill may show several different flight numbers and dates, as long as they shown on only one document.

Triangular trade. Trade between three countries, in which an attempt is made to create a favorable balance for each. Triangular trade usually evolves when a region has export commodities that are not required in the region from which its major imports come. Triangular trade thus provides a method for rectifying trade imbalances between countries.

Trigger price mechanism. Price at which an import causes the importing country automatically to impose a tariff or quota. For example, a country may have a law stating that if an import falls below USD 10 per unit, a tariff is imposed that results in the import becoming USD 13 per unit. Trigger prices are used when the importing country generally wishes to promote free trade but does not want importers to undercut domestic industry.

Trimming. The operation of shoveling and spreading, within the ship's hold, dry bulk cargoes such as cement, ore or grains, so as to avoid weight imbalances that might hinder the ship's handling or unloading.

TRIMS. The Trade Related Investment Measures is a World Trade Organization (WTO) agreement that recognizes that measures and regulations impose on investments and investors can reduce or distort international trade, and may function as disincentives for investment in situations where investment is needed. The agreement restricts the use of three TRIMS requirements: local content requirements, trade balancing requirement and foreign exchange balancing requirements.

Tri-temp. A container that can maintain three exact temperatures zones in different compartments simultaneously.

Trust receipt. A document executed by a buyer in favour of a bank financing an important transaction, whereby the bank receives a security interest in the goods in exchange for releasing the documents required by the carrier for delivery. The buyer is obligated to maintain the goods or to proceed from their resale at the disposal of the bank. Trust receipts are used under letters of credit or collections so that the buyer may receive the goods before paying the issuing bank or collecting bank. *See documentary collection; letter of credit.*

TSNN. The Trade Show News Network is one of the best Internet searchers of trade fairs around the world. Trade fairs can be searched by the name of the event, industry, date, city and country. [Website](#).

T/T Telegraphic transfer. Refers to an electronic wire transfer, usually in connection with payment in advance or payment by open account.

Turnkey. A turnkey or turnkey project is a type of project that is constructed so that it could be sold to any buyer as a completed product. International turnkey construction projects are often complex transactions, requiring correspondingly complex legal documentation. Moreover, nowadays such major projects are an important element in international trade. *See Build-Operate-Transfer.*

Turnkey contract. An agreement under which a builder agrees to complete a facility so that it is ready for use when delivered to the other contracting party. A contractor may agree, for example, to build a fully equipped operational factory under the turnkey contract. The responsibility of the contractor ends when he hands the com-

pleted installation over the client. [Model of Turnkey Contract for Major Projects.](#)

Tying arrangement. A condition that a seller imposes on a buyer, requirement that if the buyer desires to purchase one product (tying product), the buyer must also agree to purchase another product (tied product), which the buyer may or may not want. The laws of some countries prohibit certain tying arrangements.

U

UBIFRANCE. The French official agency depending on the Ministry of Economy that administers the export and investment programmes of the French Government. [Website](#).

UCP 600. The Uniform Customs and Practice for Documentary Credits (UCODC) is a ICC Publication that includes a set of rules which govern international documentary credit practice. UCP 600 are generally considered contractually incorporated into the documentary credit transaction by virtue of a mention in the credit application form. The UCP 600 may also have additional force as a trade custom, and in some countries UCP 600 are even recognized as having legal effect generally. In other countries, the UCP 600 is complementary to national law and jurisprudence on documentary credits.

ULD. The Unit load device is a container or pallet for aerial transportation.

UNCITRAL. The United Nations Commission on International Trade Law is a United Nations agency based in Vienna, specializing in the development of model legal instruments and conventions in the area of international trade law. Most notable success is perhaps the so-called 1980 Vienna Convention whose official name is The Convention of the International Sale of Goods (CISG). Also, UNICITRAL Rules for Arbitration, which provide a procedural framework for international commercial arbitration but which, unlike the ICC rules, do not provide direct administrative supervision of arbitral process. *See Vienna Convention.* [Website](#).

Unclaimed freight. Freight that has not been called for or picked up by the consignee or owner.

Unconfirmed letter of credit. A documentary letter of credit where the advising bank makes no commitment to pay, accept or negotiate. *See letter of credit; silent confirmation.*

Undercarrier. A carrier which has been subcontracted to carry out part of the transport operation. This term is most commonly used with non-vessel operating common carriers, which contract for carriage with the shipper and subcontract for the actual transportation with a ship line. In this situation, the ship line is the undercarrier.

Unenforceable contract. A contract that is valid, but which the court will not enforce because of some defect such as nondisclosure, an extraordinary event or other legislation.

Unfair competition. Trading and business activities that are dishonest or fraudulent as against the activities of other traders. Unfair competition includes fraudulent advertising, counterfeiting, and similar illegal trade practices.

Unfair calling insurance. Insurance coverage to protect principals who have issued demand guarantees or bonds against an unfair or abusive call of the bond/guarantee (i.e., one which is not truly based on non-performance by the principal).

UNIDROIT. The Institute for the Unification of Private Law is an international governmental organization headquartered in Rome whose tasks are to study needs and methods for modernising, harmonising and coordinating private and in particular commercial law as between States and groups of States and to formulate uniform law instruments, principles and rules to achieve those objectives. Membership of UNIDROIT is restricted to States acceding to the UNIDROIT Statute. UNIDROIT's 63 member States are drawn from the five continents and represent a variety of different legal, economic and political systems as well as different cultural backgrounds. [Website](#).

Uniform Rules for Collections (URC). A set of rules published by the International Chamber of Commerce (ICC) to aid bankers, buyers, and sellers in the collections process. The Rules have been prepared to resolve problems that practitioners have experienced in their everyday operations. The URC 522 (last edition) underlines the need for the principal and/or the remitting bank to attach a separate document, the collection instruction, to every collection subject to the Rules - makes it very clear that banks will not examine documents, particularly not to look for instructions - addresses problems based on bank experiences in respect of documents against acceptance (D/A) and documents against payment (D/P) - and clearly indicates that banks have no obligation to store and insure goods when instructed.

Uniform Rules for Contract Guarantees (URCG). The International Chamber of Commerce (ICC) has established a set of contractual rules that may be used for contract guarantees to achieve a fair balance among the legitimate interests of the three parties involved in contract guarantees, the beneficiary, the principal and the guarantor. These rules are not law, and apply only if the parties to the contract guarantee so choose. Such choice needs to be expressed by a reference in the text of the guarantee. Nevertheless, these rules have been replaced by the Uniform Rules for Demand Guarantees.

Uniform Rules for Demand Guarantees (URDG). A set of contractual rules established by the International Chamber of Commerce (ICC) that may be used for demand guarantees and counter-guarantees. These rules are not law, and apply only if the parties to the demand or counter-guarantee so choose. Such choice needs to be expressed by a reference in the text of the guarantee.

Unilateral. An action taken by a single country on its own initiative, and not in any way dependent upon or conditional upon the actions of any other country or countries.

Unique selling proposition (USP). The unique selling proposition is the decisive sales argument for customers to buy a product. USP needs to be communicated, and

what the communication is intended to achieve in terms of consumer behaviour in the country concerned.

Unit load. Packages loaded on a pallet, in a crate or any other way that enables them to be handled at one time as a unit.

Unitization. The consolidation of a quantity of cargo into one large shipping unit for easier handling, as in palletizing or containerization.

UNTACD. The United Nations Commission for Trade and Development is a United Nation Agency based in Geneva, which has developed numerous international instruments as regards trade with developing countries. Notably, UNCTAD houses the INTRACEN (International Trade Center), a developer of useful guides and manuals for small and medium sized exporters. [Website](#).

Upstream subsidies. Subsidies provided to a manufacturer's supplier of inputs for a product that will be exported.

Usance draft. A written demand for payment which comes due at a specific future date. Also called time draft.

Usance L/C. A letter of credit payable at a predetermined time after the presentation of conforming documents. These are also called time L/C or deferred payment L/C and are the opposite of L/Cs payable at sight.

V

Validity. The time period for which a letter of credit is valid. After receiving notice of a letter of opened in his behalf, the seller/exporter/beneficiary must meet all the requirements of the letter of credit within the period of validity. *See letter of credit.*

Valuation clause. The clause in a marine cargo insurance policy that contains the agreed basis for determining the value of covered goods. This sets the amount due under any claim for lows or general average contribution. A valuation clause commonly in use reads as follows: *Valued premium included at amount of invoice, including all charges in the invoice and including prepaid and/or advanced and/or guaranteed freight, if any, plus %* (this is usually 10% on exports).

Valuation charges. Transportation charges assessed shippers who declare a value of goods higher than the value of carriers' limits liability. *See declared value for carriage.*

Value for money (VFM). A measure of quality that assesses the monetary cost of the product or service against the quality and/or benefits of that product or service, taking into account subjective factors such as fitness for purpose, along with whole-of-life costs such as installation, training, maintenance and disposal, and wastage.

Vanning. A term for stowing cargo in a container.

Variable levy. A tariff subject to alterations as world market prices change. The alterations are designed to assure that the import cost after the payment of the duty will equal a predetermined "gate" price.

VAT. The Value Added Tax is a tax assessed on the increased value of goods as they pass from raw material stage through the production and distribution processes to final consumption. The tax on processors or merchants is levied on the amount by which they increase the value of the items they purchase. *See indirect tax; sales tax.*

Vendor agreement. A vendor agreement is a legal agreement that clearly states the provisions and conditions of the work to be performed by a contractor. The key points to be included in a vendor agreement include date, time and location where the products will be delivered or the services must be provided. A vendor agreement must always be accompanied with a Statement of Work (SOW). A vendor will not start work without an acceptable form of SOW. A vendor agreement becomes valid and enforceable when the customer and vendor signs the agreement in original.

Vienna Convention. Officially known as United Nations Convention on Contract for the International Sale of Good (CISG) is a 1980 international treaty signed by over 80 countries, between them most leading trading nations, that amounts to a virtual commercial code for international sale of goods transactions, but exclude contracts for services. Although the CIS is the default body of contract law when both the exporter/

seller and the importer/buyer are nationals of countries that have ratified it, parties may opt out by explicitly stating so in their international sale contract. A separate but related agreement, the United Nations Convention on the Limitation Period of the International Sale of Goods, covers time limits for seller and buyer claims of breach, termination, or invalidity arising from contracts of international sale of goods. Parties desiring to opt out of either convention should specify the body of law they wish to use instead. Care must be taken when doing so, as the conventions may be part or the body of law the parties wish to use. *See international sale contract.* [Website](#).

Visible trade. Imports, exports and re-exports of merchandise. *See invisible trade.*

VOCC. Vessel operating common carrier is a company that operates its own vessels. *See NVOCC.*

Voidable contract. A contract that is valid but that can be declared invalid at the request of one of the parties because of a defect or illegality in making it. For example, if one party made a fraudulent misrepresentation on which the other party relied in making the contract, the contract will be enforced against the misrepresenting party but the other party may seek relief by electing to void the contract.

Vostro account. An account held by a bank with its foreign correspondent bank, in the currency of the bank's domestic country.

W

Waiver. A formal exemption of a right to claim.

War risk. A peril that is normally excluded by a capture and seizure clause even in all risk clauses or London Institute of Underwriters Clause A. Insurance coverage is usually available for an additional premium.

War risk insurance. Insurance coverage against war risks as outlined in detail in some dozen rather than specific paragraphs of an insurance policy. The policy conditions must be read for complete understanding. In general, they cover risks of captured seizure, destruction or damage by warlike operation. Delay or loss of market is excluded. War risk insurance generally attaches as goods are first loaded on board a vessel at the port of shipment, and it ceases to attach as goods are landed at the intended port of discharge or on the expiry of 15 days from arrival of the overseas vessel whichever first occurs. The war risk policy is subject to 48 hours cancellation by either party. However, it cannot be cancelled on shipments upon which insurance has already attached. Since the cancellation provision is used at times for changing the conditions of insurance the current coverage should be studied for exact understanding of the war risk policy.

Warehouse receipt. A document listing the goods or commodities deposited in a warehouse. It is a receipt for the commodities listed, and for which the warehouse is the bailee. Warehouse receipts may be negotiable or non negotiable.

- Negotiable. A warehouse receipt made out to the “order” of a named party is a bearer instrument. As with order bill of lading, ownership of the warehouse goods can be transferred by endorsing and passing the documents from party to party.
- Non-negotiable. A warehouse receipt lacking the word “order” is similar to a non-negotiable bill of lading, as it permits delivery only to the named party.

Warehouse-to-warehouse clause. Insurance coverage of international cargo from export warehouse to import warehouse. There is often limitations, such as a limit on the time coverage is in force after the goods arrive to the buyer’s side, but before finally delivery takes places. Sellers and buyers should align warehouse-to warehouse coverage with the terms of sale (Incoterms) they use to ensure seamless coverage.

Warranty. A promise by a contracting party that the other party can rely on certain facts or representations as being true. A seller, for example, may warrant that certain products will meet a list of specifications furnished by the buyer.

Warsaw Convention. An international agreement defining the responsibilities and limiting the liability of air carriers involved in international transport. Among other things it establishes the international liability of air carriers and the monetary limits

to loss, damage, and delay. The formal name is: The Convention for the Unification of Certain Rules Relating to international Carriage by Air.

Waybill. A non-negotiable transport document prepared by a transportation line at the point of a shipment, showing the point of origin, destination, route, consignor, consignee, description of shipment and amount charged for the transportation service, and forwarded with the shipment, or direct by mail, to the agent at the transfer point or waybill destination. *See air waybill; bill of lading; ocean bill of lading.*

WCF. The World Chambers Federation is a ICC's specialized division for its chamber of commerce members worldwide. WCF also manages the ATA Carnet System and its guarantee chain for temporary duty-free imports. [Website](#).

WCO. The World Customs Organization is an independent intergovernmental body whose mission is to enhance the effectiveness and efficiency of customs administrations. With over 90 member countries, it is the only intergovernmental worldwide organization competent in customs matters. [Website](#).

Weight. The amount that an object weights. There are three kinds of weight most frequently uses for cargo:

- Gross: the total scale weight of a shipment, including the goods themselves and the packing.
- Net: the weight of only the goods in a shipment, exclusive of any packing materials;
- Tare: the weight of a container and/or packing materials without the weight of the goods it contains.

The following weight-related terms are commonly used in international trade:

- Long ton 1016,06 kilos (2240 pounds).
- Short ton 907,20 kilos (2000 pounds).
- Metric ton 1000 kilos (2204,6 pounds).

The terms "dimensional weight" and "measurement ton" refer to the comparison of a shipment's weight to volume used to calculate freight costs.

Wharf. A port facility projecting from land to water or parallel to the shoreline where vessels berth for unloading and loading.

Wharfage. A charge assessed by a pier or dock owner for handling incoming or outgoing cargo.

Wharfinger. Personnel in charge of receiving and registering goods in a port on behalf of the carrier. The wharfinger's signature of the shipping note assures the shipper that

it can proceed to draw up bills of lading pursuant to the terms of the note. Also called checker. *See apparent damage; apparent good order and condition.*

Win-lose strategy. A negotiation based on an attempt to divide up an amount of resources, resulting in a win-lose situation. When choosing this strategy, one takes on an adversarial or competitive view. The focus is on achieving immediate goals, with little or no regard for building future relationships. Little time or energy is needed in resolving conflicts using a win-lose strategy, because few if any creative solutions are considered. This negotiation strategy is typical of competitive negotiators that belongs to such emerging countries as China, Russia or Arab countries. This strategy is the opposite to win-win strategy. Also known as distributive bargaining. [Negotiation and Business Culture Guides by Countries](#).

Win-win strategy. A negotiation strategy where both parties gain roughly equal advantage. The parties agree to act in both their own interest and in the interest of the group. The basis for any win-win situation is that compromise and cooperation must be more or at least as important as competition. This negotiation strategy is typical of cooperative negotiators that belongs to the most developed countries such as Sweden, Canada or Japan. This strategy is opposed to a win-lose strategy or zero-sum game. [Negotiation and Business Culture Guides by Countries](#).

With Average (WA). Insurance coverage which gives the assured protection for partial damage by sea perils, if the partial damage amounts to 3% (or other percentage specified) or more of the value of the whole shipment or of a shipping package. If the vessel has stranded, sunk, been on fire or in collision, the percentage requirement is waived and losses from sea perils are recoverable in full. *See all risks; general average; particular average.*

Without prejudice. A term used in the negotiation process to indicate that a particular conversation or letter cannot be used as evidence in court.

Without reserve. A term indicating that an agent or representative is empowered to make definite decisions and adjustments without the approval of the principal represented. This is the opposite of advisory capacity.

W/M. Weight or measurement is a method of quoting freight rates: 1. for sea freight, per metric ton (1.000 kilograms) or per cubic meter (35.3 cubic feet) whichever is greater; 2. for air freight, per kilogram or per 7,000 cubic centimeters (1 cubic foot) whichever is greater.

WIPO. The World Intellectual Property Organization is specialized agency of the United Nations system that seeks to promote international cooperation in the protection of intellectual property rights around the world through cooperation among states. WIPO administers the International Union for the Protection of Industrial Property (known as Paris Convention). [Website](#).

World Bank Group. The World Bank Group is a specialized United Nations agency dedicated to improving living standards in developing countries through facilitation and financing development and investment. There are five organizations within the Group:

- International Bank for Reconstruction and Development (IBRD) provides low-cost developmental loans for reasonably creditworthy sovereign buyers by issuing bonds backed by its own triple-A rating.
- International Development Association (IDA) provides low cost development loans for less-developed nations from funds donated by nearly 40 countries.
- Multilateral Investment Guarantee Agency (MIGA) provides political risk co-insurance and reinsurance for investment in client-developing countries.
- International Finance Corporation (IFC) finances and advises for private-sector ventures and projects in developing countries.
- International Centre for Settlement of Investment Disputes (ICSID) provides facilities for conciliation and arbitration of disputes.

Over 180 countries are members of the World Bank Group. *See International Monetary Fund.* [Website](#).

World Economic Forum. International institution established in 1971 in Geneva, Switzerland, committed to improving the state of the world through public-private cooperation. Annually the World Economic Forum publishes The Global Competitiveness Report. [Website](#).

WTO. The World Trade Organization was established by the Uruguay Round in 1995 as successor to the GATT (General Agreement of Tariffs and Trade), the WTO is the only global organization dealing with the rules of trade among nations. It is responsible for monitoring national trading policies, handling trade disputes and enforcing the GATT agreements. The mission of the WTO is also reduce tariffs and other international barriers and eliminate discriminatory treatment in international commerce. More than 150 countries belong to WTO. [Website](#).

World Economic Forum. International institution established in 1971 in Geneva, Switzerland, committed to improving the state of the world through public-private cooperation. Annually the World Economic Forum publishes The Global Competitiveness Report. [Website](#).

Y

York Antwerp Rules. A body of rules adopted by international convention to provide a uniform basis for adjusting general average claims. Some nations do not follow this rules, and interested parties should refer to the carrier or to the text of the marine transport document.

Y

Z

Zeroing. In the World Trade Organization (WTO) dumping procedures, an investigating authority usually calculates the dumping margin by getting the average of the differences between the export prices and the home market prices of the product in question. When it chooses to disregard or put a value of zero on instances when the export price is higher than the home market price, the practice is called “zeroing”. Critics claim this practice artificially inflates dumping margins.

Zero-sum game. A negotiation strategy where one party's gains are directly offset by another party's losses. This negotiation strategy is typical of competitive negotiators that belongs to such emerging countries as China, Russia or Arab countries. This strategy is opposed to a win-win strategy. [Negotiation and Business Culture Guides by Countries.](#)

Z

INTERNATIONAL TRADE TERMS BY CATEGORIES

BANKING		
About	credit	Convertibility
Acceptance	Bank acceptance	Convertible currency
Acceptance letter of credit	Bank draft	Correspondent bank
Accepting bank	Bank guarantee	Country risk
Acknowledgement	Bareboat charter	Credit risk insurance
Advance payment	Beneficiary	Crossed check
Advance payment guarantee	Bid bond	Currency
Advised letter of credit	Bill of exchange	Currency future
Advising bank	Blank endorsement	Currency option
After date	Bottom line	Current account
After sight	Call option	Current balance
Allowance	Capital account	Date draft
Amendment	Cash against documents	Default
American option	Cash in advance	Deferred payment letter of credit
Applicant	Cash on delivery	Del credere
Application	Cash with order	Demand guarantee
Appreciation	Clean collection	Depreciation
Arbitrage	Clean draft	Devaluation
Assignee	Clean float	Dirty float
Assignment	Clean letter of credit	Discount
Assignor	COFACE country risk	Discrepancies
At sight	Collateral	Documentary collection
At X days date	Collecting bank	Documentary credit
Availability	Collection	Documentary instructions
Aval	Collection fee	Domicile
Back letter	Collection letter	Draft
Back order	Comfort letter	Drawee
Back to back letter of	Commercial risk	Drawer
	Confirmed letter of credit	Drawing
	Confirming	Due diligence
	Confirming bank	

Endorsement	In trust (documents)	Overdraft
Endorsee	International	Par value
Endorser	Arrangement on Export Credits	Parity
Escrow account	International Bank for Reconstruction and Development	Payee
eUCP	International Development Association	Payer
European option	International Finance Corporation	Paying bank
Evergreen letter of credit	Irrevocable letter of credit	Payment at sight
Exchange control	Issuance	Payment in advance
Exchange rate	Issue date	Payment terms
Exchange risk	Issuing bank	Payment under reserves
Expiration date	Key currency	Performance bond
Expiry date	Letter of credit	Portfolio investment
Factoring	Letter of Indemnity	Postdated check
Fixing	Leverage	Pre-advice
Foreign currency	Long date forward	Presentation date
Foreign currency account	Market risk	Principal
Foreign exchange	Maturity date	Promissory note
Forfaiting	Merchant's credit	Put option
Forward rate	Money order	Red clause L/C
Forward exchange contract	Multicurrency clause	Reimbursing bank
Forward exchange option	Negotiating bank	Remittance
Freely negotiable	Negotiation	Remittance following collection
Future contract	Nostro account	Remitter
Gold standard	Oanda	Remitting bank
Grid	Open account	Reserve currency
Guarantor	Option	Restitution
Guaranty	Original documents	Restricted letter credit
Hard money (currency)	Outright	Revaluation
Hedging		Revocable L/C
Holder in due course		Revolving L/C

Risks analysis	Usance L/C	Boilerplate clauses
Rollover credit	Validity	Bracketed
Second advising bank	Vostro account	Break clause
Settlement date	World Bank Group	Business cooperation contract
Silent confirmation	CONTRACTS & LAW	
Soft currency	Abrogation	Calvo doctrine
Spot cash	Accord and satisfaction	Capacity to contract
Spot exchange	Act of God	Carriage contract
Spot exchange rate	Adhesion contract	Caveat emptor
Spot market	Advisory capacity	CIETAC
Spot price	Affidavit	Civil Law
Spot rate	Affreightment	Claimant
Standby L/C	Alternative Dispute Resolution	Commercial in confidence
Stop loss order	Amendment	Commercial sensitive information
Straight L/C	American Foreign Trade Definitions	Commission sales agreement
Strike price	Annex	Common Law
SWIFT	Arbitration clause	Confidential information
Time draft	As is	Confidentiality agreement
Time value money	Assignment	Conflict of laws
Trade acceptance	Attachment	Consignment contract
Trade finance	Attorney-in-fact	Contract guarantee
Transferable letter of credit	Authentication	Contract manufacturing
Trust receipt	Avoidance of contract	Contracting parties
UCP 600	Bad faith	Contractual joint venture
Unconfirmed letter of credit	Bailee	Copyright
Uniform Rules for Collections	Bailment	Counterparty
Uniform Rules for Contract Guarantees	Bearer	Deal breaker
Usance draft	Bearer document	Devil's advocate
		Domicile

End date	Ipsо jure	Notary public
Equity joint venture	Joint and several liability	OEM Original Equipment Manufacturing
Equivalence	Joint venture	Open-end contract
EUR-Lex	Jurat	Paramount clause
European Economic Interest Grouping	Juridical person	Parent company
Exculpatory clause	Know-how	Paris Convention
Execution	Language clause	Partnership
Exhibit	Legal entity	Patent
Expatriate contract	Letter of Intent	Patent Cooperation Treaty
Export contract	Lex mercatoria	Power of attorney
Fast track	License agreements	Premises
Force majeure clause	Licensee	Prescription period
General conditions of international sale	Licensor	Prima Facie
General partnership	Limitada (Ltda.)	Principal
GmbH Gesellschaft mit beschränker Haftung	Limitation period	Protest
Governing law clause	Limited (Ltd.)	Proxy
ICC International Court of Arbitration	Limited liability	Rescind
Ice clause	Limited partnership	Restitution
Import contract	Liquidated damages	Retention of title clause
Integrated contract	Logistic services contract	Royalties
Intellectual Property Rights	London Court of International Arbitration	Schedule
International agreement	Madrid Agreement	Severability clause
International Center of Dispute Resolutions	Manufacturing license agreement	Sociedad Anónima S.A.
International franchising	Mediation	Sociedad de Responsabilidad Limitada S.R.L.
International procurement	Memorandum of Understanding	Société Anonyme S.A.
International sales contract	NCND Non-circumvention non-disclosure agreement	Société à Responsabilité Limitée S.R.L.
	NDA Non-disclosure agreement	Strike clause

Subrogation	Assist	Double column tariff
Supply contract	ATA Carnet	Downstream dumping
Termination of contracts	ATR Declaration	Dry port
Terms and Conditions	Automated clearing house	Drawback
Third-party beneficiary	Bonded warehouse	Dumping
Title transfer	Border protection	Duty
Trade Act	Brussels Tariff Nomenclature	Duty paid
Trademark	Certificate of conformity	Excise tax
Trademark license agreement	Certificate of Origin	Export clearance
Trade secret	Certification of Origin	Gateway
Turnkey contract	Form A	General tariff
Tying arrangement	Clearance	Generalized System of Preferences
UNCITRAL	Combined Nomenclature	Global quota
Unenforceable contract	Commercial value	Global Trade Alert
UNIDROIT	Common external tariff	Harmonized System
Valuation clause	Compound duty	HS 6-digit
Vendor agreement	Consular visa	Import clearance
Vienna Convention	Countervailing duties	Import duty
Voidable contract	Customs	Import license
Waiver	Customs area	Import quota
Warranty	Customs bonded warehouse	Import restrictions
Without prejudice	Customs broker	Indirect tax
WIPO	Customs classification	Intrastat
CUSTOMS		
Ad valorem duty	Customs clearance	Liner tariff reduction
APHIS	Customs duty	Market Access Data Base
Appraisement	Customs entry	Most Favoured Nation treatment
Article of extraordinary value	Customs invoice	Non-tariff barriers
	Customs valuation	Normal value
	Direct tax	Rules of origin

SAD	Airport-to-airport	Carriage contract
Sales tax	Alongside	Carrier
Sanitary measures	American Foreign Trade Definitions	Carrier liability limit
SITC	American pallet	Cartage
Specific duty	Apparent damage	Cartment
Tariff	Apparent good order and condition	CFR Cost and Freight
Tariff bidding	Arrival notice	CFS Container Freight Station
Tariff escalation	As freighted	CFS/CFS
Tariff quotas	Back letter	CFS Charge
Tax haven	Backhauling	CFS Receiving Services
Trade barriers	BAF	Chargeable Weight
Trade facilitation	Bale	Charges collect
Trigger price mechanism	Barrel (Bbl.)	Charter party
Variable levy	Base port	Charter party bill of lading
VAT	Bill-to party	Checker
WCO	Bonded warehouse	Chock
Zeroing	Bordereau	CIF Cost, Insurance and Freight
LOGISTICS		
Abandonment	Breakbulk	CIM Transport document
Accessions	Bridgeport	CIP Carriage and Insurance Paid to
Accessorial charges	Broken stowage	Claused bill of lading
Advice of shipment	Brokerage	Clean bill of exchange
Affreightment	Bulk cargo	Clean bill of lading
Afloat	Bulk carrier	Clean bill of lading
Air freight	Bulk freight	Clean on board bill of lading
Air freight consolidator	Cabotage	Clean receipt
Air freight forwarder	Captain's protest	Clean report of findings
Air waybill	Car seal	Clean transport document
Aircraft pallet	Cargo	
	Cargo agent	
	Cargo manifest	

CMR Transport document	Country of destination	Detention charges
Collect charges	Country of origin	Devanning
Combined transport	CPT Carriage Paid to	Dimensional weight
Combined transport document	Currency adjustment factor	Discharge
Compact palletization	Cut-off time	Dispatch money
Compatible cargo	DAF Delivered at Frontier	Dock
Concealed damage	Dangerous goods	Dock receipt
Congestion surcharge	Dangerous Goods Declaration	Door-to-airport
Consignee	DAP Delivered at Place	Door-to-door
Consignee marks	DAT Delivered at Terminal	Door-to-port
Consignment	DDP Delivered Duty Paid	Drayage
Consignment contract	DDU Delivered Duty Unpaid	Drum
Consignor	Dead freight	Dry port
Consolidated container	Deadweight	E & OE Errors and omissions excepted
Consolidated shipment	Deadweight cargo	Entrepot
Consolidation	Declared value for carriage. L	ETA Estimated time of arrival
Consolidator	Deck cargo	ETD Estimated time of departure
Container	Deconsolidation point	Eurobox
Container freight station	Delivery	EURO-pallet
Container handling charge	Delivery instructions	Ex Cellar
Container manifest	Delivery lead time	Ex Factory
Container number	Demurrage	Export marks
Container rental surcharge	DEQ Delivered ex Quay	Export packing
Container terminal	DES Delivered ex Ship	EXW Ex Works
Container vessel	Destination delivery charge	FAK Freight of all kinds
Container yard	Destuffing	FAS Free Alongside
Containerizable cargo		FCA Free Carrier
Country of departure		FCL Full Container Load
		Feeder vessel

FEU Forty-foot equivalent unit	Future contract	Inducement
FHEX	Gauger	Inland carrier
FHINC	General cargo rate	Inland clearance depot
FIATA	General cargo vessels	Inherent vice
FIFO First in, first out	General order	Intended
FILO First in, last out	Gross tonnage	Interline
FIO Free in and out	Gross weight	Intermediate consignee
FIOST Free in, out, stowed and trimmed	Groupage	Intermodal transport
Flag carrier	Guaranteed freight	International Container Bureau
Flag of convenience	Hague Rules	International Maritime Organization
Flotsam	Hamburg Rules	International Road Transport Union
FOB Airport	Harbor fees	International Road Transportation Convention
FOB Free on Board	Hatch	Inward foreign manifest
FOR Free on Rail	Haulage	ITU Intermodal transport unit
Fork lift	Hazardous materials	Jetsam
Foul bill of lading	Heavy lift	Jettison
Foul transport document	High cube	Knot
Four-way pallet	Hinterland logistics	Landbridge
Free of particular average	Hold	Landed costs
FOR Free on Rail	House airway bill	Landed value
Forklift trucks	House bill of lading	Landlocked
Forwarder	House-to-house	Lashing
FOT Free on track	Hub system	Lay order
Freely negotiable	Husbanding	Laytime
Freight	IATA International Air Transport Association	LCL
Freight collect	IHC Inland Haulage Charges	LLCL/FCL
Freight forwarder	In transit entry (I.T.)	LCL/LCL
Freight prepayable	In-bond	
Freight prepaid	Inbound logistics	
Freight rebate	Incoterms	

Language clause	Neutral marks	Port of loading
LIFO Liner in free out	NOR	Port-to-port
Lift-On/Lift-Off (Lo/Lo)	Not otherwise specified	Pre-carriage
Lift truck	Notify address	Preferential cargo
Lifting cart	Notify party	Prepaid
Lighterage	NVOCC	Pre-shipment inspection
Line haul	On-board B/L	Quay
Liner service	On-board notation	Range
Liner shipping	On-carriage	Received for shipment
Liner terms	On-deck	Reefer container
Loading	Open top container	Revenue ton
Logistics platform	Outbound logistics	Reverse logistics
Logistic services contract	Packaging film	Roll-on/roll-off
Longshoreman	Pallet	Rounding
LTL Less than truck load.	Pallet loader	Running days
Main carriage	Pallet transporter	Said to contain
Manifest	Palletizing	SHEX
Marine bill of Lading B/L	Partial shipment	SHICN
Measurement cargo	Particular average	Shipbroker
Measurement ton	Pickup and delivery	Shipment
Merchant's haulage	Pier-to-house	Shipment date
Mixed container load	Pier-to-pier	Shipped on deck
M/T Metric Ton	Piggyback logistics	Shipper
Multimodal transport	Place of delivery	Shipper's letter of instruction
Multimodal transport operator	Place of receipt	Shipper's load and count
Named place	Point of origin	Shipping conference
NESOI	Port of call	Shipping documents
Net terms	Port of debarkation	Shipping instructions
Net tonnage	Port of embarkation	Shipping order
Net weight	Port of entry	Shipping weight
	Port of exit	

Short delivery	Trimming	Cargo insurance certificate
Short-shipped	Tri-temp	Cargo manifest
Side loader	ULD	Cartment
Side-door container	Unclaimed freight	Certificate of analysis
Sling	Undercarrier	Certificate of authority
Steamship agent	Unit load	Certificate of conformity
Steamship line	Unitization	Certificate of free sale
Stevedore	Valuation charges	Certificate of health
Storage	Vanning	Certificate of inspection
Storage demurrage	VOCC	Certificate of manufacture
Storage in transit	Warehouse receipt	Certificate of Origin
Store-door delivery	Warsaw Convention	Certification of Origin Form A
Stowage	Weight	Certificate of radioactivity
Straight B/L	Wharf.	Certificate of weight
Stripping	Wharfage	Certified invoice
STC Says to contain.	Wharfinger	CITES
Stuffing	W/M L	Claused bill of lading
Surcharge		Clean bill of exchange
TEU Twenty-foot equivalent unit		Clean bill of lading
THC Terminal Handling Charges	Acknowledgement	Clean receipt
Third-party logistics	Air waybill	Clean report of findings
Through bill of lading. L. Through rate	Arrival notice	Clean transport document
Time bar. L	ATA Carnet	CMR Transport document
Time charter	ATR Declaration	Combined transport document
Trade documents	Bill of adventure	Commercial invoice
Tradeoffs	Bill of exchange	Consular declaration
Tramp vessel	Bill of lading B/L	
Transit zone	Bill of parcels	
Transshipment	Binder	
	Captain's protest	

Consular documentation	Letter of assignment	Sanitary certificate
Consular invoice	Letter of correction	Sea waybill
Container manifest	Letter of credit	Short form B/L
Container number	Letter of Indemnity	Special cargo policy
Cover note	Letter of Intent	Standard Shipping Note
Customs invoice	Letter of Introduction	Standby L/C
Dangerous Goods Declaration	Manifest	Statement of Work
Delivery instructions	Master air waybill	Through bill of lading
Delivery note	Master form.	TIR Carnet
Delivery order	Mate's receipt	Trust receipt
Documentary instructions	Multimodal transport bill of lading	Warehouse receipt
Documents against acceptance	Negotiable bill of lading B/L	Waybill
Documents against payment	Negotiable instrument	INSURANCE
EDI	Negotiable warehouse receipt	All risks
EDIFACT	No commercial value	Average
EUR 1 Movement Certificate	Non-negotiable B/L	Brokerage
Export declaration	Ocean bill of lading	Carrier liability limit
Export license	Order	Casualty
Expression of interest	Order bill of lading	Contingency insurance
FBL FIATA Bill of Lading	Original documents	COFACE Country Risk
FCR Forwarder's certificate receipt	Packing list	Country risk
Foul transport document	Phytosanitary certificate	Cover note
General conditions of international sale	Pickup order	Damages
Halal certificate	Pre-shipment inspection	Del credere
Insurance certificate	Proforma invoice	Delay clause
Kosher certificate	Proof of delivery	Deviation clause
Legalized invoice	Purchase order	Free of capture and seizure
	Railway consignment note	Free of particular average
	Receipt	Indemnity

Institute Cargo Clauses	York Antwerp Rules	Comparative advantage
Insurable interest		Compensatory trade
Insurance broker	ECONOMICS	Compensation deal
Insurance coverage		Competitive intelligence
Insurance policy	Absolute advantage	Comtrade
Insurance premium	ACP Countries	Counterpurchase
Insured	ALADI	Countertrade
Insured value	Andean Community	Current account
International Underwriting Association of London	Antitrust	Current balance
Know loss	APEC	Customs union
Lloyd's Register	ASEAN	Default
Marine cargo insurance	Balance of payments	Developing countries
Open policy	Balance of trade	Distortion
Particular average	Barter	Doing Business Project
Party at risk	Basel Convention	Duopoly
Pilferage	Berne Convention	Economic integration
Premium	Bilateral trade agreement	Economic union
Reinsurance	Blockade	Embargo
Salvage	Boycott	Enabling clause
Salvage loss	Bribery	Eurostat
Self insured	Buffer stocks	Ex ante, ex post
Special marine policy	Build-Operate-Transfer	Expatriate
Sue and Labor clause	Buy-back	Export
Surety	Capital account	Export incentives
Surveyor	CARICOM	Export-performance measure
War risk	Cartel	Export processing zones
War risk insurance	Chargé d'affaires	Export quota
Warehouse-to-warehouse clause	Circumvention	Export subsidies
With Average	Commercial treaty	FDI Foreign Direct Investment
	Commodity	Free trade
	Common market	

Free trade area	Outsourcing	After-sale service
Free trade zone	Parallel imports	Agenda
Gold standard	Parent company	Agent
Global Competitiveness Report	Perfect competition	Agio
Holding company	Post-tender-negotiation	Application to qualify
International procurement	Pre-qualified suppliers list	Assembly operations
JETRO	Price undertaking	BATNA
Keiretsu	Procurement	Best and final offer
Key performance indicators	Protectionism	Born global
Know-how	Purchasing power parity	Brokerage agreement
Lead time	Quality	Bureau International des Expositions
Less developed country	Quality assurance	Business culture
Lesser developed country	Quality control	Buying agent
Managing director	Quantitative restrictions	CCC Mark
MERCOSUR	Quota	CE Mark
MIGA	Re-exports	CEO
Money laundering	Retaliation	Chaebols
Monopoly	Revaluation	Co-branding
Monopsony	Risks analysis	Collusion
Multilateral agreement	Safeguards	Commercial agency
Mutual Recognition Agreements	Sanction	Commercial counselor
NAFTA	Sister company	Commercial counterfeiting
Nearshoring	SMEs	Commercial presence
Non-tariff barriers	Smuggling	Commission
Offset requirements	Sovereign default	Commission agent
Offshoring	Sovereign risk	Commissioning
Oligopsony	MARKETING	
Oligopoly	Accessions	Competitive intelligence
Opportunity cost	Affiliate company	Comtrade
		Confirming house
		Contract manufacturing

Counterfeit	Losing face	Supplier lead time
Counteroffer	Low context cultures	Technical specifications
Cross-culture business	Market access data base	Terms of sale
Cultural differences	Markup pricing	Territory
Deadline	Master franchise	Trade fair
Distributive bargain	Multidomestic strategy	Trade Map
Distributor	Net price	Trademark
DUNS number	Net profit	Trade mission
E-auction	Piggyback distribution	Trade name
E-marketplace	Premium	Trade promotion organizations
Europages	Price differentiation	Trading company
Exclusive distribution	Price standardization	Transaction value
Export broker	ProChile	Transfer pricing
Export business plan	ProExport	TSNN
Export entry modes	ProMéxico	UBIFRANCE
Export management company	Purchasing agent	Unique selling proposition
Export manager	Quotation	Value for money
Expression of interest	Representative office	Win-lose strategy
Facilitation payment	Request for information	Win-win strategy
Flagship store	Request for proposal	Zero-sum game
Grey market	Request for quotation	
Guanxi.	Request for tender	
High context cultures	Reverse option	
ICEX	Sales agent	
Intermediary	Sales representative	
International franchising	Sample	
International service provider	Shop in shop	
KISS	Sogo Shosha	
Kompass	Strategic alliance	
KOTRA	Supplier	
	Supplier appraisal	

ABBREVIATIONS AND ACRONYMS USED IN INTERNATIONAL TRADE

aar - Against all risks.

ACH - Automated clearing house.

act.wt. - Actual weight.

ACP Countries - African, Caribbean and Pacific countries.

A/D - After date.

ADR - Alternative dispute resolution.

AEV - Article of extraordinary value.

ALADI - Asociación Latinoamericana de Integración

APHIS - Animal and Plant Health Inspection Service

AN - Arrival notice.

AR - All risks.

Av. - Average.

AS - At sight.

APEC - Asia-Pacific Economic Cooperation.

ASEAN - Association of Southeast Asian Nations.

AWB - Air waybill.

BAF - Bunker adjustment factor.

BATNA - Best alternative to a negotiated agreement.

B/B - Breakbulk (cargo).

Bbl - Barrel.

BCC - Business cooperation contract.

B/D - Bank draft.

B/E - Bill of exchange.

BFO - Best and final offer.

B/L - Bill of lading.

BOT - Build operate transfer.

BRICS - Brasil, Russia, India, China and South Africa.

BS - Bunker adjustment factor.

BTN - Brussels Tariff Nomenclature.

CAC - Currency adjustment charge.

CAD - Cash against documents.

CAD - Currency adjustment factor.

CAI - Cash in advance.

CARICOM - Caribbean Common Market.

CBL - Combined transport bill of lading.

CBOT - Chicago Board of Trade.

CCC Mark - The China Compulsory Certificate Mark.

CE Mark - Conformité Européene.

CEN - Comité Européen de Normalisation.

CENELEC - Comité Européen de Normalisation Electrotechnique.

CEO - Chief Executive Officer.

CET - Common external tariff.

CFO - Chief Financial Officer.

CFR - Cost and Freight.

CFS - Container Freight Station.

CIA - Cash in advance.

CIETAC - China International and Economic Trade Arbitration Commission.

CIF - Cost, Insurance and Freight.

CIM - Convention Internationale concernant le transport des Marchandises par chemin de fer.

CIP - Carriage and Insurance Paid to.

CISG - United Nations Convention on Contract for the International Sale of Goods.

CITES - Convention on International Trade in Endangered Species.

Cld - Cleared (through customs).

CMR - Contrat de Transport International de Marchandises par Route.

CN - Combined Nomenclature

COD - Cash on delivery.

COFACE - Compagnie Française d'Assurance pour le Commerce Extérieur.

COO - Chief Operating Officer.

CPT - Carriage Paid to.

CS - Container shipment.

CSC - Container service charge.

CTD - Combined transport document.

CY - Container yard.

Cw - Commercial weight.

CWO - Cash with order.

Cwt - Hundredweight (unit of measurement).

D/A - Documents against acceptance.

DAF - Delivered at Frontier.

DAP - Delivered at Place.

DAT - Delivered at Terminal.

D/D - Delivered.

DDC - Delivered destination charges.

DDP - Delivered Duty Paid.

DDU - Delivered Duty Unpaid.

DEQ - Delivered ex Quay.

DES - Delivered ex Ship.

Dk - Dock.

D/S - Days after sight.

D/P - Delivery order.

D/P - Documents against payment.

E & OE - Errors and omissions excepted.

EDI - Electronic Data Interchange.

EDIFACT - Electronic Data for Administration, Commerce and Transportation.

EEIG - European Economic Interest Grouping

EFTA - European Free Trade Association

EJV - Equity joint venture.

EMC - Export management company.

EPZ - Export processing zone

ETA - Estimated time of arrival.

ETD - Estimated time of departure.

EU - European Union.

EXIMBANK - Export-Import Bank of the United States.

EXW - Ex Works.

FAK - Freight of all kinds.

FAO - Food and Agricultural Organization.

FAP - Free of Particular Average.

FAS - Free Alongside.	FPA - Free of particular average.
FB - Freight bill.	FPAD - Freight payable at destination.
FBL - FIATA Bill of Lading.	FTA - Free Trade Agreement.
FCA - Free Carrier.	FTZ - Foreign trade zone.
FCL - Full Container Load.	FWB - FIATA Waybill.
FCR - Forwarder's Certificate Receipt.	FWR - FIATA Warehouse Receipt.
FCT - Forwarders Certificate of Transport.	
FD - Free domicile.	
FDI - Foreign Direct Investment	
F&D - Freight and demurrage.	GATS - General Agreement on Trade Services.
FEU - Forty foot equivalent unit.	GATT - General Agreement on Tariffs and Trade.
FHEX - Fridays and holidays are excluded.	GmbH - Gesellschaft mit beschränkter Haftung (Germany).
FHINC - Fridays and holidays are included.	G-7 - Group of Seven.
FI - Free in.	G-77 - Group of Seventy Seven.
FIATA - International Federation of Freight Forwarders Association.	GSP - Generalized System of Preferences.
FIATA - FFI Forwarding Instructions.	GSTP - Global System of Trade Preferences.
FIFO - First in, First out.	
FILO - First in, Last out.	
FIO - Free in and out.	HAWB - House Airway Bill.
FIOST - Free in, out, Stowed and Trimmed.	HAZMAT - Hazardous Materials.
FO - Free out.	HS - Harmonized System.
FOB - Free on Board.	
Foc - Free of charge.	IATA - International Air Transport Association.
Fod - Free of damage.	IBRD - International Bank for Reconstruction and Development.
FOI - Free in and out.	ICC - International Chamber of Commerce.
FOR - Free on Rail.	ICPO - Irrevocable Corporate Purchase Order.
FOREX - Foreign Exchange.	ICSID - International Centre for
FOT - Free on Track.	

Settlement of Investment Disputes.

IDA - International Development Association.

IEC - International Electrical Commission.

IFC - International Finance Corporation.

IFM - Inward Foreign Manifest.

IHC - Inland Haulage Charges.

ILO - International Labour Organization.

IMF - International Monetary Fund.

IMO - International Maritime Organization.

Inc. - Incorporated.

INCOTERMS - International Commerce Terms.

INTRACEN - International Trade Center.

Inv. - Invoice.

IPLC - International product life cycle.

IPR - Intellectual Property Rights.

IRU - International Road Transport Union.

ISO - International Standards Organization.

I.T. - In transit entry.

ITT - Invitation to tender.

ITU - Intermodal transport unit.

IUA - International Underwriting Association of London.

JETRO - Japan External Trade Organization.

KISS - Keep it simple and straight.

KPIs - Key performance indicators.

L/C - Letter of credit.

LCIA - London Court of International Arbitration.

LCL - Less than container load.

LDC - Less developed countries.

Ldg. - Loading.

LIFFE - London International Financial and Futures Exchange.

LIFO - Liner in free out.

LIRMA - London International Insurance and Reinsurance Market Association

Lkg. & Bkg. - Leakage and breakage.

LLDC - Lesser developed countries.

LOI - Letter of indemnity.

LOI - Letter of intent.

LOI - Letter of introduction.

LO/LO - Lift-On/Lift-Off.

LT - Liner Terms.

LTL - Less than truck load.

MAWB - Master air waybill.

MERCOSUR - Mercado Común del Sur.

MFN - Most Favoured Nation.

MIGA - Multilateral Investment Guarantee Agency

MNC - Multinational corporation.

MO - Money order.

MOU - Memorandum of Understanding.

MTAs - Mutual Recognition Agreements.

M/T - Metric ton.

MTO - Multimodal transport operator.

N/A - Not applicable.

NAFTA - North America Free Trade Agreement.

NCND - Non-circumvention non-disclosure agreement.

NCV - No comercial value.

NE - Not exceeding.

NES - Not elsewhere specified.

NESOI - Not elsewhere specified or indicated.

NDA Non-disclosure agreement.

N/F - No funds.

NOR - Notice of readiness.

NOS - Not otherwise specified.

N/S/F - Not sufficient funds.

NTBs - Non-tariff barriers.

NVOCC - Non-vessel-operating common carrier.

NYMEX - New York Mercantile Exchange.

OECD - Organization for Economic Cooperation and Development.

OEM - Original Equipment Manufacturing.

O/N - Order notify.

O/o - Order of.

OP - Open policy.

PA - Particular average.

P/A - Power of attorney.

PCT - Patent Cooperation Treaty.

PD - Port dues.

P & I Clubs - Protection and Indemnity Clubs.

POD - Pay on delivery.

POD - Port of debarkation.

POD - Proof of delivery.

POE - Port of embarkation.

P/N - Promisory note.

ppd (or PP) - Pre-paid.

PPP - Purchasing power parity.

PSI - Pre-shipment inspection.

PSV - Post-shipment verification.

PTN - Post-tender-negotiation.

PU & D - Pickup and delivery.

R & CC - Riots and civil commotion clause (insurance clause).

RFI - Request for information.

RFP - Request for proposal.

RFQ - Request for quotation.

RFT - Request for tender.

RO/RO - Roll-on/roll-off.

ROT - Retention of title.

R/T - Revenue ton.

S.A. - Sociedad Anónima (Spain).

S.A. - Société Anonyme (France).

SAD - Single Administration Document.

S & C - Shipper's load and count.

SD - Short delivery.

SDT - Shipper's Declaration for the Transport of Dangerous goods.

SHEX - Sundays and holidays excluded.

SHICN - Sundays and holidays included.

SIC - Shippers intermodal weight certificate.

SITC - Standard International Trade Classification.

SLI - Shipper's letter of instruction.

SMART - Specific, measurable, achievable, realistic and time-bound.

SMEs - Small and medium size enterprises.

SOW - Statement of Work.

SRCC - Strikes, Riots and Civil Commotion Clause (insurance clause).

S.R.L. - Sociedad de Responsabilidad Limitada (Spain).

S.R.L. - Société à Responsabilité Limitée (France).

SSN - Standard Shipping Note.

S & T - Shipper's load and tally.

STC - Says to contain.

STW - Said to weigh.

SWIFT - Society for Worldwide Inter-bank Financial Telecommunications.

TBL - Through bill of lading.

TC - Time charter.

TCO - Total cost of ownership.

TEU - Twenty-foot equivalent units.

THC - Terminal handling charges.

TIR - Transport International Routier.

T/L - Total loss.

TM - Trademark.

TNC - Transnational corporation.

TRIMS - Trade Related Investment Measures.

TS & Cs - Terms and Conditions.

TSNN - Trade Show News Network.

T/T - Telegraphic transfer.

UCODC - Uniform Customs and Practice for Documentary Credits.

UCP 600 - Uniform Customs and Practice for Documentary Credits.

ULD - Unit load device.

UNCITRAL - United Nations Commission on International Trade Law.

UNIDROIT - Institute for the Unification of Private Law.

UNTACD - United Nations Commission for Trade and Development.

URC - Uniform Rules for Collections.

URCG - Uniform Rules for Contract Guarantees.

URDG - Uniform Rules for Demand Guarantees.

USP - Unique selling proposition.

VAT - Value added tax.

VFM - Value for money.

VOCC - Vessel operating common carrier.

WA - With average.

WCF - World Chambers Federation.

WCO - World Customs Organization.

W/M - Weight or measurement.

WPA - With particular average.

WIPO - World Intellectual Property Organization.

WTO - World Trade Organization.

ZF - Franc zone.

MODEL CONTRACTS

INTERNATIONAL CONTRACTS (ENGLISH, SPANISH, FRENCH, GERMAN & PORTUGUESE)

- International Sale Contract
- International Distribution Contract
- International Commercial Agency Contract
- International Sales Representative Agreement
- Intermediary Contract for Trade Operations
- International Joint Venture Contract
- International Strategic Alliance Agreement
- International Franchise Contract
- International Services Contract
- International Consulting Contract
- International Technology Transfer Agreement
- International Trademark License Agreement
- International Supply Contract
- International Manufacturing Contract
- International Buying Agent Contract
- Logistics Services Contract
- Export Contract
- Confidentiality Agreement
- Expatriate Contract of Employment
- Memorandum of Understanding for International Distribution
- Memorandum of Understanding for Joint Venture
- **Pack 10 Contracts in English**
- **Pack All Contracts in English**

BUSINESS CONTRACTS (ENGLISH, SPANISH, FRENCH, GERMAN & PORTUGUESE)

- Distribution Contract
- Commercial Agency Contract
- Sales Representative Agreement
- Commission Contract
- Joint Venture Contract
- Services Provider Contract
- Consulting Contract
- Strategic Alliance Agreement
- Franchise Contract
- Supply Contract
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CHINA CONTRACTS (ENGLISH-CHINESE DUAL VERSION)

- Distribution Contract China
- Agency Contract China
- Commission Contract China
- Supply Contract China
- Manufacturing Contract China
- Confidentiality Contract China
- Memorandum of Understanding for Distribution Contract China
- Memorandum of Understanding for Joint Venture China

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- Letter of Intent for International Sale
- Letter of Intent for International Distribution
- Letter of Intent for International Joint Venture
- **Pack 3 Letters on Intent**

LETTERS FOR EXPORTERS (ENGLISH & SPANISH) LETTERS FOR IMPORTERS

- Presentation to potential client
- Proposal for agent/distributor
- Proposal to form a strategic alliance
- Invitation to a trade fair
- Making a commercial offer
- Preparation of a contract
- Reminder of payment pending
- **Pack 15 Letters for Exporters**
- Request for information to an overseas supplier
- Offering as agent/distributor
- Reply to proposal for strategic alliance
- Making contact after a trade fair
- Renegotiation of a contract
- Complaint about delivery of faulty goods
- **Pack 15 Letters for Importers**
- **Pack 30 Letters for Exporters and Importers**



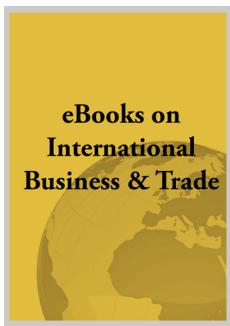
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