

# Glossary of International Trade

## Acronyms and Terms

acceptance	An agreement to purchase goods at a stated price and under stated terms.
accession	The process of becoming a member of the General Agreement on Tariffs and Trade (see <a href="#">GATT</a> ).
actual total loss	A marine insurance term; a ship is usually considered an actual total loss for insurance purposes when it has been listed as missing.
Asian Development Bank (ADB)	The Asian Development Bank (ADB) was created to foster economic growth and cooperation in the region of Asia and the Far East and to help accelerate economic development for the countries of the region.
ad valorem rate	An import duty rate determined “according to the value” ( <i>ad valorem</i> ) of the commodity entering a country, as opposed to the weight or other basis for calculation. An ad valorem tariff is a tariff calculated as a percentage of the value of the goods when clearing customs.
advance against documents	A loan secured by turning over shipment documents of title to the creditor; an alternative to acceptance financing.
advice	A form or letter that acknowledges certain activities concerning shipments, credits, etc.
advising bank	A bank, operating in the exporter’s country, which handles letters of credit for a foreign bank by notifying the export firm that the credit has been opened in its favor. The advising bank fully informs the exporter of the conditions of the letter of credit without necessarily bearing the responsibility of payment.
AFDB	The African Development Bank and Fund. Established to foster economic and social development of the independent African nations and to promote their mutual economic cooperation. AFDB membership is limited to African countries. The African Development Fund (AFDF), a loan facility, directs its loan resources towards social development projects.
affreightment, contract of	An agreement between a shipping company and an importer or exporter for cargo space on a vessel at a specified time for a specified price. The importer/exporter is liable for payment whether or not the shipment is made at the time agreed upon.
after date (A/D)	A payment on a draft or other negotiable instrument due a specified number of days after the date the draft is presented to the payee.
after sight (A/S)	A payment on a draft or other negotiable instrument due upon presentation or demand to the payee.

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agio	Premium paid for exchanging currency.
Agency for International Development (AID)	The Agency for International Development (AID) was created in 1961 to administer foreign economic assistance programs of the U.S. government.
air waybill	A bill of lading covering both the domestic and international portions of flights to transport goods to a specific destination. The air waybill serves as a non-negotiable receipt for the shipper.
all-risk clause	An insurance clause providing that all loss or damage to goods is insured except that caused by shipper.
alongside	This refers to the side of a ship, i.e., goods are to be located on the dock or barge within reach of the transport ship's tackle in order to be loaded aboard the ship.
AmChams	American Chambers of Commerce in foreign countries. As affiliates of the U.S. Chamber of Commerce, 84 AmChams, located in 59 countries, collect and disseminate extensive information on foreign markets. While membership fees are usually required, the small investment can be worth it for the information received.
anti-dumping duty	A tariff imposed to discourage the underpriced (below foreign country's domestic market/sale of foreign goods in the U.S. market, which might hurt U.S. manufacturers.
Asia-Pacific Economic Cooperation (APEC)	Asia-Pacific Economic Cooperation. A forum to advance economic cooperation and trade and investment liberalization in the Asia-Pacific region, chaired by Indonesia. APEC goals in addition to trade liberalization include human resource development, growth of small and medium-sized businesses and infrastructure development.
arbitrage	The practice of buying foreign currency, stocks and bonds and other commodities in one country or a number of countries and selling them in another market at a higher price to gain an advantage from the differences in exchange rates.
arbitration clause	A clause in a sales contract detailing how any contract disputes will be settled.
arrival notice	This document advises consignees (named in the bill of lading) that cargoes have arrived, the condition of the cargo if other than expected, and any charges due.
ASEAN	The Association of Southeast Asian Nations, an economic cooperation which includes Thailand, Indonesia, Malaysia, Singapore, Philippines and Brunei. The ASEAN Alliance for Mutual Growth (AMG) is a multilateral initiative to encourage mutually beneficial trade relations between the United States and the ASEAN countries.
at sight	A phrase indicating that payment on a draft or other negotiable instrument is due upon presentation or demand.

authority to pay (A/P)	A letter, used mostly in the Far Eastern trade, addressed by a bank to a seller or merchandise, notifying him that it is authorized to purchase, with or without recourse, drafts to a stipulated amount drawn on a certain foreign buyer in cover of specific shipments of merchandise.
back-to-back credits	A term commonly used to denote letters of credit issued for account of different buyers to cover the same shipment, the terms of which credits are similar that documents under one are subsequently applicable against one another.
bank guarantee	An assurance, obtained from a bank by a foreign purchaser, that the bank will pay an exporter up to a given amount for goods shipped if the foreign purchaser defaults.
banker's acceptance	Occurs when a draft is drawn on and accepted by the importer's bank. Depending on the bank's creditworthiness, the acceptance becomes a financial instrument which can be discounted.
barter	Trade in which merchandise is exchanged directly for other merchandise without use of money. Barter is an important means of trade with countries using currency that is not readily convertible.
beneficiary	The person in whose favor a draft is drawn or a letter of credit is opened.
bill of exchange	Also a draft. A written unconditional order for payment from a drawer to a drawee, directing the drawee to pay a specified amount of money in a given currency to the drawer or a named payee at a fixed or determinable future date.
bill of lading	A document establishing the terms of a contract between a shipper and a transportation company for freight to be moved between specified points for a specified charge. Usually prepared by the shipper on forms issued by the carrier, it serves as a document of title, a contract of carriage and a receipt for goods.
binder	Temporary insurance coverage pending the insurance of an insurance policy or certificate.
bonded warehouse	A warehouse authorized by customs authorities for storage of goods where payment of duties on the goods is deferred until they are removed from the warehouse.
booking	An arrangement with a steamship company for the acceptance and carriage of freight.
bulk-freight container	This container allows bulk commodities to be grasped by roll loading hatches and has a front wall discharge hatch.
buyer credit	Term to provide the exporter with prompt payment by the overseas importer, who borrows the necessary funds from the bank. The payment is usually made directly by the importer's bank to the exporter.
carnets	Customs documents permitting the holder to carry or send merchandise

temporarily into certain foreign countries for trade shows or sales meetings, without paying duties or posting bonds.

**Caribbean Development Bank (CDB)**

CDB, founded in 1970, provides financing to foster economic development and integration in the Caribbean. The CDB's members are the governments of Antigua, Bahamas, Barbados, Belize, British Virgin Islands, Canada, Cayman Islands, Colombia, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts-Nevis, St. Lucia, St. Vincent, Trinidad and Tobago, Turks and Caicos Islands, the United Kingdom, and Venezuela. Headquarters are located in Barbados.

**CARICOM**

The Caribbean Community and Common Market, founded in 1973. Member countries are Antigua, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts-Nevis, St. Lucia, St. Vincent, Trinidad and Tobago and Anguilla. Headquarters are in Guyana. Related organizations are the Caribbean Investment Corporation and the Caribbean Monetary Fund.

**cash against documents (C.A.D.)**

A payment method by which title to the goods is given to the buyer when the buyer pays cash to an intermediary acting for the seller, usually a commission house.

**cash in advance (C.I.A.)**

A payment method for goods in which the buyer pays cash to the seller before shipment of the goods. Usually required by the seller when the goods are customized, such as specialized machinery.

**cash with order (C.W.O.)**

A payment method for goods by which cash is paid at the time of order and the transaction then becomes binding for both the buyer and seller.

**certificate of inspection**

A document often required in connection with shipments of perishable goods, in which certification is made as to the good condition of their merchandise immediately prior to shipment.

**certificate of manufacture**

Statement by a producer, who is usually also the seller, of merchandise that manufacture has been completed and that the goods are at the disposal of the buyer.

**certificate of origin**

A certified document detailing the origin of goods used in foreign commerce. Usually required to qualify for reduced tariffs or duties, specified in the terms of a trade agreement, such as the North American Free Trade Agreement.

**charter party**

Renting of an entire vessel or part of its freight space for a specified voyage or stipulated period of time.

**C&F named port**

Cost and freight. The seller must pay all costs of goods and transportation to the named port; these costs are included in the price quoted. Buyer pays risk insurance once the goods are aboard the ship up to overseas inland destination.

C.I.F. named port	Cost, insurance, freight. Same as C&F except seller also provides insurance up to the named destination.
C.I.F.&C.	Price includes commission as well as C.I.F.
C.I.F. duty paid	The seller includes in the final price to the buyer, in addition to C.I.F., the estimated U.S. duty.
C.I.F.&E.	Price quoted includes currency exchange from U.S. dollars to foreign money as well as C.I.F.
clean bill of lading	A document specifying that the goods were received in “apparent good order” by the carrier.
clean draft	A draft to which no documents are attached.
COCOM	Coordinating Committee on Multilateral Export Controls, a committee of all NATO countries (except Iceland) plus Japan to coordinate and control exports of member countries, especially in high-technology equipment.
collection	An exporter draws a bill of exchange on a customer abroad and gives the bill to his/her bank to collect funds. The importer must be willing to pay. The bank charges a fee to collect payment, but is not liable should the importer refuse to release the funds.
collection papers	All documents, including bills of lading, invoices and other papers, submitted to a buyer to receive payments for a shipment.
commercial attaché	Commerce expert on the diplomatic staff of their country’s embassy or large consulate.
commercial invoice	Itemized list of goods shipped, usually included among an exporter’s collection papers.
conditional free	Goods free of duty under certain conditions, if the conditions can be satisfied.
confirmed letter of credit	A letter of credit issued by a foreign bank with payment confirmed by a U. S. bank. An exporter who requires a confirmed letter of credit from the buyer is assured payment from the U.S. bank in case the foreign buyer or bank defaults (see <a href="#">letter of credit</a> ).
consignment	The delivery of merchandise from an exporter to a distributor specifying that the distributor will sell the merchandise and then pay the exporter. The exporter retains title to the goods until the buyer sells them. The buyer (distributor) sells the goods, retains a specified commission and then pays the exporter.
consignor	The seller or shipper of merchandise.
consul	A government official residing in a foreign country charged with representing the interests of his country and its nationals.
consular declaration	A formal statement describing goods to be shipped, made out to the consul of the country of destination. Approval from the consul must be obtained prior to shipment.

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consular invoice	A document required by some foreign countries showing exact information about the consignor, consignee, value and description of shipment.
container	A uniform, sealed, reusable metal “box” in which merchandise is shipped by vessel, truck or rail. Standard lengths include 10, 20, 30 and 40 feet (40 foot lengths are generally able to hold about 40,000 pounds). Containers of 45 and 48 feet are also used, as well as containers for shipment by air.
container load	Adequate merchandise to fill a container (either by bulk or weight).
conventional tariff	A tariff established in the agreements resulting from tariff negotiations under the GATT (see <a href="#">GATT</a> ).
convertible currency	Currency that can be bought or sold for other currencies at will.
correspondent bank	A bank that, in its own country, handles the business of a foreign bank.
count certificate	This particular document will certify the accuracy and quantity of a shipment with regard to the count of its parts or units.
countertrade	The sale of goods or services that are paid for in whole or in part by the transfer of goods or services from a foreign country (see <a href="#">barter</a> ).
countervailing duty	A duty imposed to counter unfairly subsidized products.
credit risk insurance	Insurance which protects the seller against loss due to default on the part of the buyer.
customhouse brokers	A person or firm, licensed by the U.S. Treasury Department, engaged in clearing goods through U.S. Customs. A broker’s duties include preparing the entry form and filing it; advising the importer on duties to be paid; advancing duties and other costs; and arranging for delivery to the broker’s client, the trucking firm or other carrier.
customs tariff	Charges imposed by the U.S. government and most other governments on imported and/or exported goods.
date draft (D/D)	A draft payable a specified number of days after the date it was issued, regardless of the date of acceptance.
deferred payment credit	Type of letter of credit providing for payment some time after presentation of shipping documents by exporter.
delivered at frontier	Term referring to the seller’s obligation to supply goods which conform with the contract. At his or her own risk and expense, the seller must deliver the to the buyer at the specified time and the specified frontier. The buyer is responsible for complying with import formalities and payment of duties.
delivery duty paid	Term referring to the seller’s obligation to supply goods according to the terms of the contract. At his or her own risk and expense, the seller must deliver the goods, duty paid, at the specified time and the specified frontier, after complying with all necessary formalities at that frontier.
demurrage	Excess time taken to load or unload a vessel. A sum agreed to be paid to the shipowner for the excess time taken for loading or unloading not caused by

	the vessel operator, but due to the acts of a charterer or shipper. Also refers to imported cargo not picked up within prescribed time.
destination control statement	One of a number of statements required by the U.S. Government to be displayed on export shipments specifying the authorized destinations for the shipments.
direct exporting	Sale by an exporter directly to a buyer located in a foreign country.
distribution license	A license given to an export to replace numerous individual validated licenses when there is continuous shipping of authorized products.
distributor	A foreign agent who sells directly in the foreign market for a U.S. supplier and maintains an inventory of the supplier's products.
dock receipt	Receipt issued by an ocean carrier or its agent for merchandise delivered at its dock or warehouse awaiting shipment.
documents	The shipping and other papers customarily attached to foreign drafts, consisting of ocean bills of lading, marine insurance certificates, and commercial invoices. Where required, certificates of origin and consular invoices are included.
documents against acceptance (D/A)	Instructions by a shipper to a bank indicating that documents transferring title to the goods should be given to the buyer only after the buyer's signing a time draft. Thus the exporter extends credit to the importer and agrees to accept payment at a named future date.
documents against payment (D/P)	Payment for goods without a guaranteed form of payment in which the documents transferring title to the goods are not given to the buyer until he/she has signed a sight draft.
document of title	Evidence of entitlement or ownership, such as a carrier's negotiable bill of lading, which allows a party to claim title to the goods in question.
duty	A tax levied by a government on an import, an export or the use and consumption of goods.
duty drawback	A partial refund of duties paid on importation of goods which are further processed and then re-exported, or exported in same condition as imported.
embargo	A restriction or prohibition upon exports or imports, for specific products or specific countries. Embargoes may be ordered by governments due to warfare, or are intended for political, economic or sanitary purposes.
entry papers	Documents which must be filed with U.S. Customs officials describing goods imported, such as the commercial invoice, Ocean Bill of Lading or Carrier Release.
euro	Eleven member states of the EU, Austria, Belgium, Finland, France,

Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain, adopted a single currency, the euro, on January 1, 1999.

European Economic Community (EEC)

An economic grouping of countries also known as the European Common Market, organized by the Treaty of Rome in 1957. Member countries are Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain and the United Kingdom. The EEC was the largest trading bloc in the world until the North American Free Trade Agreement created a larger market beginning in January 1994.

ex-mill

(ex-warehouse, ex-mine, ex-factory) Obligates the seller to place a specified quantity of goods at a specified price at his warehouse or plant, loaded on trucks, railroad cars or any other specified means of transport. Obligates the buyer to accept the goods in this manner and make all arrangements for transportation.

export declaration

A formal statement made to Customs at the exit port declaring full particulars about goods being exported.

export license

A permit required to export certain commodities and certain quantities to certain destinations. The purpose is to control the transfer of technologies such as hardware, software, technical data and services. Lists of goods requiring an export license are listed in the official U.S. government publication The Export Administration Regulations of the Bureau of Export Administration (BXA) of the U.S. Department of Commerce.

export management company (EMC)

A firm that acts as a complete export arm for a company's exporting needs. Usually an EMC will pay all expenses and receive compensation in the form of a discount off the U.S. price of the product. An organization which, for a commission, acts as a purchasing agent for either a buyer or seller.

export quotas

Restrictions or set objectives on the export of specified goods imposed by the government of the exporting country. Such restraints may be intended to protect domestic producers and consumers from temporary shortages of certain materials or as a 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 rate

A freight rate specially established for application on export traffic and generally lower than the domestic rate.

export trading company (ETC)

A business that acts as a complete export service house and, in addition, takes title to a company's exported goods.

ex-dock

Term used by exporter to describe net costs of goods at placement of the dock at the import point.

ex-ship

An international trade term meaning that the seller shall make the goods



	available to the buyer on board the ship at the destination named in the sales contract. The seller must bear the full cost and risk involved in bringing the goods to the buyer.
<b>ex-works</b>	An international trade term meaning that the seller's only responsibility is to make the goods available at seller's premises. The seller is not responsible for loading the goods on the vehicle provided by the buyer, unless otherwise agreed. The buyer bears the full cost and risk involved in bringing the goods from there to buyer's desired destination. This term thus represents the minimum obligation for the seller.
<b>factoring houses</b>	Types of companies which purchase international accounts receivable at a discount price, usually about two to four percent less than their face value. The fee charged the exporter is offset by the immediate availability of payment, plus the reduction in risk for the exporter. (see Forfaiting.)
<b>F.O.B. Freight Allowed</b>	The same as F.O.B. named inland carrier, except the buyer pays the freight charges of the inland carrier and the seller reduces the invoice by that amount.
<b>F.O.B. Freight Prepaid</b>	The same as F.O.B. named inland carrier, except the seller pays the freight charges of the inland carrier.
<b>F.O.B. Named Inland Carrier</b>	Seller must place the goods on the named carrier at the specified inland point and obtain a bill of lading. The buyer pays for the transportation.
<b>F.O.B. Named Port of Exportation</b>	Seller is responsible for placing the goods at a named point of exportation at the seller's expense. Some European buyers use this form when they actually mean F.O.B. vessel.
<b>F.O.B. Vessel</b>	Seller is responsible for goods and preparation of export documentation until actually placed aboard the vessel.
<b>force majeure</b>	The title of a standard clause in marine contracts relieving the parties for responsibility upon nonfulfillment of their obligations resulting from conditions beyond their control (like earthquake, floods or war).
<b>foreign-based agent/distributor</b>	An individual or firm serving as the foreign representative of U.S. suppliers, locating buyers for them in the foreign market.
<b>foreign branch office</b>	A sales (or other) office maintained in a foreign country and staffed by direct employees of the exporter.
<b>foreign freight forwarder</b>	A corporation carrying on the business of forwarding who is not a shipper or consignee. The foreign freight forwarder receives compensation from the shipper for preparing documents and arranging various transactions related to the international distribution of goods. Also, a brokerage fee may be paid to the "forwarder" from steamship lines if the forwarder performs at least two of the following services: (1) coordination of the movement of the cargo to shipside; (2) preparation and processing of the Ocean Bill

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	of Lading; (3) preparation and processing of dock receipts or delivery orders; (4) preparation and processing of consular documents or export declarations; and (5) payment of the ocean freight charges on shipments.
foreign sales agent	An agent residing in a foreign country who acts as a sales representative for your company's products.
foreign trade zone entry	A form declaring goods which are brought duty-free into a Foreign Trade Zone for further processing or storage and subsequent exportation and/or consumption.
forfeiting	Forfeiting, similar to factoring, is an arrangement under which exporters actually forfeit their rights to future payment in return for immediate cash. The arrangement is commonly used for sales of capital equipment with terms of one to five years.
Free Alongside (F.A.S.)	(or free alongside steamer) The seller must deliver the goods to a pier and place them within reach of the ship's loading equipment. The buyer arranges ship space and informs the seller when and where the goods are to be placed.
Free of Capture and Seizure (F.C. & S.)	An insurance clause providing that loss is not insured if due to capture, seizure, confiscation and like actions, whether legal or not, or from such acts as piracy, civil war, rebellion and civil strife.
free trade zone	An area designated by the government of a country to which goods may be imported for processing and subsequent export on duty-free basis.
freight to (named destination)	The seller must pay to forward the goods to the agreed destination by road, rail or inland waterway and is responsible for all risks of the goods until they are delivered to the first carrier.
GATT	General Agreement on Tariffs and Trade, now renamed the World Trade Organization. A multilateral treaty adhered to by over 124 nations which provides a set of rules for trade policies and a means for settling disputes among member nations. After eight years of negotiations, the Uruguay Round Agreement of the GATT nations, creating a global trade accord, was voted on by the U.S. Congress in December, 1994 and approved for American participation. The pact is expected to lower world tariffs by 40 percent, cut subsidies globally, expand protection for intellectual property and set rules for investment and trade in services.
general average	A deliberate loss or damage to goods in the face of a peril, which sacrifice is made for the preservation of the vessel and other goods. The cost of the loss is shared by the owners of all goods on board up to time of peril.
general license (export)	Authorization to export goods/services without specific documentary approval.
general license, limited value (GLV)	Authorization to export a limited value amount of a good without specific documentary authorization.

general order	A Customs term by which if proper entry has not been made for merchandise within five working days after arrival in a port of entry, the goods are sent to a general order warehouse. All costs are charged to the importer.
gross weight	Entire weight of goods, packing and container, ready for shipment.
hard currency	A currency expected to remain at stable value or to increase in relation to other currencies; also, a freely convertible currency may be called “hard.”
harmonized system	The harmonized system (HS) is a classification system for goods in international trade that provides a uniform system of product classification for all major trading countries.
import	To bring foreign goods or services into a country.
import license	A license required and issued by some governments authorizing the entry of foreign goods into their countries.
import quota	A restricted amount of certain types of goods entering a country, usually maintained through licensing importers, assigning to each a quota, after determining the amount of goods or commodities allowed for that period. The license may also state the country from which the importer is allowed to buy, thus restricting free trade, but many times adopted by governments because of internal pressures from certain industries worried about competition.
in bond	A term applied to the status of merchandise admitted provisionally to a country without payment of duties—either for storage in a bonded warehouse or for transshipment to another point, where duties will eventually be imposed.
indent	A requisition for goods, stating conditions of the sale. Acceptance of an indent by a seller means his agreement to the conditions of the sale.
indirect exporting	Sale by the exporter to the buyer through an intermediary in the domestic market.
inland bill of lading	A bill of lading used in transporting goods overland to the exporter’s international carrier, where the ocean bill of lading becomes applicable. Although a through bill of lading can sometimes be used, it is usually necessary to prepare both an inland bill of lading and an ocean bill of lading for export shipment.
inland carrier	A transportation line which hauls export or import freight between ports of entry and inland destinations.
integrated carriers	Carriers that have both air and ground fleets. Since they usually handle thousands of small parcels an hour, they have more competitive prices and offer more diverse services than regular carriers.
intellectual property	The patents, trademarks, service marks, copyrights and trade secrets of a business are considered intellectual property.

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Inter-American Development Bank (IDB)	The Inter-American Development Bank provides resources to finance Latin American development. The IDB also serves as administrator for special funds provided by several member and nonmember countries. The largest of these funds is the U.S. Social Progress Trust Fund.
International Chamber of Commerce (ICC)	Established in Paris in 1919, this is a non-governmental organization serving world business. The ICC has members in 110 countries that include companies, industrial associations, banking bodies and chambers of commerce. The ICC International Court of Arbitration was founded in 1923 to settle international business disputes; it is the leading international arbitration institution.
International Finance Corporation (IFC)	A separately organized member of the World Bank group, receiving its funds through stock subscriptions from member countries, revolving loans, and earnings. The IFC encourages the flow of capital into private investment in developing countries. It makes loans at commercial interest rates, usually as a lender of last resort when sufficient capital cannot be obtained from other sources on reasonable terms.
irrevocable letter of credit	A letter of credit which obligates the issuing bank to pay the exporter provided all the terms and conditions of the letter of credit have been met. None of the terms and conditions may be changed without the consent of all parties to the letter of credit (see <a href="#">letter of credit</a> ).
lay time	The time allowed a ship to load or unload. If this number of days is exceeded, demurrage is incurred.
legal weight	The weight of the goods plus any immediate wrappings which are sold along with the goods; e.g., the weight of a tin can as well as its contents (see <a href="#">net weight</a> ).
letter of credit (L/C)	A method of payment for goods by which the buyer establishes his/her credit with a local bank, clearly describing the goods to be purchased, the price, the documentation required and a limit for completion of the transaction. Upon receipt of documentation, the bank is either paid by the buyer or takes title to the goods themselves and then transfers funds to the seller. The bank will insist upon exact compliance with the terms of the sale, and will not pay if there are any discrepancies.
lighterage	The cost of loading or unloading a vessel by means of barges alongside.
liquidation	The final determination of the duties due.
maquiladora	The maquiladora (or “in-bond” industry) program allows foreign manufactures to ship components into Mexico duty-free for assembly and subsequent re-export.
marine insurance	Insurance which will compensate the owner of goods transported overseas in the event of loss which cannot be legally recovered from the carrier.

- multiple exchange rates** A number of countries operate systems by which different exchange rates are used for different transactions.
- NAFTA** The North American Free Trade Agreement, the largest free trade area in the world, 340 million people and \$6 trillion in GDP, encompassing Canada, the United States and Mexico. This free trade pact was passed by the U.S. Congress in November 1993 and began implementation in January 1994. NAFTA follows the model of the U.S.-Canada Free Trade Agreement and will lower trade barriers among the three countries over the next 15 years to zero in most categories of goods and services.
- net weight (actual)** The weight of the goods without any immediate wrappings; e.g., the weight of the contents of a tin can without the weight of the can (see [legal weight](#)).
- non-tariff barriers** These are factors, other than tariffs, inhibiting international trade, meant to discourage imports. They may include requiring advance deposits in import payments, requiring excessive customs adherence and excessive administrative procedures.
- Non-Vessel Operating Common Carrier (NVOCC)** A cargo consolidator of small shipments in ocean trade, generally soliciting business and arranging for or performing containerization functions at the port.
- ocean bill of lading** A contract between an exporter and an international carrier for transportation of goods to a specified foreign port. Unlike an inland bill of lading, the ocean bill of lading is a collection document, an instrument of ownership which can be bought, sold or traded while the goods are being shipped. There are two types of ocean bills of lading used to transfer ownership.
- straight (non-negotiable):* provides for delivery of goods to the person named in the bill of lading. The bill must be marked “non-negotiable.”
- shipper’s order (negotiable):* provides for delivery of goods to the person named in the bill of lading or anyone designated.
- The shipper’s order is used with draft or letter-of-credit shipments and enables the bank involved in the export transaction to take title to the goods if the buyer defaults. The bank does not release title to the goods to the buyer until payment is received. The bank does not release funds to the exporter until conditions of sale have been satisfied.
- open account (O/A)** A trade arrangement in which goods are shipped to a foreign buyer without guarantee of payment, with 30-45 days accounts payable, for example. The buyer’s integrity must be unquestionable, or the buyer must have a history of payment practices with the seller.
- Organization for Economic Cooperation & Development (OECD)** The Organization for Economic Cooperation and Development was established in 1961 by the industrialized “free market” nations of the world

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	to promote the economic and social welfare of member nations and to stimulate efforts on behalf of developing nations.
Overseas Private Investment Corporation (OPIC)	A wholly owned government corporation designed to promote private U.S. investment in developing countries by providing political risk insurance and some financing, including project financing.
packing list	This document includes information that is needed for transport, as well as the number and kinds of items that are being shipped.
performance bond guarantee	If a company is undertaking a contract, it may be asked to give a performance bond for part of the value of the contract. If the customer considers the company's performance under the terms of the contract has been unsatisfactory, payment of the bond can be demanded from the banker guaranteeing the bond. The bond is issued by the bank on behalf of the company, and therefore increases the bank's potential exposure to the company.
piggyback arrangement	An arrangement whereby one company—sometimes a smaller one—uses the already established distribution channels of another company, which is effective when the two companies wish to sell complementary products.
political risk	Used in export financing, this term represents the risk of losses incurred by war, government prevention of merchandise entry, confiscation, currency inconvertibility, etc.
port of entry	A port where foreign goods are admitted into the receiving country.
President's Export Council (PEC)	The President's Export Council (PEC) advises the President on government policies and programs that affect U.S. trade performance; promote export expansion; and provide a forum for discussing and resolving trade-related problems among the business, industrial, agricultural, labor and government sectors.
Private Export Funding Corporation (PEFCO)	A U.S. company owned by the Export-Import Bank and a number of U.S. commercial banks and industrial corporations. It works with Ex-Im Bank by purchasing foreign buyers' medium. PEFCO funds itself by public issues of long-term secured notes, unsecured medium-term obligations, short-term notes sales, and by credit lines from the banks and from Ex-Im Bank.
pro forma invoice	An invoice prepared by an exporter before the shipment of merchandise informing the buyer of the kinds of goods to be sent, their value and important specifications such as size, quantity and weight.
quota	The quantity of goods which may be imported without restriction or additional duties or taxes.
quotation	An offer to sell goods at a stated price and under stated terms.

Schedule B	Refers to “Schedule B, Statistical Classification of Domestic and Foreign Commodities Exported from the United States.”
Shipper’s Export Declaration (SED)	A form required by the U.S. Treasury Department and completed by a shipper showing the value, weight, consignee, destination, etc., of export shipments, as well as Harmonized Schedule B identification number.
sight draft	A draft payable upon presentation to the drawee. A sight draft is used when the seller wishes to retain control of the shipment, either for credit reasons or for the purpose of title retention. Money will be payable at sight of the completed documents.
Standard Industrial Classification (SIC)	A standard numerical code system used by the U.S. government to classify goods and services.
Standard International Trade Classification	A standard numerical code system developed by the United Nations and used in international trade to classify commodities, primarily designed for statistical and economic purposes.
standby letter of credit	A letter of credit issued to cover a particular contingency, such as foreign investors guaranteed payment for commercial paper (see <a href="#">letter of credit</a> ).
Strikes, Riots & Civil Commotions (S.R.& C.C.)	A term referring to an insurance clause excluding insurance of loss caused by labor disturbances, riots and civil commotions or any person engaged in such actions.
sue and labor clause	A provision in marine insurance obligating the insured to take necessary steps after a loss to prevent further loss and to act in the best interests of the insurer.
tare weight	The weight of packing and containers—without the goods to be shipped.
tariff	A tax on goods which a country imports. The rate at which imported goods are taxed. A tariff schedule usually refers to a list or schedule of articles of merchandise with the rate of duty to be paid to the government of importation.
tariff quotas	Setting a higher tariff rate on imported goods after a specified, controlled quantity of the item has entered the country at the usual tariff rate during a specified period.
technology transfer	This term is used to characterize “the transfer of knowledge generated and developed in one place to another, where it used to achieve some practical end.
through bill of lading	A single bill of lading covering both domestic and international passage of an export shipment.
trade mission	Generically, a trade mission is composed of individuals who are taken as a group to meet with prospective customers overseas.

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Trade Promotion Coordinating Committee (TPCC)	The President established the TPCC in May 1990 to unify and streamline the government's decentralized approach to export promotion.
trade show	A trade show is a stage-setting event in which firms present their products or services to prospective customers in a pre-formatted setting.
transit shipment	A term used of a shipment destined for an interior point or for a place best reached by reshipment from another port.
transportation and exportation entry	A form declaring goods entering the United States for the purpose of exportation through a U.S. port. Carriers and any warehouse must be bonded.
uniform customs and practice	Standardized code of practice issued by the International Chamber of Commerce in Paris covering Documentary Credits (see <a href="#">International Chamber of Commerce</a> ).
uniform rules	Standardized rules issued by the International Chamber of Commerce in Paris covering collections, Combined Transport Documents, and Contract Guarantees (see <a href="#">International Chamber of Commerce</a> ).
Uruguay Round	The most recent (1989-1994) round of trade talks of the member countries of the General Agreement on Tariffs and Trade (see <a href="#">GATT</a> ).
validated export license	A document issued by the U.S. Government authorizing the export of commodities for which written export authorization is required by law.
value added tax (VAT)	An indirect tax assessed on the increase in value of a good from raw material stage to final product for consumption. The tax is paid by those who increase the value of the items before they resell them. A system used by the European Community.
World Trade Organization (WTO)	This organization was the former General Agreement on Tariffs and Trade (GATT) and was created and named by the Uruguay Round in 1994.
warehouse entry	A form declaring goods imported and placed in a bonded warehouse. Duty payment may not be required until the goods are withdrawn by the importer.
wharfage	Charges assessed by docks for the handling of incoming or outgoing ocean merchandise
without reserve	A shipping term indicating that a shipper's agent or representative is empowered to make definitive decisions and adjustments abroad without approval of the group or individual represented.
World Bank	The World Bank assists the development of member nations by making loans when private capital is not available at reasonable terms to finance productive investments.