

Common Trade Terms

A glossary of terms used in international trade (Import/Export)

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.

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.

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.

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.

**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 Broker

Person who is licensed by the local customs, after passing an examination that covers a broad range of knowledge including customs law, customs classification, customs tariff schedule, import and export regulations, shipping procedures, trade documentation, etc. He or she acts as a professional-agent for an importer, prepares and submits all documents for clearing goods through customs, and is paid customs-brokerage. Called customhouse broker in the US.

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.

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.

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.

Electronic Export Information (EEI), formerly known as Shipper's Export Declaration

Document used to control exports and act as a source document for official U.S. export statistics. EEI is required for shipments when the value of the commodities, classified under any single Schedule B number, is more than \$2,500. EEI 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.

Export License

Government document that authorizes the export of specific items (including technology), 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).

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-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.

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.

Harmonized Tariff Schedule (HS Code)

A list of imported goods and the duty rates that apply to them, published by the United States International Trade Commission. The Harmonized Tariff Schedule is used by United States Customs and Border Protection agents to classify goods being imported.

Incoterms

International commercial terms. Thirteen terms of sale accepted worldwide in assignment of costs and responsibilities between the buyer and the seller. Proposed, updated, and copyrighted by the International Chamber Of Commerce (ICC), they serve as global standards for uniform interpretation of common contract clauses in international trade.

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.

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.

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.

Packing List

See: Export packing list.

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.

Tariff

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

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.

**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.

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)

U.S. government department responsible for developing and executing federal government policy on farming, agriculture, forestry, and food.

U.S. Department of Commerce (DOC)

U.S. government department responsible for promoting domestic economic growth and handling other commerce related responsibilities.

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.