

Appendix A: Glossary of Terms

Advance Payment

See: Cash in Advance.

Air Waybill

Bill of lading that covers both domestic and international flights transporting goods to a specified destination. It is a non-negotiable instrument of air transport that serves as a receipt for the shipper, indicating that the carrier has accepted the goods listed therein, and obligates the carrier to carry the consignment to the airport of destination according to specified conditions.

Antidiversion Clause

To help ensure that U.S. exports go only to legally authorized destinations, the U.S. government requires a destination control statement on shipping documents. Under this requirement, the commercial invoice and bill of lading (or air waybill) for nearly all commercial shipments leaving the United States must display a statement notifying the carrier and all foreign parties that the U.S. material has been approved for export only to certain destinations and may not be diverted contrary to U.S. law.

Antidumping Duty

Special duty imposed to offset the price effect of dumping that has been determined to be materially harmful to domestic producers. (See also dumping.)

Arbitration

Process of resolving a dispute or a grievance outside of the court system by presenting it to an impartial third party or panel for a decision that may or may not be binding.

Bill of Lading

Contract between the owner of the goods and the carrier. For vessels, there are two types: a straight bill of lading, which is not negotiable, and a negotiable, or shipper's orders, bill of lading. The latter can be bought, sold, or traded while the goods are in transit.

Carnet

Standardized international customs document known as an ATA (admission temporaire or temporary admission) carnet that is used to obtain duty-free temporary admission of certain goods into the countries that are signatories to the ATA Convention. Under the ATA Convention, commercial and professional travelers may take commercial samples; tools of the trade; advertising material; or cinematographic, audiovisual, medical, scientific, or other professional equipment into member countries temporarily without paying customs duties and taxes or posting a bond at the border of each country to be visited.

Carriage and Insurance Paid To (CIP)

Carriage and insurance paid for delivery to a named destination.

Carriage Paid To (CPT)

Carriage paid to a named destination. This term is used in place of CFR and CIF for all modes of transportation, including intermodal.

Cash in Advance (advance payment)

Payment from a foreign customer to a U.S. exporter prior to actually receiving the exporter's products. It is the least risky form of payment from the exporter's perspective.

Central America and Dominican Republic Free Trade Agreement (CAFTA-DR)

One of a series of free trade agreements involving the U.S. and other countries. Benefits include duty-free or reduced-duty access, better overall market access, treatment equal to local companies, and intellectual property protection.

Certificate of Conformity

Signed statement from a manufacturer attesting that a product meets certain technical standards.

Certificate of Free Sale

Signed statement from the producer or exporter attesting that a product has been commercially sold within the country of origin.

Certificate of Origin (COO)

Signed statement required in certain nations attesting to the origin of the export item. Certificates of origin are usually validated by a semiofficial organization, such as a local chamber of commerce. A North American Free Trade Agreement (NAFTA) certificate of origin is required for products traded among the NAFTA countries (Canada, Mexico, and the United States) when duty preference is claimed for NAFTA qualified goods.

Commercial Invoice

Document prepared by the exporter or freight forwarder and required by the foreign buyer to prove ownership and to arrange for payment to the exporter. It should provide basic information about the transaction, including a description of goods, the address of the shipper and seller, and the delivery and payment terms. In most cases, the commercial invoice is used to assess customs duties.

Confirming House

Company based in a foreign country that acts as a foreign buyer's agent and places confirmed orders with U.S. exporters. The confirming house guarantees payment to the exporters.

Consignment

Delivery of merchandise to the buyer or distributor, whereby the latter agrees to sell it and only then pay the U.S. exporter. The seller retains ownership of the goods until they are sold but also carries all of the financial burden and risk.

Consular Invoice

Document required in some countries that describes the shipment of goods and shows information such as the consignor, consignee, and value of the shipment. Certified by the consular official of the foreign country stationed in the United States, it is used by the country's customs officials to verify the value, quantity, and nature of the shipment.

Contract

Written or oral agreement that is legally enforceable.

Copyright

Protection granted to the authors and creators of literary, artistic, dramatic, and musical works, sound recordings, and certain other intellectual works. A computer program, for example, is considered a literary work in the United States and some other countries.

Cost and Freight (CFR)

Cost and freight to a named overseas port.

Cost, Insurance, and Freight (CIF)

Cost, insurance, and freight to a named overseas post. The seller quotes a price for the goods shipped by ocean (including insurance), all transportation costs, and miscellaneous charges to the point of debarkation from the vessel.

Countertrade

General expression meaning the sale or barter of goods on a reciprocal basis. There may also be multilateral transactions involved.

Countervailing Duties

Additional duties imposed by an importing country to offset government subsidies in an exporting country when the subsidized imports cause material injury to domestic industry in the importing country.

Customs-Bonded Warehouse

Building or other secured area in which dutiable goods may be stored, may be manipulated, or may undergo manufacturing operations without payment of duty.

Customs Declaration

Document that traditionally accompanies exported goods bearing such information as the nature of the goods, their value, the consignee, and their ultimate destination. Required for statistical purposes, it accompanies all controlled goods being exported under the appropriate permit.

Customs Invoice

Document used to clear goods through customs in the importing country by providing evidence of the value of goods. In some cases, the commercial invoice may be used for this purpose.

Date Draft

Document used when the exporter extends credit to the buyer. It specifies a date on which payment is due, rather than a time period as with the time draft.

Destination Control Statement (DCS)

Required for all exports from the United States of items on the Commerce Control List that are not classified as EAR99. The statement is added to the commercial invoice.

Direct Exporting

Sale by an exporter directly to an importer located in another country.

Distributor

A merchant in the foreign country who purchases goods from the U.S. exporter (often at a discount) and resells them for a profit. The foreign distributor generally provides support and service for the product, relieving the U.S. exporter of these responsibilities.

Dock Receipt

Receipt issued by an ocean carrier to acknowledge receipt of a shipment at the carrier's dock or warehouse facilities.

Documentary Letter of Credit/Documentary Draft

Document used to protect the interests of both buyer and seller. A letter of credit requires that payment be made on the basis of the presentation of documents to a lender conveying the title and indicating that specific steps have been taken. Letters of credit and drafts may be paid immediately or at a later date. Drafts that are paid on presentation are called sight drafts. Drafts that are to be paid at a later date, often after the buyer receives the goods, are called time drafts or date drafts.

Dumping

Sale of an imported commodity at a price lower than the cost of production in the exporting country. Dumping is considered an actionable trade practice when it disrupts markets and injures producers of competitive products in the importing country. Article VI of the General Agreement on Tariffs and Trade (World Trade Organization) permits the imposition of special antidumping duties on goods equal to the difference between their export price and their normal value.

E-Commerce

Buying and selling over the Internet.

Export-Import Bank of the United States (Ex-Im Bank)

U.S. government organization that provides export finance products to U.S. exporters and foreign buyers of U.S. products.

Export License

Government document that authorizes the export of specific goods, in specific quantities, to a specific destination. May be required for most or all exports to some countries, or for other countries only under special circumstances.

Export Management Company (EMC)

Company that performs the functions that would be typically performed by the export department or the international sales department of manufacturers and suppliers. EMCs develop personalized services promoting their clients' products to international buyers and distributors. They solicit and transact business in the names of the producers they represent or in their own name for a commission, salary, or retainer plus commission. EMCs usually specialize either by product or by foreign market. Because of their specialization, the best EMCs know their products and the markets they serve very well and usually have well-established networks of foreign distributors already in place. This immediate access to foreign markets is one of the principal reasons for using an EMC, because establishing a productive relationship with a foreign representative may be a costly and lengthy process.

Export Packing List

List that itemizes the exported material in each package and indicates the type of package, such as a box, crate, drum, or carton. An export packing list is considerably more detailed and informative than a standard domestic packing list. It also shows the individual net, tare, and gross weights and measurements for each package (in both U.S. and metric systems).

Export Processing Zone (EPZ)

Site in a foreign country established to encourage and facilitate international trade. EPZs include free trade zones, special economic zones, bonded warehouses, free ports, and customs zones. EPZs have evolved from initial assembly and simple processing activities to include high-tech and science parks, finance zones, logistics centers, and even tourist resorts.

Export Quotas

Specific restrictions or ceilings imposed by an exporting country on the value or volume of certain exports designed, for example, to protect domestic producers and consumers from temporary shortages of the goods affected or to bolster their prices in world markets.

Export Subsidies

Government payments or other financially quantifiable benefits provided to domestic producers or exporters contingent on the export of their goods and services.

Export Trading Company (ETC)

Company that acts as an independent distributor, creating transactions by linking domestic producers and foreign buyers. As opposed to representing a given manufacturer in a foreign market, the ETC determines what U.S. products are desired in a given market and then works with U.S. producers to satisfy the demand. ETCs can perform a sourcing function, searching for U.S. suppliers to fill specific foreign requests for U.S. products.

Ex Works (EXW)

The buyer is responsible for all export procedures, including vehicle loading, transportation, and costs arising after collection of the goods.

Foreign Agricultural Service (FAS)

A U.S. Department of Agriculture bureau with programs related to market development, international trade agreements and negotiations, and the collection of statistics and market information. It also administers the USDA's export credit guarantee and food aid programs, and helps increase income and food availability in developing nations.

Foreign Corrupt Practices Act (FCPA)

Act making it unlawful for persons or companies subject to U.S. jurisdiction to offer, pay, or promise to pay money or anything of value to any foreign official for the purpose of obtaining or retaining business. It is also unlawful to make a payment to any person while knowing that all or a portion of the payment will be offered, given, or promised, directly or indirectly, to any foreign official for the purposes of assisting the company in obtaining or retaining business. "Knowing" includes the concepts of "conscious disregard" and "willful blindness." The FCPA also covers foreign persons or companies that commit acts in furtherance of such bribery in the territory of the United States. U.S. persons or companies, or covered foreign persons or companies, should consult an attorney when confronted with FCPA issues.

Foreign-Trade Zones (FTZ)

Domestic U.S. sites that are considered outside U.S. customs territory and are available for activities that might otherwise be carried on overseas for customs reasons. For export operations, the zones provide accelerated export status for purposes of excise tax rebates. For reexport activities, no customs duties, federal excise taxes, or state or local ad valorem taxes are charged on foreign goods moved into zones unless and until the goods or products made from them are moved into customs territory. Thus, the use of zones can be profitable for operations involving foreign dutiable materials and components being assembled or produced in the United States for reexport.

Free Alongside Ship (FAS)

A seller's price for the goods, including the charge for delivery of the goods alongside at the named port of export. The seller handles the cost of wharfage, while the buyer is accountable for the costs of loading, ocean transportation, and insurance. It is the seller's responsibility to clear the goods for export.

Free In

Pricing term that indicates that the charterer of a vessel is responsible for the cost of loading goods onto the vessel.

Free In and Out

Pricing term that indicates that the charterer of the vessel is responsible for the cost of loading and unloading goods from the vessel.

Free on Board (FOB)

An international commercial term (Incoterm) that means free on board and is used in international sales contracts. In an FOB contract, a buyer and a seller agree on a designated FOB point. The seller assumes the cost of having goods packaged and ready for shipment from the FOB point, whether it is the seller's own place of business or some intermediate point. The buyer assumes the costs and risks from the FOB point, including inland transportation costs and risks in the exporting country, as well as all subsequent transportation costs, including the costs of loading the merchandise on a vessel. If the contract stipulates "FOB vessel," the seller bears all transportation costs to the vessel named by the buyer, as well as the costs of loading the goods on that vessel. The same principle applies to the abbreviations FOR (free on rail) and FOT (free on truck).

Free Out

Pricing term that indicates that the charterer of the vessel is responsible for the cost of unloading goods from the vessel.

Freight Forwarder

Agent for moving cargo to an overseas destination. These agents are familiar with the import rules and regulations of foreign countries, the export regulations of the U.S. government, the methods of shipping, and the documents related to foreign trade.

Global Entrepreneurial Ecosystem (GEE)

A local community support system for small and medium-size exporters.

Gross Domestic Product (GDP)

The total value of all goods and services produced by a country.

Incoterms

See: Terms of sale.

Indirect Exporting

Sale by the exporter to the buyer through a domestically located intermediary, such as an export management company or an export trading company.

Inspection Certificate

Document required by some purchasers and countries to attest to the specifications of the goods shipped. The inspection is usually performed by a third party.

Insurance Certificate

Document prepared by the exporter or freight forwarder to provide evidence that insurance against loss or damage has been obtained for the goods.

Intellectual Property (IP)

Collective term used to refer to new ideas, inventions, designs, writings, films, and so on that are protected by a copyright, patent, or trademark.

International Buyer Program (IBP)

A U.S. Department of Commerce program that matches U.S. exhibitors at select U.S. trade shows with foreign buyers.

International Trade Administration (ITA)

A U.S. Department of Commerce bureau responsible for export promotion programs.

Joint Venture

Independent business formed cooperatively by two or more parent companies. This type of partnership is often used to avoid restrictions on foreign ownership and for longer term arrangements that require joint product development, manufacturing, and marketing.

Letter of Credit

Instrument issued by a bank on behalf of an importer that guarantees an exporter payment for goods or services, provided that the terms of the credit are met. A letter of credit issued by a foreign bank is sometimes confirmed by a U.S. bank. This confirmation means that the U.S. bank (the confirming bank) adds its promise to pay to that of the foreign bank (the issuing bank). A letter of credit may be either irrevocable, in which case it cannot be changed unless both parties agree, or revocable, in which case either party may unilaterally make changes. A revocable letter of credit is inadvisable as it carries many risks for the exporter.

Licensing

Arrangement in which a company sells the rights to use its products or services but retains some control. Although not usually considered to be a form of partnership, licensing can lead to partnerships.

Market Survey

Report that provides a narrative description and assessment of a particular market along with relevant statistics. The reports are often based on original research conducted in the countries studied and may include specific information on both buyers and competitors.

Multilateral Development Bank (MDB)

An institution created by a group of countries to provide development-related financing and professional advising.

NAFTA Certificate of Origin

Used by NAFTA signatories (i.e. Canada, Mexico, and the United States) to determine if goods imported into their countries receive reduced or eliminated duty.

North American Free Trade Agreement (NAFTA)

Trade agreement between the U.S., Canada, and Mexico featuring duty-free entry and other benefits for goods that qualify.

Office of the U.S. Trade Representative

U.S. government agency responsible for negotiating trade agreements.

Packing List

See: Export packing list.

Patent

Right that entitles the patent holder, within the country that granted or recognizes the patent, to prevent all others, for a set period of time, from using, making, or selling the subject matter of the patent.

Piggyback Marketing

Arrangement in which one manufacturer or service company distributes a second company's product or service. The most common piggybacking situation is when a U.S. company has a contract with an overseas buyer to provide a wide range of products or services. Often this first company does not produce all of the products it is under contract to provide, and it turns to other U.S. companies to provide the remaining products.

Primary Market Research

Collection of data directly from a foreign marketplace through interviews, surveys, and other direct contact with representatives and potential buyers. Primary market research has the advantage of being tailored to your company's needs and provides answers to specific questions, but the collection of such data is time consuming and expensive.

Pro Forma Invoice

Invoice prepared by the exporter before shipping the goods, informing the buyer of the goods to be sent, their value, and other key specifications.

Quotation

Offer by the exporter to sell the goods at a stated price and under certain conditions.

Regional Value Content (RVC)

A technique used to determine whether a product meets a rule of origin.

Remarketer

Export agent or merchant who purchases products directly from the manufacturer, packing and marking the products according to his or her own specifications. Remarketers then sell these products overseas through their contacts in their own names and assume all risks.

Sales Representative

Representative who uses your company's product literature and samples to present the product to potential buyers. An overseas sales representative is the equivalent of a manufacturer's representative in the United States. The sales representative usually works on a commission basis, assumes no risk or responsibility, and is under contract for a definite period of time.

Secondary Market Research

Collection of data from various sources, such as trade statistics for a country or a product. Working with secondary sources is less expensive and helps your company focus its marketing efforts. Although secondary data sources are critical to market research, they do have limitations. The most recent statistics for some countries may be more than 2 years old, and the data may be too broad to be of much value to your company.

Shipper's Export Declaration (SED)

Document used to control exports and act as a source document for official U.S. export statistics. SEDs, or their electronic equivalent, are required for shipments when the value of the commodities, classified under any single Schedule B number, is more than \$2,500. SEDs must be prepared and submitted, regardless of value, for all shipments requiring an export license or destined for countries restricted by the Export Administration Regulations.

Sight Draft

Document used when the exporter wishes to retain title to the shipment until it reaches its destination and payment is made. Before the shipment can be released to the buyer, the original "order" ocean bill of lading (the document that evidences title) must be properly endorsed by the buyer and surrendered to the carrier. It is important to note that air waybills do not need to be presented in order for the buyer to claim the goods. Thus, risk increases when a sight draft is being used with an air shipment.

Small Business Development Center (SBDC)

National network of counselors for small enterprises. Offers services that can help first-time exporters.

Tariff

Tax imposed on a product when it is imported into a country. Some foreign countries apply tariffs to exports.

Technology Licensing

Contractual arrangement in which the licensor's patents, trademarks, service marks, copyrights, trade secrets, or other intellectual property may be sold or made available to a licensee for compensation that is negotiated in advance between the parties. U.S. companies frequently license their technology to foreign companies that then use it to manufacture and sell products in a country or group of countries defined in the licensing agreement. A technology licensing agreement usually enables a company to enter a foreign market quickly and poses fewer financial and legal risks than owning and operating a foreign manufacturing facility or participating in an overseas joint venture.

Terms of Sale

Terms that define the obligations, risks, and costs of the buyer and seller involving the delivery of goods that comprise the export transaction. These terms are commonly known as Incoterms.

Time Draft

Document used when the exporter extends credit to the buyer. The draft states that payment is due by a specific time after the buyer accepts the time draft and receives the goods. By signing and writing "accepted" on the draft, the buyer is formally obligated to pay within the stated time.

Trade Fair Certification Program (TFC)

A U.S. Department of Commerce program that certifies international trade events so U.S. companies can know ahead of time if an event is high quality and offers opportunities.

Trademark

Word, symbol, name, slogan, or combination thereof that identifies and distinguishes the source of sponsorship of goods and may serve as an index of quality of a particular product.

Trade Statistics

Data that indicate total exports or imports by country and by product. They allow you to compare the size of the market for a product in various countries. By looking at statistics over several years, you can determine which markets are growing and which markets are shrinking.

Trading House

Company specializing in the exporting and importing of goods produced or provided by other companies.

U.S. Agency for International Development (USAID)

U.S. government agency that procures goods and services from U.S. companies for use in developing countries.

U.S. Central Intelligence Agency (CIA)

A branch of government tasked with gathering intelligence and statistics. Publishes the *World Factbook*, an important market research resource.

U.S. Commercial Service (CS)

The trade promotion arm of the U.S. Department of Commerce's International Trade Administration.

U.S. Department of Agriculture (USDA)

A branch of government responsible for developing and executing federal government policy on farming, agriculture, forestry, and food.

U.S. Department of Commerce (DOC)

A branch of government responsible for promoting domestic economic growth.

U.S. Small Business Administration (SBA)

U.S. government agency that manages programs for U.S. exporters, including finance programs.

U.S. Trade and Development Agency (USTDA)

U.S. government agency that provides grants for feasibility studies in developing countries.

Warehouse Receipt

Receipt identifying the commodities deposited in a recognized warehouse. It is used to transfer accountability when the domestic carrier moves the export item to the port of embarkation and leaves it with the ship line for export.