

FITT *skills*

FITTglossary

Version 3.0

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Introduction

This glossary is presented as a guide to the understanding of various terms used in international trade. It is not meant to offer professional advice in any area, as the usage of the terms defined may change over time and in different situations. FITT has made every reasonable attempt to provide accurate information. This information may contain errors or omissions for which FITT disclaims any liability for the interpretation or use of any of the terms.

1. Acronyms

A

A/S	At sight
AAA	American Arbitration Association
ACL	Area control list
ADB	Asian Development Bank
AfDB	African Development Bank
AIRPARS	See PARS
AMEC	Alliance of Manufacturers and Exporters Canada
ASEAN	Association of South East Asian Nations
ATA Carnet	<i>Admission temporaire</i> – Temporary Admission Carnet

B

B/L	Bill of lading
BBS	Bulletin board systems
BCICAC	British Columbia International Commercial Arbitration Centre
BOP	Balance of payments

C

CAD/CAM	Computer-aided design/Computer-aided manufacturing
CADEX	Customs Automated Data Exchange
CARICOM	Caribbean Community and Common Market
CASPA	<i>Canadian Agricultural Standards Products Act</i>
CATA	Canadian Advanced Technology Association

CBSA	Canada Border Services Agency
CCC	Canadian Chamber of Commerce Canadian Commercial Corporation
CCI	Canada Customs invoice
CCQ	Civil Code of Quebec
CDB	Caribbean Development Bank
CEPA	<i>Canadian Environmental Protection Act</i>
CFEE	Canadian Foundation for Economic Education
CFR	Cost and freight
CIDA	Canadian International Development Agency
CIF	Cost, insurance and freight
CIFFA	Canadian International Freight Forwarders Association
CIP	Carriage and insurance paid to
CITP	Certified International Trade Professional
CMEA	Council for Mutual Economic Assistance
CO	Certificate of origin
COCOM	Coordinating Committee on Multilateral Strategic Export Controls
COFACE	<i>Compagnie française d'Assurance pour le Commerce extérieur</i>
CPT	Carriage paid to Cost per thousand
CSA	Canadian Standards Association
CSR	Corporate Social Responsibility
CSS	Canadian Safety Standards
C-TPAT	Customs-Trade Partnership Against Terrorism
CVD	Countervailing duty
CXT	Common external tariff

D

D/A	Documents against acceptance
DAF	Delivered at frontier
DAS	Detailed adjustment statement
DDP	Delivered, duty paid
DDU	Delivered, duty unpaid
DEQ	Delivered, ex-quay
DES	Delivered, ex-ship
DFAIT	Department of Foreign Affairs and International Trade
DOA	Documents on acceptance
DOP	Documents on payment

E

EBRD	European Bank for Reconstruction and Development
EC	European Community
ECL	Export control list
EDC	Export Development Canada
EDI	Electronic data interchange
EFT	Electronic fund transfer
EFTA	European Free Trade Agreement
EIU	Economist Intelligence Unit
EMC	Export management company
EMU	European monetary unit
ETA	<i>Excise Tax Act</i>
EU	European Union
EXW	EXWorks

F

FACE	Foundation for the Advancement of Canadian Entrepreneurship
FAK	Freight all kinds
FAS	Free alongside ship
FAST	Free and Secure Trade
FCA	Free carrier
FDA	<i>Food and Drug Act (USA)</i>
FEMA	<i>Foreign Extraterritorial Measures Act</i>
FIRST	Frequent Importer Release System
FITT	Forum for International Trade Training
FOB	Free on board
FPA	Free of particular average
FTA	Free Trade Agreement

G

G7	The Group of Seven
G8	G7 plus Russia
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	Gross domestic product
GIR	General interpretive rules
GNP	Gross national product
GPT	General preferential tariff
GSA	General Security Agreement
GSP	Generalized System of Preference
GST	Goods and Services Tax

H

HS Harmonized Commodity Coding and Description System

I

IATA International Air Traffic Association

IATTO International Association of Trade Training Organizations

IBRD International Bank for Reconstruction and Development (The World Bank)

ICC International Chamber of Commerce

ICL Import control list

IDB Inter-American Development Bank

IFIs International financial institutions

IMF International Monetary Fund

Incoterms International commercial terms

INPARS See PARS

IRP Interest rate parity

ISO International Standards Organization

IT Information technology

ITAC Information Technology Association of Canada

ITCan International Trade Canada

ITDN International Trade Data Network

J

JIT Just-in-time

L

L/C	Letter of credit
LCIA	London Court of International Arbitration
LCL	Less than carload
LDC	Less-developed country
LLDC	Least-developed country
LTL	Less than truckload

M

Mercosur	South American Common Market (<i>Mercado <u>Com</u>mun del <u>S</u>ur</i>)
MFN	Most favoured nation
MIGA	Multilateral Investment Guarantee Agency
MIS	Management information system
MITI	Ministry of International Trade and Industry (Japan)
MOU	Memorandum of understanding
MRP	Material requirements planning
MTN	Multilateral trade negotiations

N

NAFTA	North American Free Trade Agreement
NASBITE	North American Small Business International Trade Educators
NATO	North Atlantic Treaty Organization
NICs	Newly industrialized countries
NIEO	New international economic order
NIEs	Newly industrialized economies
NTB	Non-tariff barrier

O

OECD	Organization for Economic Cooperation and Development
OPEC	Organization of Petroleum Exporting Countries

P

PARS	Pre arrival Release System
PLC	Product life cycle
PPP	Purchasing power parity
PPSA	<i>Personal Property Security Act</i>

R

R&D	Research and development
RMD	Release on minimum documentation

S

SEMA	<i>Special Economic Measures Act</i>
SIMA	<i>Special Import Measures Act</i>
SMEs	Small- and medium-sized enterprises
SS	Statistical suffix
STRB	Special Trade Relations Bureau

T

TL	Truckload
TT	Telegraphic transfer

U

UNCED	United Nations Conference on Environment and Development
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Committee for Trade and Development
UNDP	United Nations Development Program
USDC	United States Department of Commerce
UST	United States tariff

V

VAT	Value-added tax
VFD	Value for duty
VFT	Value for tax

W

W/M	Weight or measure
WA	With average
WEF	World Economic Forum
WTO	World Trade Organization

2. CITP Competencies

In 2005 FITT started a CITP Competency Revision and Gap Analysis project. The principal objective of this project was to update and revise the Certified International Trade Professional (CITP) competency profile. Below you will find the revised core CITP competencies.

1. **Global Business Environment**
The CITP understands the context in which international trade takes place and recognizes the opportunities and challenges it represents for business. The CITP applies this knowledge to operate successfully in the international business environment.
2. **International Marketing**
The CITP participates in the development and implementation of international marketing plans to achieve business targets. The CITP participates in the implementation and coordination of the international marketing activities of products and services.
3. **International Trade Research**
The CITP applies comprehensive research methodologies. The CITP understands that adequate and timely information supports sound international business decision making.
4. **International Trade Finance**
The CITP understands how financial methods and tools are used to conduct international business transactions successfully.
5. **Global Supply Chain Management**
The CITP understands global supply chain activities including production and inventory management processes. The CITP is aware of regulatory and security requirements.
6. **International Market Entry Strategies**
A CITP conducts a comprehensive assessment of international market entry options for the export of products or services and recommends the optimal market entry strategy.
7. **Legal Aspects of International Trade**
A CITP understands the basic legal principles of carrying on international business. The CITP, in cooperation with legal counsel, ensures that the company is fully aware of the legal implications of its international business activities. The CITP is aware that international litigation is costly and time-consuming, and provides information that allows the firm to recognize potential legal entanglements and arbitration solutions.
8. **An Ethical Approach to International Business**
The CITP adheres to the “Standards of Ethical Conduct for a CITP.” The CITP makes ethical, strategic recommendations that will allow the firm to achieve its goals and to contribute to both positive stakeholder outcomes and the long term sustainability of the business.

9. Cultural Aspects of International Business

The CITP understands intercultural differences and how they impact international business. The CITP uses appropriate communication strategies that respect international audiences. The CITP identifies and mitigates cross-cultural risks in the export and import of products and services. The CITP recognizes the value of cultural diversity.

10. The Internet, E-commerce and Technologies in Support of International Trade

The CITP understands the importance of e-commerce for facilitating international trade. The CITP uses information systems to facilitate international trade.

11. International Trade Management

The CITP has the ability to develop an international business plan and assist in its implementation. The CITP understands the scope and breadth and integration of international trade practices.

3. Forms Designations

A8A	Customs Import Manifest
A8B	Customs Intransit Manifest
B13	Canada Export Declaration Form
B3	Customs Accounting Document
E15	Canada Customs Export Document
E29B	Canadian Temporary Admission Document
K32	Claim for Drawback Form
T124	Application for Importer-Exporter Number
T151	US-Canada Exporter's Certificate of Origin

4. Incoterms 2000

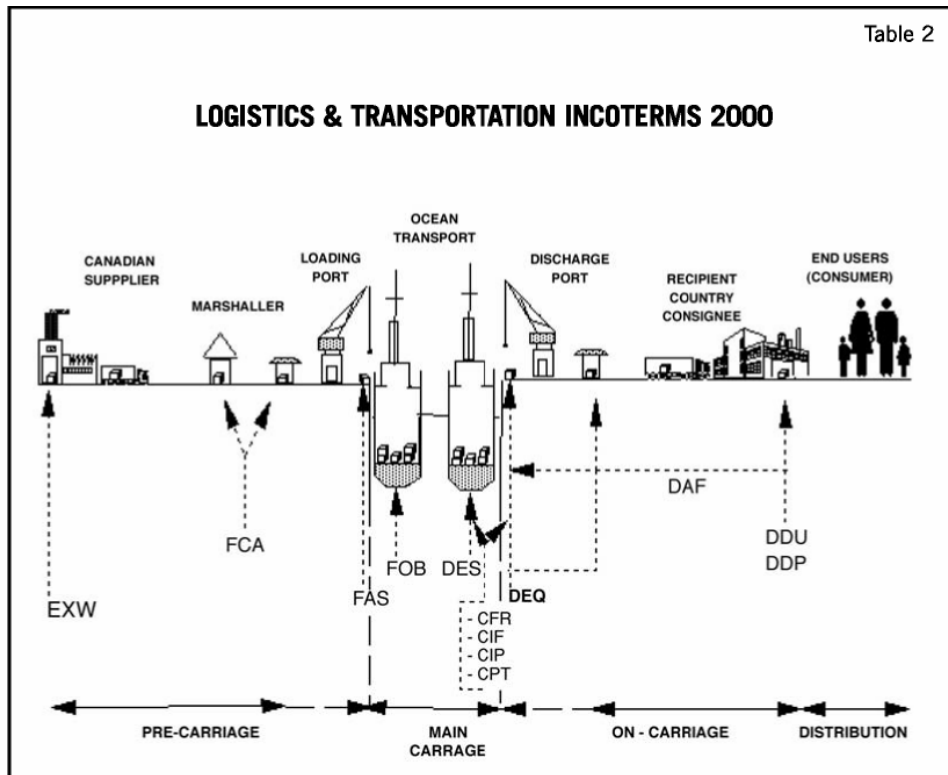
Incoterms 2000 are internationally accepted commercial terms defining the respective roles of the buyer and seller in the arrangement of transportation and other responsibilities, and clarify when the transfer of ownership of the merchandise takes place. They are used in conjunction with a sales agreement or other method of transacting the sale.

EXW	ExWorks	Title and risk pass to buyer including payment of all transportation and insurance cost from the seller's door. Used for any mode of transportation.
FCA	Free Carrier	Title and risk pass to buyer including transportation and insurance cost when the seller delivers goods cleared for export to the carrier. Seller is obligated to load the goods on the Buyer's collecting vehicle; it is the Buyer's obligation to receive the Seller's arriving vehicle unloaded.
FAS	Free Alongside Ship	Title and risk pass to buyer including payment of all transportation and insurance cost once delivered alongside ship by the seller. Used for sea or inland waterway transportation. The export clearance obligation rests with the seller.
FOB	Free On Board	Title and risk pass to buyer including payment of all transportation and insurance cost once delivered on board the ship by the seller. Used for sea or inland waterway transportation.
CFR	Cost and Freight	Title, risk and insurance cost pass to buyer when delivered on board the ship by seller who pays the transportation cost to the destination port. Used for sea or inland waterway transportation.
CIF	Cost, Insurance and Freight	Title and risk pass to buyer when delivered on board the ship by seller who pays transportation and insurance cost to destination port. Used for sea or inland waterway transportation.
CPT	Carriage Paid To	Title, risk and insurance cost pass to buyer when delivered to carrier by seller who pays transportation cost to destination. Used for any mode of transportation.
CIP	Carriage and Insurance Paid To	Title and risk pass to buyer when delivered to carrier by seller who pays transportation and insurance cost to destination. Used for any mode of transportation.
DAF	Delivered at Frontier	Title, risk and responsibility for import clearance pass to buyer when delivered to named border point by seller. Used for any mode of transportation.

DES	Delivered Ex Ship	Title, risk, responsibility for vessel discharge and import clearance pass to buyer when seller delivers goods on board the ship to destination port. Used for sea or inland waterway transportation.
DEQ	Delivered Ex Quay (Duty Paid)	Title and risk pass to buyer when delivered on board the ship at the destination point by the seller who delivers goods on dock at destination point cleared for import. Used for sea or inland waterway transportation.
DDU	Delivered Duty Unpaid	Title, risk and responsibility of import clearance pass to buyer when seller delivers goods to named destination point. Used for any mode of transportation. Buyer is obligated for import clearance. Seller fulfills his obligation when goods have been made available at the named place in the country of importation.
DDP	Delivered (Duty Paid)	Title and risk pass to buyer when seller delivers goods to named destination point cleared for import. Used for any mode of transportation.

Note: EXW, CPT, CIP, DAF, DDU and DDP are commonly used for any mode of transportation. FAS, FOB, CFR, CIF, DES, and DEQ are used for sea and inland waterway.

4.1 Illustration of Incoterms



Source: www.acdi-cida.gc.ca/cida_ind.nsf/0/bd49664819a53ed7852568850065b94d?OpenDocument#sec12

5. International Organization for Standardization (ISO)

ISO is the International Organization for Standardization. Established in 1947, ISO is a non-government federation of national standards bodies from approximately 150 different countries. A standard is a published, "specification that establishes a common language, and contains a technical specification or other precise criteria and is designed to be used consistently, as a rule, a guideline, or a definition".

A high-level reference for commonly used ISO standards is useful as these standards are frequently cited in international trade. Often, people will ask: "What topic does ISO XXXX cover?" or "Does ISO have a standard for XXXX industry?" To address those questions, this section will help identify some common international standards. However, it is not intended to provide official titles and detailed descriptions of specific products, techniques, and processes. That information can be found at www.standardsglossary.com.

ISO 105	Textiles. Tests for colour fastness and standard matt depths.
ISO 105-A01	Textiles. Tests for colour fastness. General principles of testing.
ISO 9000	Quality management systems. Fundamentals and vocabulary.
ISO 9001	Quality management systems. Requirements.
ISO 9002	Quality systems. Model for quality assurance in production, installation and servicing.
ISO 9004	Quality management systems. Guidelines for performance improvements.
ISO 10000	Information technology. General principles and documentation framework.
ISO 10005	Quality management. Guidelines for quality plans.
ISO 10006	Quality management systems. Guidelines for quality management in projects.
ISO 10007	Quality management systems. Guidelines for configuration management.
ISO 10012	Measurement management systems. Requirements for measurement processes and measuring equipment.
ISO 10015	Quality management. Guidelines for training.
ISO 13000	Plastics. Polytetrafluoroethylene (PTFE) semi-finished products. Requirements and designation.
ISO 13002	Carbon fibre. Designation system for filament yarns.
ISO 14001	Environmental management systems. Specification with guidance for use.

- ISO 14004** Environmental management systems. General guidelines on principles, systems and supporting techniques.
- ISO 14015** Environmental management. Environmental assessment of sites and organizations (EASO).
- ISO 17799** Information technology. Code of practice for information security management.
- ISO 18004** Information technology. Automatic identification and data capture techniques. Bar code symbols.
- ISO 19011** Guidelines for quality and/or environmental management systems auditing.

6. International Trade Terms

A

Abandonment	The act of relinquishing claim or right to property.
Acceptance financing	Short-term borrowing under which the bank accepts a request for payment (draft) from the exporter drawn under a credit available on the presentation of specified shipping documents (see Banker's acceptance).
Accepting bank	A bank which agrees in writing to accept responsibility to pay when a draft becomes due.
Accounting exposure	Changes in a corporation's financial statements as a result of changes in currency (foreign exchange) values.
Accounts receivable turnover	A financial ratio calculated by dividing a firm's total sales by total accounts receivable, which shows how quickly accounts receivable can be collected, inventory sold and payment collected (see Average collection period, Financial ratio analysis).
Accreditation	The process of recognition for professional qualifications.
Acid-test ratio	See Quick ratio.
Act of God	A violent and destructive act of nature, such as floods, earthquakes, hurricanes, tornadoes or lightning strikes, which Man can neither cause nor intervene with.
Activity based costing	An accounting method that allocates costs to specific products based on breakdowns of cost drivers.
Ad valorem tariff	A tariff calculated as a percentage of the value of goods cleared through Customs: for example, 15% ad valorem means 15% of the Customs value (see Customs valuation methods).
Admiralty Court	A court of law that has jurisdiction over maritime legal issues.
Advance payment	Payment method in which the buyer pays for the goods before they are shipped; method is used when buyer is of unknown creditworthiness.
Advance purchase	A countertrade transaction under which the importer pays the exporter for goods purchased with funds held in a trust account, which are then used to settle future purchases (see Countertrade).

Advanced logistics	Computer-based logistics strategies that include EDI, bar codes, JIT production and transportation methods, and MRP.
Advice of fate	The requirement that the collecting bank must advise the remitting bank promptly of the outcome of a collection.
Advised letter of credit	A bank document that informs the exporter that a L/C has been established in favour of the exporter by the importer (see Letter of credit).
Advising bank	A financial institution that is the intermediary between the beneficiary (exporter) and the issuing (exporter's) bank in a L/C transaction; also known as the notifying bank (see Issuing bank, Letter of credit).
Affiliate	A company over whose stock the parent company exerts legally enforceable control; also, a member of a group of companies.
Afreightment	A written agreement by which a ship's owner agrees to rent out a ship or part of a ship to a shipper for the carriage of freight.
African Developmental Bank (AfDB)	The AfDB Group is one of four major regional developmental banks currently operating in the global economy; it is headquartered in Abidjan, Cote d'Ivoire.
Agency agreement	The binding, written agreement negotiated between an agent or distributor and the exporter, covering issues that include the territory, exclusivity, commission rate, etc.
Agent	A person or firm authorized by the seller, known as the principal, to enter into binding contracts of sale on the seller's behalf (see Distributor, Exclusivity, Franchise).
Air Waybill	A non-negotiable instrument used in domestic and international air transport that functions as a bill of lading.
All risk	See Insurance certificate.
Alliance of Manufacturers and Exporters Canada (AMEC)	A national organization with more than 3,500 member companies representing manufacturers, exporters and provincial research organizations that seeks to affect government policy, provide members with information on and research about exports, etc.
Amendment	A formal addition, deletion, or modification of a legal or financial document; such as a Letter of Credit or contract.
American Arbitration Association (AAA)	One of a number of organizations equipped to conduct international arbitrations, including the ICC, LCIA and the European Convention on International Commercial Arbitration.

Antidumping duty	A levy imposed by an importing country in addition to regular duty if the imported goods are priced below the price charged in the exporter's domestic market, and so cause or threaten to cause material injury to a domestic industry in the importing country (See 'Dumping').
Antidumping laws	Laws that are enacted to prevent dumping (See 'Dumping').
Applicant	The party applying for a L/C, usually the importer or buyer of the goods specified in the sales contract.
Arbitrage	Simultaneous buying and selling of foreign currencies to make a profit from discrepancies between exchange rates prevailing at the same time in different locations.
Arbitrageurs	Parties who trade commodities and foreign exchange to profit from price differences for the same commodity at different locations.
Arbitration	A dispute resolution mechanism which entrusts the settlement of an international trade dispute to an independent person or persons (the arbitrator) under an arbitration clause in the contract signed by the parties involved. The resulting arbitral award can be enforced by a court.
Arbitration clause	A paragraph in an international sales contract under which both parties agree to submit any disputes to arbitration, and which defines both the disputes subject to arbitration and the institution which will conduct it, like the AAA, ICC, LCIA, or UNCITRAL.
Area control list (ACL)	A list of countries to which any export (except humanitarian items) requires an export permit. The ACL is maintained by DFAIT under the authority of the <i>Export and Import Permits Act</i> .
Asian Development Bank (ABD)	One of four major regional development banks currently operating in the global economy; it is headquartered in Manila, Philippines.
Asset efficiency	A financial ratio that measures a firm's profitability, calculated by dividing sales by total assets, and expressed as total asset turnover (the number of times assets are turned over in one year). Asset efficiency multiplied by profitability of sales equals the percentage return on assets (see Financial ratio analysis).
Assignment of proceeds	A payment method by which the beneficiary may assign part of the proceeds of the L/C to an agent or supplier (known as the assignee) which, however, does not have the right to draw on the credit as with a transferable L/C.
Association of South-East Asian Nations (ASEAN)	A free trade bloc of regional economies comprising Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Papua New Guinea has observer status.

At sight (A/S) A designation on a L/C or similar financial instrument that entitles the beneficiary named as the drawee to receive payment on presentation of a request for payment to the paying bank.

ATA Carnet (admission temporaire – temporary admission) An international customs document issued by the importing nation's chamber of commerce for the temporary duty free importation of certain goods into a country in place of the usual required customs documents and import duties.

Attornment clause See Venue clause.

Autonomy principle The fundamental rule that governs all L/C transactions: the bank's obligation to pay depends only on the accuracy and sufficiency of the trade documents on their face. This obligation is independent of the transaction that is the basis of the documents, subject to the single exception of fraud (see Discrepancies, Doctrine of strict compliance, Letter of credit).

Aval A guarantee of the buyer's credit provided by the guarantor, unless the buyer is of unquestioned financial standing. The aval is an endorsement note as opposed to a guarantee agreement.

Average collection period A financial ratio calculated by dividing a firm's accounts receivable turnover into 365 days (see Accounts receivable turnover, Financial ratio analysis).

Average days inventory A financial ratio calculated by dividing inventory turnover into 365 days (see Financial ratio analysis, Inventory turnover).

Award The finding or decision of an arbitrator (see Arbitration).

B

Back-to-back letter of credit A L/C transaction in which the proceeds of the primary L/C are used as collateral to issue a second L/C, generally used by an exporter to pay a supplier.

Balance of payments (BOP) A financial statement, which reports all payment transactions between residents of one country and those of all other countries, usually over a one-year period, comprising the current account, the capital account, and the official reserves account.

Balance of trade The difference between a country's total exports and imports.

Balance Sheet A statement showing a firm's accounting value on a particular date. It reflects the equation, Assets = Liabilities + Equity.

Bank draft A written order by a bank requiring payment of a stated amount of money.

Bank for International Settlements	An international organization, which promotes international monetary and financial cooperation among nations.
Banker's acceptance	A short-term method of financing created from a draft, which may be drawn by an exporter or an importer, and to which a recognized financial institution has added its acceptance, thereby guaranteeing payment of the money on a fixed date.
Bankruptcy	The state of an individual or company that has applied for protection under bankruptcy laws. Also, being unable to pay one's debts; insolvency. A bankrupt person cannot act as a director of a company, a practicing lawyer or a member of Parliament.
Bar codes	Machine-readable codes on goods used to validate transactions, determine inventory levels, verify B/Ls, etc. They are often used in conjunction with EDI (see Advanced logistics).
Barratry	In maritime law the intentional misconduct of the ship's master or crew; includes theft, intentional casting away of vessel, or breach of trust.
Barter	A countertrade transaction under which no money is exchanged, and no monetary price placed on the goods of either party; instead, the goods of one party are exchanged for those of the other party (see Countertrade).
Beneficiary	The exporter, or the seller, who receives payment from a bank under a L/C set up by the importer, or buyer (defined as the applicant).
Bid bonds or guarantees	Cash deposits or irrevocable guarantees that range between two and ten percent of the contract amount and are usually secured from a lending institution such as a bank or the EDC; required for all major international public tender calls.
Bilateral trade agreement	A written pact between two countries to facilitate the trade of goods between them by the reduction or elimination of tariffs on those goods
Bill of exchange	A negotiable instrument; an unconditional written order signed by one party (the drawer) and addressed to another (the addressee), requiring the addressee to pay a sum of money to the drawee, who becomes the acceptor by writing its name (to indicate acceptance) across the bill. A cheque is a simple form of bill of exchange (see Documents on acceptance, Negotiable instrument).

Bill of lading (B/L)	The primary trade transport document required to ensure the security of goods shipped by an exporter. Sent to a foreign bank, it authorizes the bank to release the goods to the buyer only when payment has been received. It serves as 1) the carrier's receipt to the shipper that the goods have been received for shipment, 2) a memorandum of the terms and conditions of the contract between the carrier and the shipper for the transportation of the goods to a specified destination, and 3) evidence of title to the goods. A B/L may be negotiable or non-negotiable; various types include air bill, ocean bill, highway probill and rail waybill (see Clean, Order, Straight, Unclean bills of lading).
Bills of Exchange Act	The legislation that governs bills of exchange in Canada.
Bonded warehouse	A warehouse authorized by customs authorities for storage of goods on which payment of duties is deferred until the goods are removed.
Borrower covenants	Promises made by the borrowing firm to the lender in a long-term international financing transaction that might include servicing the loan properly, maintaining normal business activities, and keeping financial ratios above certain specified standards.
Boycott	A refusal to deal commercially or otherwise with a person, firm or country because of political or other differences in order to punish that party for a position it has taken, or to force it to abandon that position.
Brand equity	The quality and value in the mind of a consumer associated with a particular brand, its name, logo, or image; examples include the Coca-Cola logo and McDonald's golden arches.
Breach of contract	Failure to fulfill a contractual obligation, entitling the innocent party to a remedy. The obligation, or term, may be expressly agreed to by the parties, or may be implied by common law or by statute.
Breakbulk	A breakbulk ship is one which transports cargo which is packed in cases, bales, cartons, drums, carboys, etc., and this cargo is carried in the ship's cargo holds rather than in containers (although some loaded containers may be carried).
Brokerage house	A company providing customs brokerage services.
Bulk carrier	A vessel designed for the shipment of bulk cargo.
Bulk freight	Cargo not in packages or containers.
Bulletin board systems (BBS)	An information tool based on a computer with a modem and communication software by means of which one can seek out information, ask questions and exchange ideas with other users; similar to the "chat groups" on the Internet. An important example is the US Department of Commerce BBS.

Bunker surcharge	A charge added to the price of bunker fuel for ocean cargo vessels to offset the volatility of its price, assessed on a percentage basis and applied to all ocean carrier freight rates; now a standard charge for all containerized freight.
Business plan	An internal company management document which describes how the business intends to achieve its goals over time through the use of sales forecasts, expenses, profits, performance mileposts, major financial ratios, etc.; required with a financial proposal to a lender.
Buy American Acts	US federal and state government statutes that give a preference in government contracts to US produced goods.
Buyback	A countertrade transaction similar to counterpurchase, in which the seller agrees to buy an agreed to amount of products or services from a buyer.
Buyer credit	A medium- to longer-term trade financing method, best suited to large-scale financing of major capital and turnkey projects. The funds are loaned directly to the foreign buyer, who enters into a direct financial relationship with the lending bank.

C

Call option	The right to buy a specified currency at a specified price and on a specified date.
Canada Border Services Agency (CBSA)	Created in December 2003, the CBSA brings together the major players in facilitating legitimate cross-border traffic. Its role is to manage Canada's borders by administering and enforcing relevant laws and regulations.
Canada Customs invoice (CCI)	A document prepared by the exporter or forwarder containing the information found on the exporter's commercial invoice and used for import clearance (see Commercial invoice).
Canada Export Declaration Form (B13)	A document required by Canada Customs for statistical purposes to monitor shipments valued at more than \$1,400CDN which must be presented at time of export.
Canadian benefits	That percentage of a trade transaction that is of direct or indirect economic benefit to Canada. Benefits are often derived from the number of jobs created or maintained, R&D, taxes, etc.
Canadian Chamber of Commerce (CCC)	An Ottawa-based organization that promotes international business by distributing a directory of world chambers of commerce, issuing and advocating the use of the ATA Carnet, and supporting various other Canadian international trade initiatives.

Canadian Commercial Corporation (CCC)	A Crown corporation that assists the Canadian export trade by serving as the prime contractor in government-to-government transactions and offering other export services including some financing.
Canadian Content	The percentage of the exported goods or services that are sourced from Canada.
Canadian Importers' Association	An organization that promotes the interests of Canadian importers, lobbies the government on their behalf and provides them with information services and networking opportunities.
Canadian International Development Agency (CIDA)	Canada's official development aid agency. CIDA provides low-cost financing and grants to assist developing countries, channeling funds to the multilateral development banks, and sourcing the goods and services needed by developing countries directly from Canadian firms.
Canadian Standards Association (CSA)	An organization that governs Canadian standards in certain goods, including building materials, consumer electrical or electronic goods, etc.; also publishes the CAN/CSA Q9000 standards which are identical to the ISO 9000 standards. All imports into Canada must meet CSA standards (see International Organization for Standardization).
Canadian Temporary Admission Document (E29B)	A Customs import document intended to maintain control of goods entering Canada temporarily. When the goods leave Canada the form is acquitted and any deposit (usually equal to duty plus taxes) taken as security is refunded.
Canadian Trade Commissioner Service	A network of more than 120 DFAIT commercial officers at Canada's embassies abroad that provides business intelligence for the trader, including advice on marketing channels, trade fairs, competent and reputable agents and distributors, and related support.
Cargo control document	An advice note, house bill, or other approved document that reports to Customs when a shipment has entered Canada, and controls the movement and disposition of the goods until they are released by Customs.
Carnet	See ATA Carnet.
Carriage and insurance paid (CIP)	An Incoterm under which the seller has the same obligations as under CPT, but with the added responsibility of procuring cargo insurance against the buyer's risk of loss or damage to the goods in transit; the seller both contracts for insurance and pays the premium.
Carriage paid to (CPT)	An Incoterm under which the seller pays the freight for the carriage of the goods to the named destination. Once the goods are in the custody of the carrier, the risk of loss or damage to the goods and any additional costs incurred are transferred to the buyer.

Carrier	Any person or company which, under a contract of carriage, undertakes to perform or procure the carriage agreed to by rail, road, sea, air, inland waterway or by a combination of such modes.
Cartel	A group of countries with a natural endowment in one particular commodity that join together to control the production and price of that commodity.
Case law	The body of previous court decisions under common law scrutinized by the judge to derive general principles, which are then applied to the case before the court. To ensure consistency, a court is obliged to follow precedents set by higher courts (see Common law).
Cash against documents (CAD)	An Incoterm denoting a method of payment whereby title documents to the goods are transferred to the buyer upon receipt of payment.
Cash flow planning	The study of a company's cash revenues and disbursements to identify gaps requiring financing. A cash flow statement is drafted before the start of the fiscal year, then revised and updated monthly to show actual performance (see Financial planning).
Cash in advance	The payment method with the least risk for the seller, and the greatest risk for the buyer, prepayment.
Certificate of origin (CO)	An export document under NAFTA showing that the specified goods presented at Customs originated in either the United States, Canada, or Mexico, and are therefore entitled to the preferential NAFTA tariff.
Certificates (weight / inspection / quality / analysis)	Attesting documents from third-party independent inspectors required to ensure that the quality and standards of certain goods (e.g., bottled water, food products, and pharmaceuticals) comply with the specifications in the sales agreement.
Civil Code of Quebec (CCQ)	The legal system that governs Quebec law in most aspects, with the exception of those under federal jurisdiction (see Civil law).
Civil law	The system of law governing most non-English-speaking European countries and their former colonies, including Quebec, based on a code that enshrines key legal principles which are used as the starting point for legal analysis and a conclusive statement of the law (contrast Common law).
Clean bill of lading	A B/L without any handwritten notation indicating an observed defect in the goods or their packaging (see Bill of lading, Unclean bill of lading).
Clean collection	A bank transaction in which only financial documents (such as bills of exchange, promissory notes, cheques, payment receipts, etc.) are used to obtain payment (see Collection).
Clean letter of credit	A bank document that requires only a simple demand for payment, as opposed to a documentary L/C (see Letter of credit).

Codification	The process of collecting and arranging the laws of a country or a state into a code, or a complete system of positive law, scientifically ordered and promulgated by legislative authority (see Civil Code of Quebec, Civil law).
Collateral	A security given in addition to the principal security in a loan transaction. For example, a person who borrows money on the security of a mortgage may be required to deposit shares with the lender as additional, or collateral security.
Collection	A payment method in which the exporter ships the goods to the importer and mails the shipping documents to a collecting bank which obtains payment from the importer in exchange for the documents. The exporter holds title to the goods until payment is received.
Co-marketing	Promotion and sale of complementary products, in cooperation with an established player in a target market, for a fee or percentage of sales; one of a number of cooperative business approaches used by smaller companies, including joint ventures, strategic alliances, research consortiums, licensing, franchising, and co-production; also known as piggyback marketing.
Combined bill of lading	A bill of lading covering a shipment of goods by more than one mode of transportation.
Commercial invoice	A statement of a transaction prepared by the exporter and addressed to the importer which usually describes the goods or services supplied, their value (per unit and in total), the trade and payment terms, shipping marks on the packages, insurance costs, the date of the invoice, and bears the signature of a responsible official.
Commercial risk	See Risk Assessment.
Commercialism	The management of a business for profit once the production plant has been built and marketing strategies implemented to carry out the proposed business.
Commodity	Any article exchanged in trade, most commonly a raw material, like tin, copper or manganese, or a bulk produced agricultural product like coffee, tea and rubber.
Common carrier	Any means of transportation of goods, whether by sea, rail, air or road.
Common external tariff (CXT)	A tariff rate applied uniformly by a common market or customs union on imports from countries outside the union; for example, EC member countries enjoy free trade protected by a CXT.

Common law	The legal system derived from British law that is followed by most members or former members of the Commonwealth, including all Canadian provinces except Quebec (see Civil Code). Under this system, many areas of law are never codified or legislated; rather the law in these areas is derived by the judge, who scrutinizes previous decisions, derives general principles from them and applies them to the case at hand. There is no “code” of basic precepts which non-lawyers might consult (contrast Civil law).
Common market	See Customs union.
Comparative advantage	An economic doctrine according to which a country is better off in terms of real income, and makes the most efficient use of its resources, if it exports commodities it can produce at a cost below that in other countries, and imports commodities from countries that can produce them more cheaply than its domestic market.
Competitive advantage	A positive quality or particular strength that places a company ahead of others in the industry, e.g. unique assets, processes or products, employee skills, business partnerships, size and reputation; also a feature in a product or service that is perceived as a benefit by the buyer, e.g. price, exchange rate, image, advertising: also known as differentiation or point-of difference.
Computed value	See Customs valuation methods.
Computer-aided design/Computer-aided manufacturing(CAD/CAM)	Various computer-based factory and workshop technologies that give small firms a competitive advantage through flexibility of production: that is, they can customize their products for a particular market and compete in product quality with much larger firms.
Condition	A contractual provision, expressed or implied, which is fundamental or essential to a contract. The breach of such a provision may entitle the other party to reject the goods or terminate the contract.
Conditional sale	A trade transaction based on a contract stating that the sale of goods is subject to a future uncertain event.
Conference Board of Canada	A nonprofit economic research and analysis institution funded by business, government, unions and universities that publishes numerous authoritative reports on economic topics.
Conference carriers	An association of shipping lines that offers a common set of rates for the movement of commodities and a fixed (usually weekly) sailing schedule.

Confidentiality	The duty in a commercial relationship to keep particulars of a transaction or technology secret, often set out in a secrecy or non-disclosure contract, which usually continues to be in effect even after the relationship ends. Violation leads to damages or an injunction or both. Note that where a country's constitution requires court proceedings to be open, as in Japan, it may be difficult to keep a trade secret completely confidential.
Confirmed irrevocable letter of credit (L/C)	A method of payment guaranteed by the exporter's bank. Confirmation adds the obligation of a second bank to the obligation of the bank which issued the L/C (the issuing bank, usually in the importer's country) to honour drafts and documents presented in accordance with the terms of the L/C (see Letter of credit).
Confirming bank	The financial institution, usually in the exporter's country, that together with the issuing bank in the importer's country, guarantees a confirmed irrevocable L/C.
Confirming entry	A verified, bar-coded entry submitted to Customs to account for goods that have been imported under the RMD program.
Confirming houses	See Factoring houses.
Consideration	A thing of value, such as money, goods, or mutual promises, given or promised in exchange for an enforceable contract.
Consignee	The party to which the goods are shipped for sale and to which the carrier may lawfully deliver the goods under a B/L.
Consignment	A trading arrangement whereby the goods are shipped to the importer while the exporter retains title to the goods; the importer is not required to pay for the goods, but instead acts as the exporter's agent in arranging the sale of the goods to a third party.
Consolidation	A grouping together of several separate shipments by a consolidator or freight forwarder, which is then shipped to an agent or deconsolidator under one B/L and reported to Customs on one cargo control document.
Consortium	An association of financial or other institutions assembled for the purpose of carrying out a project that requires large amounts of capital or products, or the services of several firms; also known as a contractual joint venture (see Joint venture).
Constitution	The laws, institutions, and customs which combine to create a system of government recognized as such by the community regulated by those laws; also, the written document embodying these laws.

Consular invoice	A document required by some foreign countries showing precise information on the consignor, consignee and value of a shipment, as well as a full description of the goods. It is certified by a consular official of the foreign country and used by its Customs officials to verify the nature, quantity and value of the shipment.
Consumer Packaging and Labelling Act	Legislation that sets out the packaging and labelling requirements for goods sold in Canada.
Consumer Packaging and Labelling Regulations	The implementation manual for the above Act, commonly known as the Regulations.
Contraband	Any product that a nation has made unlawful to possess, produce, transport, import or export.
Contract	A written or oral promissory agreement between two or more persons to do a particular activity or enter into a relationship which is enforceable under law.
Contractual joint venture	See Consortium and Joint venture.
Convenience sample	A group of subjects for a market study selected on the basis of how easy they were to reach.
Coordinating Committee on Multilateral Strategic Export Controls (COCOM)	An organization that maintains multilateral controls on the shipment of military or strategic goods and technologies to certain countries. Members include Japan and Australia, as well as all NATO countries except Iceland.
Co-production	An offset transaction for overseas production based on a government-to-government agreement that permits a foreign government or a producer to acquire the technical information and know-how to manufacture all or part of an item (see Offset).
Copyright	An entitlement which allows the owner to bar all others in the owner's country for a set period of time from using, publishing, or selling an original literary, dramatic, musical, or artistic work including books, writings, music, art, photos, films and computer programs.
Corporate culture	The set of values, beliefs, relationships between individuals and functions that guide the decisions of a company to achieve its objectives.
Corporate governance	The way in which major stakeholders exert control over the corporation and its activities.
Corporate social responsibility (CSR)	The responsibilities that corporations have to workers and their families, to consumers, to investors, society at large and to the natural environment.

Corporation	A business organizational structure which is owned by its shareholders and controlled by its directors. It has an independent existence, can last indefinitely, and offers its directors limited liability in case of bankruptcy or inability to pay, as well as possible preferential tax treatment.
Cost and freight (CFR)	An Incoterm under which the seller pays for cost and freight to the named port. The buyer pays for insurance while the goods are aboard ship and up to the overseas inland destination.
Cost per thousand (CPT)	A method of costing the media reach of advertising.
Cost, insurance and freight (CIF)	An Incoterm under which the seller has the same obligations as under CFR, but with the additional one of procuring marine insurance against the buyer's risk of loss or damage. The seller contracts for the insurance and pays the premium. This Incoterm can only be used for sea and inland waterway transport.
Cost-based pricing	Price-setting methods that use all of the costs incurred in a transaction to set the final price; the most common include domestic costs plus markup, full-cost and marginal cost (see Cost-plus, Full-cost, Marginal-cost pricing).
Costing analysis	A basic step in the financial plan for an export sale, it is used to predict the outflow of cash during the course of the transaction and test its profitability (see Financial ratio analysis).
Cost-plus pricing	A method to calculate the export price of an item that starts with the domestic price, eliminates non-applicable domestic costs like promotion, and adds exporting costs such as transportation and insurance (see Cost-based pricing).
Counteroffer	See Offer and acceptance.
Counterpurchase	A countertrade transaction which involves two distinct sales contracts concluded simultaneously by buyer and seller, with each contract complete and not tied to the execution of the other (see Countertrade).
Countertrade	A transaction in which a sale to an importer (public or private sector) is conditional on a reciprocal purchase or undertaking by the exporter. It is a practice which has been adopted by certain countries, especially emerging economies like Ukraine or China, as a tool for generating hard currency; common forms include barter, counterpurchase, advance purchase, offsets, buyback and bilateral agreements. In certain jurisdictions, countertrade is considered illegal practice.
Countervail	See Countervailing duty.
Countervailing duty (CVD)	An additional duty imposed by an importing country on imports that have benefited from a government subsidy in their country of origin when such subsidized imports cause or threaten to cause material injury to a domestic industry in the importing country. Also known as countervail.

Country risk	See Risk assessment.
Credit character	The buyer's willingness to pay and otherwise meet its commercial obligations under the commercial contract.
Cross rates	The expression of a foreign exchange rate in terms of both currencies. Thus to say "the US dollar is worth \$1.359 in Canadian funds, and the Canadian dollar \$0.735 in U.S funds," is to give the cross rates for the two currencies (see Direct and Indirect quotations; Exchange rate).
Cross tabulations	The relationships between multiple questions or variables in a market study.
Cross-export	International trade between two firms which export certain products to each other while importing others to take advantage of particular skills or efficiencies in each other's operations.
Cross-licensing	A strategic partnership between two firms for the purpose of licensing products or services to each other in order to share products and expertise to their mutual benefit (see Licensing agreement).
C-terms	See Incoterms.
Cultural Property Export Control List	A catalogue of culturally important objects maintained by DFAIT under the authority of the <i>Cultural Property Export and Import Act</i> which allows the government to prevent the export of Canadian cultural objects and control imported ones (i.e., prevent stolen foreign objects from entering the country).
Currency (foreign exchange) risk	The possibility of financial loss inherent in the fluctuations in the exchange rate between the Canadian dollar and the currency the parties choose for the settlement of their transaction; also known as foreign exchange risk (see Risk assessment).
Current ratio	A financial measure of liquidity, or how easily a business can meet its current debts, calculated by dividing current assets by current liabilities (see Financial ratio analysis).
Customs	The duties or tolls payable when goods are imported into a country.
Customs Accounting Document (B3)	The standard Canada Customs information gathering instrument for the importation of goods into Canada. Information from the B3 provides the basis for the determination of the value of the imported goods for the calculation of duty and taxes (see Customs valuation methods) and the selection of the appropriate HS classification for the goods.
Customs Act	Canadian legislation which provides the basic framework for Customs procedures in Canada.
Customs Automated Data Exchange System (CADEX)	A Canada Customs computer system for transmitting accounting data electronically.

Customs bonded warehouse	A warehouse where imported goods may be stored without the payment of duty or taxes until they are removed.
Customs broker	A trade professional who provides Customs services including the processing of Customs, import and export documentation, and release of commercial goods through the local Customs authority.
Customs Tariff Act	Canadian legislation which provides the legal framework for the collection of Customs duties in Canada, including rules related to duty remission and valuation.
Customs-Trade Partnership Against Terrorism (C-TPAT)	Voluntary US government initiative designed to build cooperative relationships that strengthen and improve overall international supply chain and US border security. Through this initiative, US Customs and Border Protection is asking US businesses to ensure the integrity of their security practices. They are also asked to communicate and verify the security guidelines of their business partners within the supply chain.
Customs union	A trading block consisting of two or more countries which have eliminated trade barriers among themselves and imposed a common tariff on all goods imported from all other countries; also known as a common market (see ASEAN, EC, Mercosur).
Customs valuation methods	Methods by which the value for duty (VFD) of imported goods is calculated by Customs officials and importers for the purpose of determining the amount of duty payable. There are two types of duties: ad valorem and specific, usually calculated as a percentage of the shipment's value. The GATT Customs Valuation Code obligates signatory governments to use the transaction value (the price actually paid or payable) of imported goods as the principal basis for valuing the goods for Customs purposes. Countries have the option of either including or excluding freight and insurance charges. If a transaction valuation is impossible, VFD can be calculated by the deductive value method, which is based on the first sale price to an arm's-length buyer in Canada less certain deductions, charges and expenses. Computed value is calculated by adding the costs of production or engineering of the goods, general selling and administration expenses, and a profit figure for an arm's-length sale for export to Canada.

D

D Memoranda (also D-Memos)	A series of directives published by the Communications Group of Public Works and Government Services Canada that sets out the Customs regulations and guidelines for importing and exporting. This set of 21 directives also contains information on the import requirements of other government departments which are enforced by Revenue Canada, Customs and Excise Division.
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Damages	Compensation or indemnity recovered in the courts for a loss suffered by a person or organization after the commission of a wrong, a breach of contract or breach of some statutory duty.
Dangerous goods	Products such as lawn mowers, chain saws, noxious substances and explosives that are known by the manufacturer to be inherently dangerous in some way. The manufacturer must warn users of the danger in advance by means of clearly worded labels in the appropriate language or languages. Their transport in Canada is governed by the <i>Transportation of Dangerous Goods Act</i> .
Dangerous Goods Regulations	A manual published by IATA which details the type of dangerous goods that can be transported safely by air carriers that are IATA members.
Date draft	A draft maturing at a specific time after its date, regardless of the time of acceptance of the draft by the importer.
Debt servicing	In a company's financial plan or financial proposal to a lender, a clear statement of how the borrowed funds and interest are to be repaid to the lender, on the basis of the expected income less projected costs, and the precise timing of the repayment.
Debt servicing ratio	A measure of net revenue earned for each dollar paid to service debt calculated on the basis of a formula involving company earnings, payment of debt principal and interest, and the marginal tax rate (see Financial ratio analysis).
Deductive value	See Customs valuation methods.
Defence	A pleading served in court in reply to a statement of claim in a lawsuit. It answers each one of the allegations made by the plaintiff, either by an admission or a denial. The defence must be filed within a time limit, usually within 14 days of service of the statement of claim.
Defensive interval	The number of days of projected operating expenses that are covered by a company's cash, accounts receivable and merchandise holdings (see Financial ratio analysis).
Del credere agent	A sales agent which guarantees the payment of the price on all goods sold to it by a third-party buyer for a sum of money paid in addition to its usual sales commission.
Delivered at frontier (DAF)	An Incoterm under which the exporter's responsibility ends when the goods are delivered at the named frontier, but before the Customs border of the adjoining country. The frontier in question is defined precisely, always by naming the point and place in the sales contract.
Delivered duty paid (DDP)	An Incoterm under which the seller bears the risks and costs, including duties, taxes and other charges, to the named place in the country of importation. DDP represents the maximum possible obligation for the seller.

Delivered duty unpaid (DDU)	An Incoterm under which the seller fulfills its obligation to deliver when the goods have been made available to the buyer at the named place in the country of importation. The seller bears the costs and risks involved in bringing the goods to that point (excluding duties, taxes and other official levies in the country of importation, as well as the cost of carrying out Customs formalities).
Delivered ex-quay (DEQ)	An Incoterm under which the seller fulfills its obligation to deliver when the goods have been made available to the buyer on the quay (wharf) at the named port of destination.
Delivered ex-ship (DES)	An Incoterm under which the seller fulfills its obligation to deliver when the goods have been made available to the buyer on board the ship before being cleared for import at the named port of destination.
Demurrage	Excess time for loading or unloading a vessel, truck or rail car. Demurrage is the fault of the shipper or shipper's agent. Also, the charge levied by a carrier as a penalty for any delay in unloading or returning equipment beyond a period allowed for such activity.
Department of Foreign Affairs and International Trade (DFAIT)	The lead ministry of the Canadian federal government for international trade; offers many kinds of assistance, resources, databases, etc., to the trader in Canada and especially in the target market (International Trade Canada, Foreign Affairs Canada, Area control list, Canadian Trade Commissioner Service, Cultural property export control list, Export control list, WIN Exports). In December 2004, legislation was introduced in the House of Commons to officially separate DFAIT into two separate Departments (see also Foreign Affairs Canada, International Trade Canada).
Dependent variable	In market research, the variable in regression analysis which is used as the constant against which other variables are measured (see Regression analysis).
Detailed adjustment statement (DAS)	A notification form from Customs sent to the importer within 30 days of the submission of the B3 form, pointing out any error in the B3 and explaining the change being made, the reasons for the change, the amount owing, and the possibility of appeal.
Developing countries	A broad range of countries that generally lack a high degree of industrialization, infrastructure, capital investment, or advanced living standards among their populations as a whole. They are sometimes referred to as less developed countries or LDCs. The poorest of such countries are referred to as the least developed or LLDCs.
Differentiation	See Competitive advantage.
Direct exporting	A sale done without any intermediaries by an exporter to a buyer in a foreign country.

Direct foreign investment	An acquisition of operating assets, such as plant and equipment, outside of one's own country.
Direct marketing	A "zero-level" distribution channel without intermediaries because the manufacturer sells directly to the customer (see Distribution channels).
Direct quotation	A foreign exchange rate provided at a particular point in time expressing one unit of national currency in terms of the foreign currency, as in Can\$1.00=US\$0.67 (see Cross rates, Exchange rate, Indirect quotation).
Direct shipment	The routing of a quantity of goods from the country of export directly to the importing country.
Directive	A law enacted by the European Parliament, the EU Commission and the European Court of Justice which is binding on each of the 15 member states of the EU to which it is addressed. The choice of form and method by which it is enacted is decided by each national authority, usually by means of national legislation that is roughly consistent but not identical with the directive.
Director	A person legally appointed or elected to manage the affairs of a corporation or company; collectively, the directors of a company are known as the board of directors. An undischarged bankrupt person cannot act as a director of a company (see Corporation).
Director's liabilities	Debts or financial burdens payable by the directors of a limited liability company arising out of their decisions or functions as directors of that company, as defined by the law. These can include liabilities for failure to exercise due diligence, issuing dividends at the expense of creditors and contravention of environmental statutes (see Liability).
Discounting	A banking procedure under which the exporter sells goods or services to an approved foreign buyer and then sells the export receivable to the bank at a discount for cash.
Discovery	See Examination for discovery.
Discrepancies	Differences between the terms and conditions for a L/C transaction stipulated in the commercial sales contract, and the L/C and supporting documents received by the beneficiary's bank: it will charge a fee for every minor discrepancy in the L/C or documents, and may refuse to honour a L/C with major discrepancies (see Autonomy principle, Doctrine of strict compliance, Letter of credit).
Dishonour	The refusal of a drawee to accept a draft or to pay it when due (see Draft).
Dispute	Disagreement or conflict over provisions of a contract agreement, resolved by mediation, arbitration or court action.

Distribution	The movement of goods and services from the manufacturing process through to delivery to the customer. Logistics is defined as physical distribution plus materials management (see Logistics).
Distribution agreement	A contract between a distributor and an exporter for the channeling of the exporter's product within the target market.
Distribution channels	The three major links between the seller and the final buyer. The first is the seller's marketing headquarters, where decisions on international channels and marketing mix are made. The second link is made up of channels between countries and delivers the product to the border of the country; it can include agents, trading companies, means of transportation, financing, insurance, etc. The third link comprises channels within the foreign country, or in-channels, and moves the product from the border entry point to the final buyer; it can include wholesalers, retailers, jobbers, and petty traders.
Distributor	A purchaser of goods from a seller or exporter for purposes of resale on its own account; differs from an agent in that a distributor cannot bind the seller contractually (see Agent).
Doctrine of strict compliance	A bank rule that requires all documents presented with a L/C to comply on their face in all particulars with the documents specified in the L/C and the sales agreement, and that all terms of the L/C and the contract – such as the expiry date – be fulfilled precisely (see Autonomy principle, Discrepancies, Letter of credit).
Documentary collection	A payment method which allows the exporter to ship the goods, but to retain the title documents until the buyer pays or the exporter accepts a bill of exchange. Commercial documents (such as invoices, shipping documents, documents of title, etc.) are used, with or without financial documents, to obtain payment.
Documentary credit	Same as a L/C.
Documents on acceptance (DOA)	A set of instructions given by an exporter to the collecting bank stating that the documents attached to the draft should be delivered only against acceptance of the draft by the importer (see Bill of exchange).
Documents on payment (DOP)	A method of documentary collection in which the documents are released upon actual payment by the buyer.
Double taxation	A demand for the payment of taxes by two countries for the same transaction, usually prevented by agreements between the two countries to avoid such duplication of levies. Especially important in a licensing agreement for intellectual property, a double taxation clause in the licensing contract allows the licensor to terminate the agreement if the foreign country, in the absence of a treaty, introduces withholding taxes that reduce the licensor's profits substantially.

Draft	An unconditional order by one party (the drawer) to a second party (the drawee) to pay a third party a certain amount of money on a given date (see Dishonour).
Drayage	A charge for the delivery or pickup of goods by truck from docks or other port terminals.
D-terms	See Incoterms.
Due diligence	The measure of prudence expected of and exercised by a trader; usually includes verification of the facts (e.g., credit rating, etc.) on the buyer's country, industry and company, and its offer to do business.
Dumping	A form of unfair trade that occurs when an exporter (manufacturer) sells goods to an importer at a lower price than in the exporter's domestic market. Where dumping would injure the importer's industry, the exporter is subject to an antidumping action and duties.
Dun & Bradstreet International	The world's largest business and credit research firm.
Duress	Unlawful pressure or coercion to perform an act which may render that act void or voidable; may be grounds to render a contract invalid or unenforceable in Canada; includes physical, emotional or economic coercion.
Dutiable value	The calculation of the value of an import for the purposes of paying duties prescribed under the <i>Customs Act</i> (see Customs valuation methods, Value for duty).
Duty	A tax or impost due to the government upon the importation or exportation of goods.
Duty of disclosure	The obligation of an inventor to reveal fully the invention, what it consists of, and the way it operates, to the patent registering authority.
E	
Economic exposure	The effect of foreign exchange rate changes on the value of a company's future cash flows.
Economic Union	A group of countries that combines the economic characteristics of a common market with some degree of harmonization of monetary and fiscal policies.
Economies of scale	Savings due to a large production capacity which enable a factory or an industry to manufacture large quantities of a product with the greatest efficiency and at the lowest price; also known as economies of mass production.

Economist Intelligence Unit (EIU)	The business research arm of The Economist magazine, the EIU provides subscribers with quarterly reports, in hard copy and online, on more than 180 countries; annual and quarterly country reports on a particular country and its potential for investment; and business reports, which assess investment risks and provide extensive current economic data. It also offers customized reports.
Electronic Data Interchange (EDI)	A computer-to-computer system that transmits information and documents without human intervention (see Advanced logistics, Bar codes).
Embargo	A restraint or prohibition by a country on the arrival or departure of a foreign ship, usually a retaliatory measure against a country's shipping when other measures, like countervailing duties, have been ineffective; also known as a hostile embargo.
Employment Rate	The ratio, expressed as a percent, of the number of employed persons to total labor force.
Enforceable obligation	See Obligation.
Entire contract clause	A clause in a complex commercial agreement, like a bank guarantee, for example, stating that all of the contractual terms are set out in the written agreement, or the "entire contract." Under such a contract, no separate verbal agreements can be assumed, unless the written document is ambiguous.
Equity joint ventures	See Joint ventures.
E-terms	See Incoterms.
European Bank for Reconstruction and Development (EBRD)	One of four major regional development banks currently operating in the global economy.
European Community (EC)	Established by the Maastricht Treaty of December 1991, the EC is a 15-member economic and political union comprising Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, the Netherlands, Luxembourg, Portugal, Spain, Sweden, and the United Kingdom. With the adoption of a common currency on January 1, 1999 (by all but four members) and its population of some 370 million, the EC will be the world's largest economy (see Customs union).
European Free Trade Agreement (EFTA)	A free trade bloc made up of Austria, Switzerland, Finland, Iceland, Norway and Sweden.

Examination for discovery	A preliminary procedure in a Canadian lawsuit consisting of an out-of-court examination of each party by the lawyer for the other party before a court stenographer, under oath, in the presence of all other parties or their lawyers, but without a judge. The evidence so produced is prepared as a transcript to be used at the trial. This can be a protracted and costly stage, with additional sessions to answer follow-up questions.
Exchange control	A government monopoly supervising monetary transactions with foreign countries or individuals abroad commonly practiced by command economies (like North Korea, Cuba, Belarus, etc.); can be used to impede foreign dealings, ration payments for importation of goods or services, and establish uniform or even multiple exchange rates.
Exchange permit	In a documentary credit transaction, a document that allows the exchange of local currency for a hard currency.
Exchange rate	The price of one currency in terms of another, i.e., the number of units of one currency that may be exchanged for one unit of another currency, as in UK£1 = \$2.04CDN (see Cross rates; Direct and Indirect quotation).
Exchange rate risk	The possibility of monetary losses due to fluctuations in the exchange rates between two currencies.
Excise	A duty equally applied to all imports of alcohol and tobacco products, with the exception of wines.
Excise duty	A duty on domestically produced spirits and tobacco products.
Excise tax	A selective tax, sometimes called a consumption tax, on certain goods produced within or imported into a country.
Exclusivity	A clause in a contract that gives an agent, licensee or franchisee sole rights, within a defined territory, to represent a manufacturer, distribute a firm's product or service, or use an intellectual property; also, a company's sole right to a registered trademark (see Agent, Franchise, Licensing agreement, Trademark).
Exemption clauses	Provisions which exclude particular products or situations from a general rule. For example, agricultural tariffs might be kept in place through an exemption clause in a free trade agreement. Similarly, insurance coverage liability under common law allows four exemptions: acts of God, attack by enemies of the Queen or state, defect in the goods, and default on the part of the shipper or owner.
Export and Import Permits Act	Canadian legislation which authorizes the licensing which controls exports from and imports to Canada. Three basic control lists are prescribed under the Act: an Import Control List, an Export Control List and an Area Control List. Any products listed on the first two lists and any exports to a country on the third list require a permit.

Export control list (ECL)	A list of goods and technologies that require permits to be exported from Canada under the authority of the <i>Export and Import Permits Act</i> . The ECL is maintained by DFAIT.
Export costing	A step-by-step method to establish the precise cost of an export transaction by breaking it down by category (i.e., costs of product, sales and promotion, etc.) on an export costing sheet.
Export costing sheet	A tool that simplifies the determination of the export price for a product or service according to the applicable Incoterm in order to determine, among other things, whether, and under what conditions, an export transaction is viable.
Export credit insurance	An insurance policy that protects exporters against non-payment of receivables by foreign buyers, covering commercial risks like foreign buyer insolvency, default, or unilateral termination of the contract.
Export Development Canada (EDC)	Canada's official export credit agency, providing a range of export credit insurance, export financing, and foreign investment guarantee products in support of Canadian export sales.
Export license	A document issued to a company by a government authority which allows that company (the licensee) to engage in the export of designated goods to certain destinations.
Export management company (EMC)	An independent firm acting as a commercial intermediary between an exporter and an importer or consumer of goods and services. Some EMCs act as agents for the exporter and, in such cases, are paid a commission on the export sales; others operate on a buy-sell basis, purchasing from their manufacturers at a set price and reselling to foreign customers (see Trading house).
Export permit	A document issued by DFAIT allowing the export of goods that are restricted or monitored by the Canadian government under certain conditions (see DFAIT, Export Control List).
Export quotas	Specific restrictions or ceilings imposed by an exporting country on the value or volume of certain imports; designed to protect domestic producers and consumers from temporary shortages of the goods affected or bolster the prices of the goods on world markets.
Export readiness	The achievement by a firm of a sufficiently large production capacity together with the human and financial resources to investigate and develop foreign markets for its products or services.
Export subsidies	Payments or other financial benefits provided by government to domestic producers or exporters contingent on a commitment to export, proscribed under GATT and by the WTO.
Exporter broker	An international trade professional who brings together the buyer and seller for a fee and then withdraws from the transaction.

ExportSource	A web site operated by Team Canada Inc dedicated to providing assistance to exporters: www.exportsource.ca .
Exposure netting	A technique to manage exchange rate risk by matching foreign exchange exposures from importing and exporting contracts to cancel out the effects of foreign exchange rate changes.
Extraterritoriality	The imposition by a powerful country of its domestic laws on persons or activities outside its territorial borders (see <i>Foreign Extraterritorial Measures Act</i>).
ExWorks (EXW)	An Incoterm under which the seller fulfills the obligation to deliver when it has made the goods available at its own premises. In particular, it is not responsible for loading the goods on the vehicle provided by the buyer or for clearing the goods for export, unless otherwise agreed. This term represents the minimum obligation for the seller.
F	
Facings	The side of a package on the retailer's display shelf that a consumer can see without moving anything around.
Factoring houses	Lenders that provide exporters with financing by purchasing, at a fixed interest rate, their foreign receivables and discounted bills of exchange for immediate cash. Also known as confirming houses.
Fiduciary duties	Obligations of good faith and fair dealing in the exercise of power and discretion by senior officers of a company. For example, a company officer is expected to work in the best interests of the company and not use the position, or knowledge and opportunity gained from that position, for personal gain.
Financial leverage	The use of debt to finance the firm's assets (see Asset efficiency, Financial ratio analysis, Profitability of sales, Return on assets).
Financial operations	All company procedures that have to do with the collection of cash revenues, like money received from customers or investments, and the payment of cash expenses, like disbursements for employee salaries, supplies and fixed costs.
Financial planning	The management of a company's revenue and expense stream over the short, medium and long term. Within the overall framework of a company business plan, financial planning includes elements like risk assessment, costing analysis, pricing analysis, cash flow planning, investment of surpluses and management of short-term borrowing.

Financial ratio analysis	The use of standard measures derived from a company's balance sheet to determine various aspects of its financial strength. Common financial ratios include current ratio, quick or acid-test ratio (and defensive interval), accounts receivable turnover, average collection period, inventory turnover, average days inventory, total debts to assets ratio, debt servicing ratio, return on assets, profitability of sales and asset efficiency.
Financial strength	The foreign buyer's ability to pay and otherwise meet its commercial obligations under the commercial contract.
Financing	Borrowing by a company to cover short-, medium- or long-term cash requirements from a lender when there is a gap between its disbursements and receivables.
Financing proposal	A document describing a company and its products as well as the proposed international trade project, written for the purpose of borrowing short-term funding for the project from a lender. The proposal must satisfy the lender on the company's repayment ability (history of paying bills on time), commitment (money is committed to the project) and collateral security.
Fixed cost	A cost that is fixed in total for a given period of time and for given volume levels. It is not dependent on the amount of goods or services produced during the period.
Fixed rate of exchange	A rigid rate of exchange set by a foreign government in terms of the US dollar, gold, another currency, or some other basis. It remains in effect as long as that government is willing or able to buy and sell the currency at the predetermined rate.
Flexible pricing strategy	The sale of the same product to different classes of customers at different prices (see Pricing strategies).
Focus groups	In market research, interviews with groups of people to collect data on opinions and viewpoints about a market, product, service, etc.
Force majeure (act of God)	Circumstances beyond human control, such as a natural disaster or a civil war. The parties to a sales contract or insurance policy may agree to a clause which provides that a contracting party will not be liable for non-execution of a contract as a result of force majeure.
Foreign Affairs Canada (FAC)	Represents Canada around the world through a network of embassies and trade and diplomatic offices, by participating in multilateral institutions and international treaties and arrangements. FAC works to promote prosperity, ensure Canadians' security within a global framework and promote Canadian values and culture on the international stage. FAC also offers travel assistance and passport services to Canadians, at home and abroad.

Foreign currency option	A contract that gives the trader the right, but not the obligation, to buy (call) or sell (put) a specified amount of foreign exchange at a specified price within a specified period.
Foreign debt	Money owed by a nation to foreign investors, banks, or governments.
Foreign direct investment (FDI)	The act of investing to build the productive capacity directly in a foreign country.
Foreign exchange	The currency or credit instruments of a foreign country. Also, transactions involving purchase and/or sale of currencies.
Foreign exchange control	See Exchange control.
Foreign exchange rate	See Exchange rate.
Foreign exchange risk	See Exchange rate risk.
Foreign Extraterritorial Measures Act (FEMA)	Canadian legislation used to counteract the extraterritorial assertion of another country's laws.
Foreign sales agent	See Agent.
Foreign trade zone	A port designated by the government of a country for the importation and further processing of non-prohibited, foreign goods on a duty-free basis. Merchandise may be stored, displayed, or used for manufacturing, etc. within the zone and re-exported without the payment of duties, which become payable only if the merchandise (or items manufactured from the merchandise) passes from the zone into an area of the country subject to Customs authority (see Free port).
Forfait	A medium-term (up to five years) form of trade finance guaranteed by the lender (and often by the buyer's lender) under which it purchases, without recourse, the promissory notes due to the exporter from the buyer minus a fixed-rate discount charge.
Forfaiting	A payment method under which the importer's promissory notes are sold by the exporter on a non-recourse basis. The forfaiting bank purchases an exporter's receivables and discounts them, usually at a fixed rate, without recourse to the exporter, provided the exporter has fulfilled its obligations: the bank looks only to the importer and the guarantor for payment. In this way, the exporter is able to offer credit in the sales contract to the importer, then sell the amounts due under the credit at a discount to the forfaiting bank.
Forward contract	A technique to manage exchange rate risks, consisting of an agreement with a commercial lender under which the trader agrees to sell (or buy) a specified amount of foreign currency to (or from) the lender at a specified future date (see Futures contract, Hedging).

Forward exchange market	A market for foreign exchange purchased at a forward rate for delivery at some specified future date.
Forward rate	The price at which foreign exchange can be bought or sold for delivery at some specified future date.
Four tigers	An informal trading bloc in the Pacific Rim comprising Hong Kong, Singapore, South Korea and Taiwan.
Franchise	An agreement to grant the use of a package of intellectual property rights, know-how and goodwill owned by one party (the franchisor) to another (the franchisee), usually on a non-exclusive basis, for certain considerations (see Agent, Distributor, Exclusivity).
Fraud	The act of obtaining a material advantage by unfair or wrongful means, including all those by which one party can gain an advantage over another by false suggestions or suppression of the truth, and any unfair way by which a party can be cheated.
Fraudulent misrepresentation	See Misrepresentation.
Free alongside ship (FAS)	An Incoterm under which the seller fulfills the obligation to deliver when the goods have been placed alongside the ship at the named port of shipment.
Free and Secure Trade (FAST)	Joint Canada-United States initiative involving the Canada Border Services Agency and the United States Customs and Border Protection (CBP). FAST supports moving pre-approved eligible goods across the border quickly and verifying trade compliance away from the border.
Free carrier (FCA)	An Incoterm under which the seller fulfills the obligation to deliver when it 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 takes the goods into its 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 the buyer's risk and expense. This term may be used for any mode of transport, including multimodal transport.
Free of particular average (FPA)	See Insurance certificate.
Free on board (FOB)	An Incoterm under which the seller fulfills its obligation to deliver when the goods pass over the ship's rail at the named port of shipment.
Free port	An area such as a port city into which merchandise may legally be moved without payment of duties (see Foreign trade zone).

Free trade	Commercial dealings between two or more countries unimpeded by duties, tariffs, import quotas and other imposed trade barriers. The objective of trade liberalization, however, is to achieve “freer trade” rather than “free trade,” as it is generally recognized among trade policy officials that some restrictions on trade are likely to remain in effect for the foreseeable future.
Free trade agreement (FTA)	A written pact, authorized under GATT and by the WTO, between two or more countries to remove tariff and non tariff barriers to trade with each other. Each country maintains its own schedule of tariffs and Customs measures for all other nations (see ASEAN, EC, EFTA, Four tigers, Mercosur, NAFTA).
Free trade area	The territory of two or more countries that have eliminated tariff and most non-tariff barriers to trade with each other.
Freight all kinds (FAK)	A designation used by carriers for the calculation of a single price rate per container, carload, trailer, etc., when the contents are a consolidation of different commodities and values.
Freight forwarder	A shipping industry professional who provides the exporter with a range of support services. These include advising on transportation of freight; selecting the best route and means of transport; arranging safe and cost-effective transport of the goods; and attending to all Customs formalities and shipping documentation.
Frequency distributions	A summary of the spread of responses to a questionnaire in a marketing survey. The data is divided into a number of equal sub-categories, known as “classes.”
Frequent Importer Release System (FIRST)	A Customs system that can be used by companies that import the same type of goods on a regular basis. Customs can release these shipments at the primary inspection line on the submission of only an invoice, without receiving any information prior to the arrival of these goods at the border.
Frustration	The intervention of an unanticipated event that prevents a contract from being performed: both parties to the contract then revert to their original positions.
F-terms	See Incoterms.
Full-cost pricing	A method to calculate the export price of an item that takes into account all fixed costs, the relevant variable costs, plus a profit margin (see Cost-based pricing).
Futures contract	A standardized contract for the supply or purchase of a set amount of foreign exchange for delivery at a specified future date which is bought and sold on the floor of an organized exchange (see Forward contract, Hedging).

G

G – 7	See Group of 7.
General Agreement on Tariffs and Trade (GATT)	A multilateral treaty signed by Canada and 116 other countries. GATT has provided rules of trade behavior, a forum for negotiating the liberalization of trade, a trade court for resolving disputes between signatory countries, and agreements to reduce non-tariff barriers related to import licensing, procurement, valuation and anti-dumping requirements. GATT has been superseded by the WTO.
General average	Shared expenses incurred for the prevention of the loss of the entire cargo when a ship or a portion of the cargo is in danger. For example, when an ocean vessel runs aground, the costs of unloading part of the cargo to make the ship lighter, refloating, repairing (if necessary) and reloading it, etc., are shared by the various owners of the cargo on the ship. General average is not an insurance term.
General export license	Any of the various export licenses covering export commodities for which a validated export license is not required. No formal application or written authorization is needed to ship exports under this type of export license.
General interpretive rules (GIR)	Six rules used to classify all goods imported into Canada for the purpose of calculating the HS tariff payable.
General preferential tariff (GPT)	One of several preferential levies on imports set out in Canada's Customs Tariff and Customs Act, which are granted to products imported from developing countries provided 60% of the materials used in their production originates in those countries. Others include the MFN tariff and the BPT. In general, the country of origin determines the applicable tariff rate.
General Security Agreement (GSA)	A written agreement under which a seller grants credit terms to a buyer in Canada. When duly registered under provincial PPSAs (in provinces where they have been enacted), the GSA allows a seller to take a security against all of the buyer's assets in case of default.
Generalized system of preference (GSP)	A lower-than-usual tariff levied by industrialized countries on imports of certain commodities from developing nations (see Infant industry argument).
Generally Accepted Accounting Principles	A commonly used and widely accepted set of accounting concepts, standards, and procedures by which financial statements are prepared.
Globalization	A global movement to increase the flow of goods, services, people, real capital, and money across national borders in order to create a more integrated and interdependent world economy.

Goods	All movable things that can be sold for a profit. The legal definition of goods excludes real estate, intangible things (such as debts, shares or patents) and services.
Goods and Services Tax (GST)	Canada's ad valorem tax, charged on all goods and services sold, with certain exceptions that include exports, food, medicines and financial services.
Governing law	A specified legal system, usually the domestic law of either party to a contract, or the domestic law of a third country, under which both parties agree to resolve disputes. Also a clause to that effect in an international agreement (contract, agency, franchise, etc.).
Greenfield account	A market segment without an established supplier.
Greenfield investment	A market entry strategy of building a wholly-owned subsidiary company in the target market from the ground up.
Gross domestic product (GDP)	The total value of goods and services produced by a nation in a specified period, often expressed on a per capita basis.
Group of Seven (G7)	An informal grouping of the world's seven largest economic powers: the United States, Japan, Germany, the United Kingdom, France, Italy and Canada. Since 1997, G7 summits have included meetings with Russia as a non-economic participant: at those times, the group is called the G8.
Guarantee	A financial instrument (usually an irrevocable L/C) issued by surety companies and banks in cases where the importer has advanced funds to the exporter for an export project; the guarantor repays the importer some or all of its money if the exporter fails to perform. In North America, a type of guarantee called the performance bond is used (see Export Development Corporation).
H	
Hague Rules	The International Convention for the Unification of Certain Rules of Law relating to Bills of Lading, incorporated into Canadian law by the Carriage of Goods by Water Act, which governs transportation by ship.
Hague-Visby Rules	New B/L rules to replace the Hague Rules, which Canada is likely to adopt.
Hard currency	A currency whose value is generally strong against other currencies and accepted by most countries in international trade.
Harmonized Commodity Coding and Description System (HS)	The current international system for classifying goods for Customs duty and statistical purposes, adopted by Canada as its system for Customs classification on January 1, 1988.

Haulage (Cartage or Drayage)	The local transport of goods. Also the charge(s) made for hauling freight on carts, drays or trucks.
Hazardous Materials	A substance or material, which has been determined to be capable of posing an unreasonable risk to health, safety, and property when transported in commerce.
Hedging	A technique to manage currency exchange risks by using forward contracts to cover the value of foreign held assets (see Forward contract, Futures contract).
Holder in due course	A party that holds an accepted bill of exchange, free from most trade disputes, which arises from the underlying export transaction.

I

Implied terms	Unwritten parts of an international contract: that is, conditions that are not explicitly included in the contract agreement, but are generally understood to be a part of it, either under the governing law or through custom and trade usage, when these are consistent with the contract.
Import clearance	The process of submission of documents and fulfillment of the conditions that need to be met by the importer for a shipment of goods to clear Canada Customs.
Import control list (ICL)	A list maintained by Revenue Canada, Customs and Excise Division, consisting primarily of textiles, clothing and footwear items from countries with low labour costs. Imports on the list are subject either to surveillance or quotas (see <i>Export and Import Permits Act</i>).
Import license	A document required and issued by some national governments authorizing the importation of goods into their country.
Import permit	See <i>Export and Import Permits Act</i> .
Import substitution	A national program to reduce reliance on imports by encouraging the development of domestic industries to manufacture currently imported products through subsidies, preferential buying of local products, etc.
Importer number	Number assigned to an importer of goods into Canada through the T124 form, available from a Customs office.
In-channel	See Distribution channels.

Incoterms 2000	<p>A set of designations that codify the respective obligations of the buyer and seller in foreign trade under various conditions. They have been standardized by the ICC and have gained nearly universal acceptance as a means to avoid misunderstandings between the exporter and the importer on the circumstances under which goods are shipped and paid for. The Incoterms fall into four categories:</p> <ul style="list-style-type: none">▪ C-terms, under which the exporter must contract for carriage, but without assuming the risk of loss or damage to the goods or any additional costs due to events after the shipment and dispatch;▪ D-terms, under which the exporter must bear all costs and risks required to transfer the goods to the importer's country;▪ E-terms, under which the exporter makes the goods available to the importer at the exporter's premises; and▪ F-terms, under which the exporter must deliver the goods to a carrier designated by the importer.
Indirect exporting	<p>Sale by an exporter to a foreign buyer through an intermediary based in the exporter's country. These intermediaries can include commission agents, EMCs or trading houses, marketing boards, or buying agents for foreign governments.</p>
Indirect quotation	<p>A foreign exchange rate which expresses one unit of foreign currency in terms of the national currency, as in US\$1.00=\$1.43CDN (see Cross rates, Direct quotation, Exchange rate).</p>
Industrial design	<p>An intellectual property protected worldwide under Canadian law. Any readily discernible shape, pattern or ornament as applied to a manufactured product is an industrial design protected under the Industrial Design Act. Examples include the styling of a car or the shape of a soft-drink bottle.</p>
Industrial policy	<p>Encompasses traditional government policies intended to provide a favourable economic climate for the development of industry in general or specific industrial sectors.</p>
Industry Canada	<p>The Government of Canada department responsible for developing industrial, scientific and technological sectors. It has an interest in and provides support to international traders: see in particular its Strategis web site at www.strategis.gc.ca.</p>

Infant industry argument	The view that “temporary protection” for a new industry or firm in a particular country through tariff and non tariff barriers to imports can help it to become established and eventually competitive in world markets. Historically, new industries that are soundly based and efficiently operated have experienced declining costs as their production expands, while those that were established and operated with a heavy dependence on direct or indirect government subsidies sometimes have found it difficult to relinquish that support. The rationale underlying the GSP is comparable to that of the infant industry argument.
Information technology (IT)	Computerized systems (often integrated with telecommunications systems) with many applications in international trade, including transportation services, shipment tracking, paperless foreign collections, technology transfer, design, manufacturing and process control.
Infrastructure	The underlying foundation and physical plant of an industrialized society, including roads, sewers, schools, industrial structures, telecommunications etc., which allow it to function effectively.
Infringement	A violation of a law, regulation, contract or right, especially the right secured by patents, copyrights and trademarks. The legal remedy is an injunction to restrain future infringements and an action for the recovery of the damage caused or the profits made by such violations in the past.
Inherently dangerous goods	See Dangerous goods.
Injunction	A judicial order or decree by which a party to a lawsuit is required to do or refrain from doing a particular act. It is the legal remedy for an infringement of a party’s legal rights, especially for patents, copyrights and trademarks (see Mareva injunction).
Innocent misrepresentation	See Misrepresentation.
Insurance certificate	<p>A key document in a L/C transaction attesting to the purchase of marine insurance, or marine cargo insurance, defined in international trade to include air, rail and road, as well as marine insurance; also known as the insurance document. It is the usual practice to insure all shipments to 110% of their value. There are three types of coverage:</p> <p>Free of particular average (FPA) – the narrowest and cheapest type of policy, reimbursing total losses, but only partial losses if the vessel has been stranded, sunk, or burned in a collision.</p> <p>With average (WA) – offers more protection than the FPA; it will pay claims for stranding, sinking or collision losses in full, provided the dollar loss claimed is greater than the “franchise” amount listed in the policy, usually 3%. If the loss is below 3%, no payment is made.</p> <p>All risk – covers all losses in full, except for those due to acts of war, strikes, riots, seizure and detention, unless these are specially endorsed in the policy (see War risks).</p>

Intellectual property	Intangible property rights, such as patents, copyrights, trademarks, industrial designs and know-how, which entitle the owner to control the use of the fruits of his or her own creativity or ingenuity.
Inter-American Development Bank	A regional development bank designed to promote sustainable economic development in the Western Hemisphere. Its headquarters are located in Washington, D.C.
Inter-bloc trade	Commerce which takes place within established trading blocs, like that between England and France, both part of the EC.
Interest rate parity (IRP)	A foreign exchange theory which holds that the differences in interest rates between two countries will cause the currency with the higher interest rate to devalue against the currency with the lower rate.
Intermediary	Any party that acts as a go-between in an export transaction, including the broker, the freight forwarder, the agent, etc.
Intermodal transport	A combination of transportation modes to carry a shipment: e.g. “sea air,” which combines the economies of ocean container freight with the speed of air cargo or “rail truck ocean,” which moves freight in marine containers via three different modes.
International Bank for Reconstruction and Development (IBRD) – The World Bank	See World Bank.
International Chamber of Commerce (ICC)	A Paris-based business organization established in 1910 with offices in 59 countries and members in 123. Its objectives include promotion of world trade based on free and fair competition, harmonizing trade practices and formulating terminology and guidelines for international traders, and producing a wide range of authoritative trade publications (see Incoterms).
International Monetary Fund (IMF)	A specialized UN agency based in Washington, D.C. which promotes international monetary cooperation, facilitates the expansion and balanced growth of international trade and promotes stability in foreign exchange. The IMF has a membership of more than 180 countries.
International Standards Organization (ISO)	The entity that sets international norms for quality management and quality assurance, published in 1987 as the ISO 9000 series, and adopted by many countries, including Canada (see Canadian Standards Association).
International Trade Canada (ITCan)	Responsible for positioning Canada as a world business leader for the 21 st Century. ITCan accomplishes this by helping large and small Canadian companies expand and succeed internationally, by promoting Canada as a dynamic place to do business, and by negotiating and administering trade agreements.

Inventory turnover	A ratio calculated by dividing the cost of goods sold by the firm's inventory balance, which indicates how many times the firm sells its inventory in one year. Slow inventory turnover may signal financial weakness (see Average days inventory, Financial ratio analysis).
Irrevocable letter of credit	A L/C that cannot be withdrawn or changed without the agreement of all parties to the L/C transaction, as opposed to a revocable letter of credit, which can (see Letter of credit, Revocable letter of credit).
Irrevocable offer	See Offer and acceptance.
Issuance	The length of time allowed by custom or usage for the payment of foreign bills of exchange.
Issuing bank	In a L/C transaction, the lender that issues a L/C and undertakes to honour the claims of the beneficiary (usually the exporter) or acts on behalf of the beneficiary (see Advising bank, Letter of credit).

J

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.
Joint venture	A form of business partnership involving joint management and the sharing of risks and profits. If joint ownership of capital is involved, the partnership is known as an equity joint venture; if it is an unincorporated venture set up for a short time and a limited undertaking, it is a contractual joint venture, which is sometimes called a consortium: such a joint venture is similar to a partnership.
Judgement sample	In market research, a grouping of subjects chosen on the basis of some pre-defined characteristic; for example, the interviewer may "judge" that households in a certain city are typical of the entire population.
Judgment	The decision or sentence of a court in a legal proceeding; also, the reasoning of the judge leading to the decision, which may be reported and cited as an authority, if the matter is important, or can be treated as a precedent under common law. Where the defence is a sham or just a delaying tactic, the summary judgment procedure allows a plaintiff to ask the court to award a judgment without trial if the plaintiff can show, by sworn affidavits, that no valid defence exists.
Judicial system	The network established for the administration of justice in a country or jurisdiction including all of its institutions, laws, customs, officers, processes, etc. (see Civil Code, Common law, Rule of law).

Just-in-time (JIT) A computerized method of production initiated by and tailored to customers' needs and wants. Pioneered in Japan after World War II, JIT methods were designed to eliminate the need for raw material inventories. Instead, raw materials are delivered to the assembly line in a factory "just in time" to be assembled into the final product: this eliminates the waste and cost of huge inventories and enhances product quality (see Advanced logistics).

K

Knocked down An article disassembled, or unassembled, or taken apart, to reduce its bulk; subject to easy assembly. This is usually done to reduce the dimensions of the shipping package and thereby to save transportation and storage costs.

Kyoto Protocol A multilateral environmental agreement; its goal is to control global warming by reducing greenhouse gases emitted into the Earth's atmosphere.

L

Landed cost The quoted or invoiced cost of a product, plus any inbound transportation charges.

Landing charges Fees charged at an airport for each aircraft landing there.

Lead time The amount of time needed to deliver the product or service by the deadline.

Lease A contract in which one party conveys the use of an asset to another party for a specific period of time at a predetermined rate.

Less than truckload A shipment, which does not completely fill a truck or which weighs less than the weight required for the application of the truck load freight rate (which is usually a lower freight rate than applied to less-than-truckload cargo.)

Letter of credit (L/C) A document issued by a bank at the request of the buyer promising to pay the seller an agreed amount of money upon receipt by the bank of certain documents within a specified time. It is also known as a documentary letter of credit, or a documentary credit. Under the autonomy principle and the doctrine of strict compliance, the bank must pay the beneficiary if the documents presented are strictly in compliance with the terms of the sales contract and the L/C.

Letter of intent	A document signed by two or more parties during the course of their negotiations indicating their mutual intent to negotiate and sign a formal contract. A letter of intent may be a binding agreement, depending on its wording and the circumstances.
Liability	The subjection to a legal obligation. Liability may be either civil or criminal, according to the type of court enforcing it, and may be limited by contract, or by statute. For example, an international business operated as a sole proprietorship or partnership runs the risk of unlimited liability for debts incurred; an incorporated company's debt liability is limited by law; and an insurance company's liability is limited by the terms set out in the policy (see Exemption clauses).
Licensing agreement	A business arrangement under which a firm transfers the rights to the use of its product or service (or proprietary rights over certain technology, trademarks, etc.) to one or more firms in return for specified royalties or other payment (see Cross-licensing, Double taxation, Exclusivity).
Lighterage	The cost of conveying goods by lighters or barges between ship and shore and vice versa, including the loading into, and discharging out of lighters.
Limited liability	See Liability.
Limited partnership	See Partnership.
Line of Credit	A short term, demand loan, provided by a bank to enable a company to free-up cash tied up in Accounts Receivable.
Liquidity	The amount and quality of a company's short-term assets in relation to its outstanding short-term obligations.
Litigation	The action of suing someone in a court of law for the purpose of enforcing a right, seeking redress, etc.
Logistics	The management and physical distribution of goods and materials. Individual services include purchasing, production planning, inventory control, materials handling, warehousing, transportation, order processing, and customer service. Logistics professionals include carriers, freight forwarders, Customs brokers, warehouse operators, distributors, couriers, purchasing agents, and inventory and materials managers (see Materials management, Distribution).
London Interbank Offer Rate (LIBOR)	The rate that a bank demands in order to place a deposit at (or, equivalently, make a loan to) another bank in London, England.

M

Management information system (MIS)	A system designed to generate, store and facilitate retrieval of information needed by management. Also known as an executive information system.
Manifest	The B/L or any other cargo control document (waybill, etc.).
Maquiladora	Assembly operations in Mexican special economic zones that are allowed to import components and re-export assembled products duty and tax free. Special economic zones of this type can also be found in places like Hong Kong and Guangzhou, China.
Mareva injunction	A judicial order granted to the plaintiff in a Canadian lawsuit to preserve the assets of a defendant if the defendant can be shown to be likely to escape from Canada with those assets to avoid the consequences of a judgment (see Injunction).
Margin	Ratio of profits (generally pre-tax) to sales, calculated by dividing profits by sales; also known as profit margin.
Marginal-cost pricing	A method to calculate the export price of an item in which only the materials and labour for the portion of the production run slated for export are added to the price, which is relatively low and thus used to penetrate new markets (see Cost-based pricing).
Marine cargo insurance	See Insurance certificate.
Market entry	The establishment of a presence in the foreign target market.
Market evaluation	Assessment of a foreign market as a target market on the basis of the best available information and research.
Market maintenance pricing strategy	Holding down prices to maintain market share despite increased costs (see Pricing strategies).
Market opportunity	A potentially profit-generating need for a product or service in a particular foreign market discovered as a result of market research.
Market penetration	The establishment of a presence and achievement of a market share in the target market.
Market research	The systematic study of the foreign target market to establish its receptivity to a product or service. The country's economic and socio-political environment, the particular industry and economic sector, as well as all competitors, must be thoroughly reviewed through the use of techniques such as polls and surveys, focus groups, analyses of census and other published demographic and economic data, etc.

Market skimming	Charging premium prices to selected segments of the market to maximize profits from a relatively low sales volume (see Pricing strategies).
Marketing mix	A combination of fundamental elements, such as packaging, price, promotion, distribution, etc., used to increase the sales of a product.
Marketing plan	Strategy and implementation steps for promoting and selling a product or service in the target market.
Market-oriented pricing	See Value-based pricing.
Marking and labelling	Special handling instructions or symbols printed on the package for shipping purposes; also known as “lead marks” or “marks and numbers”.
Mark-up	The amount the retailer increases the price above the original cost, usually expressed as a percentage of the cost.
Material requirements planning (MRP)	A computerized integrated purchasing and manufacturing system (see Advanced logistics).
Materials management	The supervision of materials from the supplier to the production line. Logistics is defined as materials management plus physical distribution (see Logistics).
Media mix	A blend of different mass publicity vehicles like television, print, radio, endorsements, billboards, and coupons to reach the target market.
Media reach	The number of persons affected by a particular mass publicity vehicle.
Mediation	A dispute resolution mechanism which is non-binding; usually a clause in an agreement that requires the parties to meet and attempt to settle their differences amicably before proceeding to litigation or arbitration. The mediator does not make any decisions but facilitates communication and compromise.
Memorandum of understanding (MOU)	A written document signed by individuals, companies or governments negotiating a business or other strategic alliance which establishes confidentiality between them and sets out the points of agreement in a clear, concise form that can be used as the basis for negotiating a formal legal framework for the future partnership.
Mercantilism	An economic policy of the commercial age predating the Industrial Revolution based on the assumption that the volume of trade is limited and that countries can expand their trade only at the expense of others.
Mercosur	A South American trading bloc founded in March 1991 by Argentina, Brazil, Paraguay and Uruguay (in Spanish, Mercado Comun del Sur [Southern Common Market]).
Merger	The acquisition of one or more business entities by another.

Misrepresentation	A statement or conduct that is untrue, or conveys a false or wrong impression. It may be fraudulent, negligent or innocent: the first two may be actionable in court. Innocent misrepresentation by one party that induces another to enter into a contract allows the second party to set aside that contract and have any money or goods paid out returned, with no damages payable.
Mistake	In contract law, an error either in fact or in law. A mistake of fact on the part of one party or both may affect the contract, but a mistake in law generally does not entitle the mistaken party to a remedy; both parties are presumed to know the law, and a mistake is no defence.
Mode of transportation	The carrier that takes a shipment of goods to its destination, usually one or a combination of truck, plane, ship, train, or pipeline.
Monopoly	The situation where a company or group of companies controls the supply of a certain commodity.
Mortgage	A written agreement that reserves the title to the goods for the seller, who receives periodic payments plus interest until the full purchase price has been repaid; also known as a conditional sale.
Most favoured nation (MFN)	A preferential tariff treatment for goods entering Canada set out under the <i>Customs Tariff and Customs Act</i> .
Multilateral agreement	An international pact involving three or more parties. For example, GATT has sought to promote trade liberalization through a series of negotiated multilateral agreements since its establishment in 1947, culminating with the establishment of the WTO under a multilateral agreement.
Multilateral trade negotiations (MTN)	A series of intensive bargaining sessions among the participating countries under GATT. The Uruguay Round was the eighth and last such round, which ended with the establishment of the WTO.
Multi-level marketing	Direct sales system with more than one intermediary between the manufacturer and the customer.
N	
Nationalization	Involvement by a national government in the ownership or management of a business organization that can vary from a minority equity position to an outright takeover of the business.
National Trade Data Bank (NTDB)	U.S. Internet site providing current and historical international market information. Please see: www.stat-usa.gov .

Negligence	A breach of a legal duty to take care which results in injury to someone. It may be the result of indifference to the consequences of one's conduct, or deliberate risk-taking without necessarily intending the consequences. Negligence can result in legal liability.
Negotiable instrument	A written promise or request for the payment of a certain sum of money to order of the bearer. The most important kinds are L/Cs, bills of exchange, cheques and promissory notes.
New York Convention	The 1958 United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards, adopted by Canada and its provinces together with some 70 other nations, requires the courts of those jurisdictions to prevent the parties from litigating if their contract contains an arbitration clause covering the dispute.
Newly industrialized countries (NICs) or newly industrialized economies (NIEs)	Advanced developing economies whose exports and per capita incomes have grown rapidly, including Brazil, Hong Kong, South Korea, Mexico, Singapore, and Taiwan.
Niche marketing	The promotion and sale of a product or service to a specialized, narrow market.
Non-binding	In contract law, something understood not to be effective or compelling. For example, a letter of intent or MOU signed during the course of contract negotiations may be non-binding unless it includes clear statements of contractual intent. Promises made as a joke, "gentlemen's agreements" and agreements to negotiate are also non-binding (see Contract, Letter of intent, Memorandum of understanding).
Non-circumvention	An agreement that deals with the right of an agent to be paid a commission for its services of intermediary between the buyer and the seller. If the agent is dealing unwittingly with another agent acting on behalf of an undisclosed principal, the agent is at risk of non-payment once it discloses the identity of the buyer to the seller. This agreement attempts to prohibit the recipient of this information from using it to circumvent the agent and deprive the agent of commission; the agreement is effective only if enforceable in the appropriate jurisdiction (see Agent).
Non-governmental organizations (NGOs)	Special interest groups that operate in the global community.
Non-probability sample	In market research, a grouping set that is not selected by chance (see Probability sample).
Non-tariff barrier	An indirect measure used to discriminate against foreign manufacturers, for example, extensive inspection procedures for foreign imports that create barriers to entering the market.

Non-transferable letter of credit	A L/C which can only be used by the named beneficiary (see Letter of credit).
North American Free Trade Agreement (NAFTA)	An agreement to facilitate the freer flow of goods and services between Canada, the United States and Mexico, which came into effect on January 1, 1994.
North Atlantic Treaty Organization (NATO)	A military and political alliance of Western nations established after World War II which expanded in 1998 with the addition of Poland, Hungary and the Czech Republic.
Northstar Trade Finance Inc.	A financial corporation offering medium-term (one to four years) financing to EDC-approved foreign buyers of eligible Canadian goods and services in amounts between \$100,000CDN and \$3 millionCDN.
Notifying bank	See Advising bank.
O	
Obligation	A duty or bond of legal necessity between two or more parties, limited to the legal duties arising out of the relationship between them, whether defined by a contract, arising out of a lawsuit, or established in some other way, as between a debtor and a creditor.
Offer and acceptance	The negotiating sequence of proposal and assent to that proposal, which may lead to an agreement. The one to whom the offer is made may accept it unconditionally, accept it with conditions, reject it or make a counteroffer. Under the Vienna Convention, revocation of an offer must reach the offeree before or at the same time as the offer. Where an irrevocable offer was made, however, no revocation is possible.
Offset	A countertrade transaction that is not simultaneous like barter but executed over a period of time. Offset agreements are usually part of large capital projects and require the exporter to buy specified local goods or services to ensure that some of the industrial or economic benefits of the project remain in the importing country. Specific kinds of offsets include co-production, licensed production, subcontractor production, and technology transfer (see Countertrade).
On consignment	See Consignment.
Open account	Payment terms under which the seller extends credit to the buyer and finances the whole sale, then sends a standard invoice demanding payment within 30 to 60 days of receiving the goods. Open account terms are suitable for a very strong buyer-seller relationship with a creditworthy client. Much of the trade between Canada and the United States is done on an open account basis.

Open cover policy	A master marine cargo insurance policy which applies automatically to every shipment once proper notification of the carrying ship's identity is made to the insurer (see Insurance certificate).
Opportunity cost (Lost opportunity costs)	In pursuing one course of action, the most valuable alternative that is given up.
Order bill of lading	A B/L made out to the order of the shipper and endorsed in blank, i.e. without the particulars filled in, thereby giving the holder of the B/L title to the shipment. It may also be made out to the order of the consignee or the bank financing the transaction. Unlike a straight B/L, an order B/L is negotiable (see Bill of lading, Straight bill of lading).
Order processing	The process subsequent to the placement of an order by, or the signing of a sales contract with, the buyer, which, depending on the Incoterm agreed upon can include manufacturing the product, financing the transaction, insuring, packing, and shipping the product, Customs procedures, or dealings with banks to secure payment.
Organization for Economic Cooperation and Development (OECD)	A Paris based organization of industrialized countries responsible for study and cooperation over a broad range of economic, trade, scientific and educational issues. Its membership includes the United States, Canada, Japan, Australia, New Zealand, France, Italy, Belgium, Germany, the Netherlands, Luxembourg, Denmark, the United Kingdom, Austria, Switzerland, Finland, Iceland, Norway, Sweden, Ireland, Greece, Spain, Portugal, Turkey, Estonia, Hungary, the Czech Republic and Poland.
Outsourcing	A situation in which a firm's functions are performed or provided by a person or group from outside the company.
P	
Packing list	A form describing the specific contents of a container, pallet or package, crucial to any insurance claim for loss or damage. Formally the Weight and Packing Certificate, it constitutes legal evidence of the contents of the shipment, and thus allows its passage through Customs.
Pallet	A portable platform used for transporting and storing shipments.
Par value	The official value of a nation's currency stated in terms of gold or another currency, established by agreement with the IMF.
Partial shipments	A method of receiving early payment under a L/C. For example, a shipment worth \$100,000 can be disbursed in three segments of \$20,000, \$40,000 and \$40,000 at times, in quantities and under the terms specified in the L/C.

Participation	Foreign direct investment in an affiliate's operations – anything from technical and sales support for the firm's trading partners to a formal minority ownership position.
Particular average, free of (FPA)	See Insurance certificate.
Partnering	Strategic business alliances with other firms or parties for mutual benefit ranging from the very informal to legally constituted entities.
Partnership	An unincorporated business operated by two or more people with a view to profit. Taxed like a sole proprietorship, debt liability risk to the partners is unlimited. In a limited partnership, one or more of the parties participate as a passive partner (see Liability).
Patent	A right which entitles the patent holder, within the country which granted or recognized the patent, to prevent all others for a set period of time from using, making or selling the subject matter of the patent (see Exclusivity, Intellectual property).
Patent infringement	Any unauthorized manufacture, use or sale, including import and export, of a product incorporating the invention claimed in the patent. In countries where patent protection is effective, the consequences of patent infringement can put the offending company out of business.
Payment in advance	Terms of payment that require the importer to pay for the goods or services before they are shipped or delivered.
Payment terms	In a sales contract, the clause that defines how the buyer will pay for the goods or services purchased. Payment terms range all the way from cash in advance and open account to documentary credits, B/Ls and consignment.
Penetration pricing strategy	The use of low prices to capture market share (see Pricing strategies).
Performance bond	See Guarantee.
Permanent establishment	A business centre established in Canada by a foreign corporation for a period of more than 12 months, as defined in a tax treaty with the corporation's home country. Canadian taxes are payable only on industrial and commercial profits earned at such an establishment in Canada – whether it is a branch office, factory, or workshop.
Phytosanitary Certificate	An official document indicating that required measures to prevent the introduction or spread of pests have been taken.
Phytosanitary measure	A piece of legislation, regulation, or procedure with the purpose of preventing the introduction or spread of pests. Phytosanitary procedures often include the performance of inspections, tests, surveillance, or other treatments; and are commonly performed on shipping containers, packing materials, and the goods themselves.

Piggyback	A mode of transport in which a truck trailer is placed on a rail flat car.
Piggyback marketing	See Co-marketing.
Political risk	See Risk assessment.
Positioning	The act of designing the company's offer and image so that they occupy a distinct and valued place in the target customers' minds.
Pre Arrival Release System (PARS)	A Customs processing scheme under which an importer or Customs broker sends, by fax, information about a shipment that will arrive at a border point. With two hours advance notice, Customs will release the goods if the documents are in order. PARS was first used at land border crossings and has been modified for airports (AIRPARS) and inland bonded warehouses (INPARS).
Price ceiling	Legislation to control price increases.
Price skimming	A pricing strategy under which prices are set as high as the market will bear to maximize profits (see Pricing strategies).
Pricing analysis	A detailed study of the cost elements of a product or service to determine the export price. A basic step in the financial planning for an export sale, it is used to predict expected revenues from the transaction and thus determine whether the company's products are competitive in the target market.
Pricing strategies	The planned pricing approach within the overall marketing strategy for the target market; traditional strategies include flexible, static, penetration and value-based pricing, market maintenance, and price skimming.
Primary data	Market information collected through interviews, surveys, focus groups, and observation studies to meet the specific requirements of a project.
Primary research	Market studies conducted for a specific project through direct observation, questionnaires and interviews.
Principal	The seller or exporter who engages a sales agent to sell its goods (see Agent).
<i>Pro forma</i> invoice	A billing sent in advance of a shipment, usually to enable the buyer to obtain an import or exchange permit, or both. It is not binding on the exporter until confirmed.
Probability sample	In market research, a random selection method for determining a sample in which respondents are selected by chance and each has a known chance of being selected for the survey (see Non-probability sample).
Procurement	The buying process or the arrangement for the acquisition of goods; for example, a trading house might act as a procurement agent, purchasing for clients.

Product liability	The liability of producers, own-brand retailers and importers for defective goods; also the liability of a seller under a contract for goods it has sold.
Product life cycle	The progression of a product from its period of introduction, through growth and maturity, to eventual decline of market share.
Profit margin	See Margin.
Profitability	The ability of a firm to earn a return from its operations; measurable by means of financial ratios (see Profitability of sales).
Profitability of sales	Also known as the profit margin, or margin of a firm, this ratio is calculated by dividing annual sales into net income, expressed as a percentage. Profitability of sales multiplied by asset efficiency equals the percentage return on assets (see Financial ratio analysis).
Project financing	A way to raise nonrecourse financing for a specific project characterized by the following: (1) the project is a separate legal entity and relies heavily on debt financing and (2) the debt is contractually linked to the cash flow generated by the project.
Promissory note	A document promising payment.
Promotional mix	A blend of marketing activities and incentives, including trial offers, coupons, discounts etc., that are designed to encourage the purchase of a product or service.
Proper law clause	A paragraph in the sales contract that specifies the legal system which the parties have chosen to govern their contractual rights. The contract may specify a particular legal system. Otherwise, the proper law may be determined by ascertaining which jurisdiction's system of law has the closest connection to the contract in the circumstances.
Proper law of the contract	The system of law by which an international contract is to be interpreted.
Proprietorship	See Sole proprietorship.
Protectionism	The use or encouragement of restrictions on imports to shelter domestic producers from the full effects of international competition.
Protest	A legal procedure serving to protect the rights of the exporter when the importer refuses to accept a bill of exchange or does not pay it at maturity.
Punitive damages	A court-ordered payment award for product liability against a manufacturer that is in excess of what would barely compensate the plaintiff for its injury or property loss.
Purchasing power parity (PPP)	A foreign exchange theory which states that the exchange rate between the home currency and a foreign currency will adjust to reflect differences in the inflation rates between them.

Put Option The right to sell the underlying asset at a specified price and on a specified date.

Q

Qualitative A method of measurement for market research involving non-numerical measurements such as emotions or impressions.

Quantitative A method of measurement for market research involving numerical measurements such as ratings or statistics.

Quarantine The term during which an arriving ship or airplane, including its passengers, crew and cargo, suspected of carrying a contagious disease, is held in isolation to prevent the possible spread of the disease.

Quebec Civil Code See Civil Code of Quebec (CCQ).

Quick ratio Current assets minus inventory, divided by current liabilities. This ratio, sometimes known as the acid-test ratio, measures how easily a business can raise cash by selling its most liquid assets to meet its liabilities (see Financial ratio analysis).

Quota The quantity of goods which may be imported without restriction, additional duties or taxes. Import quotas are enforced by the receiving nation, export quotas by the country of origin.

Quota samples In market research, a non-probability sample selected to match the characteristics of interest represented in the population: for example, if the population is 20% male, the quota sample will be 20% male.

Quotation A document prepared by the exporter outlining the terms and price for the delivery of a quantity of goods or services in response to a request for a quotation or an order by an importer.

R

Ratio analysis See Financial ratio analysis.

Reciprocity	A practice by which governments extend similar concessions to each other, as when one government lowers its tariffs or other trade barriers to its imports in exchange for equivalent concessions from a trading partner for barriers affecting its exports (a balance of concessions). Reciprocity was traditionally a principal objective of GATT negotiators. GATT Part IV (especially GATT Article XXXVI) and the Enabling Clause of the Tokyo Round's Framework Agreement exempted developing countries from the rigorous application of reciprocity in trade with industrialized countries. Reciprocity is also known as mutuality of benefits, quid pro quo, or equivalence of advantages.
Recourse	The right to demand return of money paid. In negotiation of a letter of credit, payment by the negotiating bank will normally be with recourse.
Red-clause letter of credit	A L/C containing a special clause (written in red) authorizing the exporter's bank to make advances to the exporter against the guarantee of the importer's bank. The red clause credit provides the advances required to obtain the goods which are to be shipped to the importer (see Letter of credit).
Refusal to deal	A non-criminal reviewable matter under Canada's Competition Act: if a large supplier refuses to deal with a company requiring supplies to carry on business, the supplier may be ordered to do so, under the usual terms of trade, by the Competition Tribunal (see Reviewable conduct).
Regional development banks	Banks that are owned and operated by member nations; they are designed to extend development loans and provide other assistance to member nations. The world's four regional development banks are the African Development Bank Group, the Asian Development Bank, the European Bank for Reconstruction and Development, and the Inter-American Development Bank.
Regression analysis	A systematic study of how the level of one or more variables is associated with the level of another variable in market research (see Dependent variable).
Release on minimum documentation (RMD)	A program that allows for the release of goods on submission of minimal documentation, and is available to importers or brokers which qualify and can post a sufficient security bond with Customs to cover the cost of duties and taxes on any goods released but not accounted for.
Remedy	A means under the law whereby redress for a wrong is given. There are four kinds of remedy: <ol style="list-style-type: none">1) by act of the injured party (e.g., defence, seizure);2) by operation of law (e.g., retainer, remitter);3) by agreement between the parties (e.g., mediation, arbitration); and4) by judicial process (e.g., damages, injunction).

Remission	An exemption from the assessment and payment of duty and taxes on an import shipment.
Repatriation of profits	The conversion of profits earned in the foreign market from the local currency into a hard currency and the export of converted profits from the foreign market to the exporter's country. In some emerging and developing economies, exchange controls and taxes can make repatriation of profits very difficult; in others, it is forbidden.
Representation	A circumstance in which one party acts for another, as an agent for the principal; also, a statement of fact or belief, expectation or present intention, made by one party to another before or at the time of a contract. If the statement is untrue, liability for breach of contract may result (see Misrepresentation).
Res ipsa loquitur	In a lawsuit, a case in which there is strong evidence of negligence, and while the precise cause of the incident cannot be shown, it is probably an act or omission on the part of the defendant. The Latin phrase means "the thing speaks for itself."
Retaliation	Action taken by a country to restrain imports from a country that has increased a tariff or imposed other measures that adversely affect the first country's exports. The retaliation is usually tailored to maintain a balance of GATT concessions and aimed at related products.
Return on assets	A financial ratio that calculates a company's profitability, determined by dividing the firm's net income by its total assets to determine a percentage return. Return on assets also equals profitability of sales multiplied by asset efficiency (see Financial ratio analysis).
Reviewable conduct	Non-criminal actions by a company that can be subject to a Competition Tribunal review under the Competition Act in Canada. Reviewable matters include abuse of dominant position, consignment selling, refusal to deal, exclusive dealing, tied selling, market restriction and delivered pricing.
Revocable letter of credit	A L/C that can be withdrawn or changed by the issuing bank without the permission of the beneficiary (see Irrevocable letter of credit, Letter of credit).
Revolving letter of credit	A L/C which may be re-used for a specified time period until the maximum amount of the letter has been disbursed. Normally used to support regular shipments to an importer over a period of time (see Letter of credit).
Risk assessment	A detailed study to identify the possibilities of financial loss in an export sale as a result of default by the buyer (commercial risk); political circumstances in the buyer's market (country or political risk); or exchange rate fluctuations in foreign currency markets (currency or foreign exchange risk).

Risk management	Implementation of measures, guarantees, insurance, etc., either through the EDC or some other lender or institution, to offset as much of the risk inherent in the export transaction as may be necessary or advisable.
Rule of law	A legal principle adopted by many countries in which the state respects and obeys an independent judicial system which rules upon the application of its laws. A state which adopts the rule of law will recognize and abide by the decisions of its judicial system and the limits of state power (see Judicial system).
Rules of origin	Under NAFTA, regulations that determine to what extent goods which contain foreign components or materials are eligible for free trade status, i.e., reduced tariff rates.
S	
Safeguard	A protective measure authorized under GATT which a country may take when one of its domestic industries is suddenly threatened, not by unfair trade practices, but by completely fair trade.
Sale of goods	A contract between a buyer and a seller whose terms state that the seller, in consideration for the payment or promise of money, will transfer ownership and possession of goods to the buyer.
Sales agent	See Agent.
Sanctions	Measures or fines used to enforce trade laws or standards.
Second of exchange	The duplicate copy of a draft.
Secondary data	Published market information.
Secondary research	Market studies that have already been conducted and are available from conventional library, electronic, or other sources.
Security	An obligation, pledge, mortgage, deposit, lien, etc. given by a debtor (the buyer) to ensure the payment or performance of its debt; provides the creditor (seller) with a resource to be used in case of failure in the principal obligation.
Security for costs	In a lawsuit, a sum of money for the defendant's costs provided by the plaintiff on the grounds that 1) the latter is not ordinarily resident in the jurisdiction; 2) the plaintiff is a nominal plaintiff suing for the benefit of another; or 3) the plaintiff's address is not stated or is incorrect on the writ. If the plaintiff wins the case, however, the security is refunded.
Seeding	The supply of free product samples or demonstrations to strategic influencers to set an industry standard.

Seizure of assets	One way to enforce a judgment against a defendant: the assets of the defendant are collected by the sheriff, sold by auction and the proceeds turned over to the plaintiff.
Share	The portion of the company's equity capital owned by a shareholder who, as a company member, has certain rights and liabilities, including voting rights and rights to a dividend. Also the share certificate that documents the holder's share ownership. There may be different classes of company shares (common, preferred, etc.) with different rights attached to them.
Shareholders	Owners of shares in a corporation.
Shipping documents	The certificates, including the B/L, insurance certificate, etc., that accompany an international shipment of goods. They are required by Customs to allow the goods out of the exporting country and into the importing one, as well as by the banks in a documentary credit transaction.
Sight draft	A payment option for an international trade transaction. The seller is paid by means of a bank draft (i.e., a cheque) payable "at sight," or on presentation to the bearer or the person named on the draft.
Soft currency	A means of exchange (money) with a low value by comparison to others, and therefore not easily convertible into hard currency.
Sole proprietorship	An unincorporated business enterprise conducted by an individual. The major disadvantages of sole proprietorship are the risk of unlimited liability and taxation at the (higher) individual rate (see Liability).
Special cover policy	A marine cargo insurance policy which is negotiated separately for each shipment.
Special Economic Measures Act (SEMA)	Canadian legislation which authorizes the federal government to apply economic sanctions for the purpose of implementing a decision of an international organization of states (i.e., the UN) or where Cabinet finds that a breach of international peace and security has occurred resulting in a serious international crisis.
Special economic zone	Zones that are allowed to import components and re-export assembled products duty and tax free (see Maquiladora).
Special Import Measures Act (SIMA)	Legislation that regulates anti-dumping and countervailing duties for certain imports into Canada.
Specific performance	A remedy under Canadian law for a breach of contract under which a court orders a party to a contract to honour its contractual obligations.
Speculators	Risk-taking traders in currency markets who seek to profit from currency fluctuations.

Spot rate	The price at which foreign exchange can be bought or sold for immediate delivery. In practice, spot delivery means within two business days.
Standard & Poor	A company that can provide credit ratings and other information on unknown foreign companies.
Standard deviation	In market research, a mathematical measure of the diversity of the data collected.
Standard Industrial Classification (SIC)	A standard numerical code system used to classify products and services.
Standby letter of credit	A L/C, usually issued at the request of exporters of capital goods and services, which obligates the issuing bank to pay on receipt of a clean draft. On receipt of a draft accompanied by the beneficiary's statement that, for example, work on a project has progressed to a designated stage or that certain contractual commitments have been met, the bank is obligated to make payment. As with all L/C transactions, the issuing bank is not responsible for the genuineness of the statement or for the validity of the underlying transaction (see Letter of credit).
State trading nations	Countries which rely heavily on government entities to conduct trade with other countries and not on the private sector; for example, many LDCs, Russia, China, and the nations of Eastern Europe.
State-controlled trading company	In a country with a state trading monopoly, an entity empowered by the country's government to conduct export business.
Static pricing strategy	The charging of one price to all customers for a given product (see Pricing strategies).
Statistical suffix (SS)	The last two digits in the HS code; used by Statistics Canada to gather trade data.
Sterling area	A group of countries with currencies linked to the value of the British pound and with monetary reserves mainly in sterling. It includes the United Kingdom and many Commonwealth countries, but not Canada.
Stevedoring charge	A fee, generally charged per ton, paid by the ocean carrier to the terminal operator for the performance of certain services, like securing the vessel, loading and unloading the cargo, etc.
Straight bill of lading	A non-negotiable B/L document used for rail and truck transport in which the consignee is named. The goods are delivered on arrival without surrender of the B/L. In some jurisdictions, a straight B/L is not a document of title, and the consignee may be able to obtain the goods without producing it (see Bill of lading, Order bill of lading).
Strategic alliance	An arrangement whereby one company cooperates, joins or works with another company to become more efficient or increase market share.

Strategis	A web site operated by Industry Canada that offers a number of useful databases, including Markets, Trade and Investment, which provides international trade statistics; Industrial Perspectives, on virtually every Canadian industry sector; and Micro-Economic Research and Analysis, a database analysis and display tool; at strategis.gc.ca .
Strict compliance	See Doctrine of strict compliance.
Subsidiary	A company owned or controlled by a parent company.
Subsidy	A financial or commercial benefit granted by a government to producers, often to strengthen their competitive position through the reduction of business operating costs. The subsidy may be direct (e.g., a cash grant) or indirect (e.g., low interest export credits guaranteed by a government agency). Subsidies targeted toward specific industries are considered unfair trade practices which may result in another country imposing countervailing duties.
Sufferance warehouse	A privately owned and operated warehouse licensed by CBSA for the control, short-term storage and examination of imported goods until they are cleared through Canadian customs or exported to their final destination.
Summary judgment	See Judgement.
Surplus	An excess of assets over liabilities.
Surtax	An NTB, or a government retaliatory measure other than a tariff.
Sustainable development	Management of resources, especially natural resources, so as to completely replenish those harvested on an ongoing basis. In the context of the LDCs, CIDA-financed development projects that continue to generate economic growth after the project is completed.
Swap	An agreement to exchange two liabilities (or assets) and, after a prearranged length of time, to reexchange the liabilities (or assets).
SWIFT (Society for Worldwide Interbank Financial Transactions)	Network through which international banks conduct their financial transactions.
Switch transaction	The practice of exporting or importing goods through an intermediary country when the destination country is short of hard currency while the intermediary country has available hard currency and is willing to exchange it for the destination country's currency or goods. Switch transactions must be performed in accordance with the various countries' currency and export license laws.
SWOT (Strengths, Weakness, Opportunities, Threats)	An analytical technique used to determine, at a macro level, a company's status as it relates to a particular future activity.

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. (In other words, the weight of the packing.)
Tariff	An import tax on the value, weight or volume of the goods imported.
Tariff treatment	The tariff or trade agreement under which goods from various countries enter Canada. Examples include the MFN, GPT, General Tariff, UK and Ireland Tariff, Australian Trade Agreement, New Zealand Trade Agreement, West Indies Trade Agreement, NAFTA and Israel Trade Agreement.
Tax haven	A country or region imposing low or no taxes on foreign source income.
Technology transfer	Acquisition of technology from abroad, usually by one of several means, including licensing, joint ventures, limited R&D partnerships, contracts with or a minority interest in R&D firms, contracts with research institutes or universities, technological intelligence, or outright purchase of the company that owns the technology (see Offset).
Telegraphic transfer (TT)	A cabled transfer of money.
Tenor	The term fixed for the payment of a draft.
Term draft	A negotiable instrument payable on a specific date, unlike a sight draft, which is payable on presentation; acceptable as payment for the goods purchased by the importer under certain conditions.
Terms of trade	The ratio of the prices a country pays for its imports to the prices it receives for its exports.
Textile Labelling and Advertising Regulations	Implementation directives for the special labelling requirements for textiles provided in Canada's <i>Textile Labelling Act</i> .
Through bill	A B/L that accompanies a trans-shipment at an intermediate port when the shipment is carried to its final destination on a second vessel.
Tied selling	A sales transaction in which a supplier requires a customer to purchase a second product as a condition to being granted a supply of the first product and refrain from distribution of another product not manufactured by that supplier. Tied selling is reviewable conduct under the <i>Competition Act</i> (see Reviewable conduct).
Time draft	A negotiable instrument that matures on a fixed date in the future after presentation by the drawee or after acceptance. This may be a given number of days after sight, acceptance, or the date of the draft.

Title	The right to a property, considered either in terms of the way that right was acquired or its capacity to be effectively transferred. A title may be original, as with a patent or copyright, or derivative, where the person entitled takes the place of a predecessor by agreement of the parties or under a law, as when a buyer receives the purchased goods.
Total debts to assets ratio	A measure of a firm's financial leverage calculated by dividing the firm's total assets into its total debt, and expressed as a percentage. A high ratio (industry standards vary) may indicate excessive indebtedness and danger of default (see Financial ratio analysis).
Trade barriers	Difficulties to be overcome by the exporter in penetrating the target market. These can be physical (distance, geography, climate, poor transportation systems); political and regulatory (instability, protectionism, currency restrictions, complex documentation requirements); systemic (electrical, safety standards, etc.); cultural (language, local practices, tastes and preferences); or due to corrupt and inefficient business cultures.
Trade deficit	A trade deficit occurs when the value of a country's exports is less than the value of its imports.
Trade financing	All possible international trade financing arrangements, including open account, collections, documentary credit, and specialized export and import financing for short-, medium- and long-term requirements by all types of lenders.
Trade name	The name of a limited liability corporation, which must be approved by the incorporating jurisdiction (i.e., it cannot infringe on the trademarks or trade names of other corporations) and satisfy its rules on names, which will usually include a designation like "Limited," "Corporation," etc.
Trade surplus	A trade surplus occurs when the value of a country's exports is greater than the value of its imports.
Trademark	A word, logo, shape or design, or type of lettering which reflects the goodwill or customer recognition for a particular company's product, the registration of which grants the holder exclusivity rights.
Traders	Importing and exporting firms which invest on the forward market to avoid foreign exchange losses on international trade transactions.
Trading house	A firm engaged in importing, exporting, and third-country trading in goods and services manufactured or provided by another company. Trading houses provide a variety of services, including assistance with shipping documentation, freight forwarding, etc. (see Export management company).
Traffic	A commonly used word for the transportation, or physical distribution aspect of logistics (see Distribution).

Transaction exposure	The vulnerability of a company to foreign exchange losses on transactions already entered into but not yet completed.
Transaction value	See Customs valuation methods.
Transfer pricing	A company tax-reduction strategy of inflating the prices for goods and services bought by a Canadian subsidiary of a multinational corporation from another subsidiary in a lower-tax jurisdiction, and so reducing artificially the parent corporation's Canadian profits, and therefore its taxes as well. If this practice is economically unjustifiable, Revenue Canada may consider it tax avoidance.
Transferable letter of credit	A L/C used to share the proceeds of the transaction with more than one party. Transferable L/Cs are normally used by the exporter to pay the original supplier of the goods or services and to draw the difference as profit (see Letter of credit).
Translation exposure	The effect of foreign exchange rate changes on the reported value of a firm's foreign-currency-denominated assets and liabilities on its financial statements.
Transnational	An economy, entity, issue or idea that is global in its reach or application.
Transport terminal	A railway terminal, a freight station, a container terminal or yard, a multi-purpose cargo terminal or any similar receiving point.
Trial	The examination of, and decision on, a matter of law or fact by a court of law.
Truckload (TL)	A transportation term used when a small shipment, either less than truck load (LTL) or less than car load (LCL), is consolidated into a full load to obtain preferred rates.
Turnkey projects	Large international projects that are designed, built and launched into production by a single supplier, which then hands over to the client a completed and tested plant operating to specifications.
U	
Unclean bill of lading	A B/L with a notation that the carrier received the goods for transportation with some defects, as, for example, "four bags torn" (see Bill of lading, Clean bill of lading).
Unconfirmed letter of credit	A L/C that is not confirmed by the bank. The exporter's bank will, however, negotiate the draft, present the documents and collect payment from the issuing bank (see Letter of credit).

Unconscionability	The situation where a contract is clearly unfair to one party. The courts will enforce such a contract only if they are satisfied that the weaker party's interests were properly protected.
Unfair trade practices	These include dumping (selling below the cost of production in the home country) and targeted subsidies. Vigorous countervailing measures are usually taken by importing countries to restrict such imports.
Uniform Commercial Code	A document that defines contract law for the United States as a whole. Although much commercial and corporate law is governed by state law, all states have adopted a form of the code, thus facilitating the legal aspects of conducting business throughout the country.
Uniform pricing	A pricing strategy that charges the same price from all buyers; includes transportation costs.
United Nations Conference on Trade and Development (UNCTAD)	A quasi autonomous body within the UN intended to focus on measures to accelerate the pace of economic development in the developing countries. The conference was first convened in Geneva in 1964, and meets every four years.
United States tariff (UST)	American rates of duty on goods entering the United States that are below the MFN tariff and very often duty-free. To qualify for UST, goods must meet certain conditions that pertain to their origin.
Unlimited liability	See Liability, Partnership.
Unsafe design	A product design that poses a danger to the user. Where an unsafe product is shown to have been designed to be unsafe, even though there were safer cost-effective alternatives, the manufacturer can be found liable under Canadian law for any subsequent injuries due to the unsafe design despite having posted warning notices.
Uruguay Round	The eighth and last in a series of multilateral trade negotiations(MTN) held under the auspices of GATT, launched at a Ministerial meeting in Punta del Este, Uruguay in September 1986 and completed with the establishment of the WTO. The WTO has taken over the MTN activities.

V

Valuation methods	See Customs valuation methods.
Value chain	A value-added process in a firm to transform raw materials and other inputs to finished goods, which creates value to customers.
Value for duty (VFD)	See Customs valuation methods.
Value-added	Incremental cost on the value of goods applied at each of the processing, production and distribution stages.

Value-added tax (VAT)	A sales tax collected at each stage of production in proportion to the value added during that stage.
Value-based pricing strategy	Setting a price in terms of the value of the product as it is perceived by the customer rather than in terms of the cost-based (cost plus profit) model; also known as market-oriented pricing (see Pricing strategies).
Variable pricing	A pricing strategy under which the same product is sold to different buyers at different prices, usually through negotiations.
Vendor	The name and address of the party selling goods to a purchaser.
Venture capital	Funds from independent investors as a possible source of financing for a medium-term (five to seven years) international trade project. Venture capitalists usually specialize in a particular industry sector and seek out firms with dramatic growth potential, an experienced and committed management team, and the possibility of going public. They usually demand an equity position for their investment.
Venue clause	A paragraph of a contract which states that any dispute under the contract must be resolved in the courts of a specified jurisdiction.
Vicarious liability	The responsibility of a principal for any act or contract made by its sales agent within the agent's apparent authority.
Vienna Convention	Formally the United Nations Convention on Contracts for the International Sale of Goods, an international set of rules designed to provide transparency to most international sales transactions. The Convention generally applies to contracts for the sale of goods between parties carrying on business in different countries.
W	
War risks	An insurance policy coverage which insures against damage or loss arising out of war, insurrection or civil disruption.
Warehouse receipt	A document that certifies receipt for commodities deposited with a bona fide warehouseman and identifies the deposited commodities. If it states that the commodities referred to will be delivered to the depositor, or to any other specified person or company, it is a non-negotiable warehouse receipt. However, if it states that the commodities will be delivered to the bearer, or to the order of any specified person or company, it is a negotiable warehouse receipt. A L/C may stipulate that payment is to be made against negotiable warehouse receipts.
Warranty	A contractual term which is less essential to a contract than a condition. A warranty may be expressed or implied. If breached, a warranty entitles the other party to claim damages for breach of contract, but not to reject the goods or repudiate the contract (see Condition).

Warsaw Convention	An international multilateral treaty which set the conditions of international transportation by air.
Waybill	See Bill of lading.
Weight or measure (W/M)	The basis on which ocean and air freight charges are assessed. Whether the charges are based on weight or volume depends on which produces the greatest revenue for the carrier. Ocean freight charges are based on US weight and volume measures: either short ton (2,000 lbs. and 35.3 cu. ft.), or metric ton (2,204 lbs. 40 cu. ft.). Light cargo charges are based on volume, those for heavy cargo on weight.
Wharfage	The charge assessed on all cargo passing across a pier, wharf, dock, or quay, or the charge for receiving export cargo from a truck, conveying it to a dock loading platform, and delivering it to the ship's tackle; also known as the "port or state toll."
With average (WA)	See Insurance certificate.
World Bank	The largest development institution in the world, the World Bank Group is also the oldest and most important of the IFIs set up under the aegis of the UN (although it is owned by its shareholding countries) to foster lending for projects in LDCs. The World Bank has lent more than US\$300 billion over the last 50 years and leveraged many billions more in private financing for its client country borrowers.
World Trade Organization (WTO)	GATT has been superseded by the WTO in a process that began with the end of the Uruguay Round in 1994; the new organization, with its 135 members and expanded mandate that covers services and intellectual property as well as goods, is now the international body that regulates trade among its members (see General Agreement on Tariffs and Trade).

Y

Yen Bloc	A plan developed during the 1980s by Japan's MITI to rationalize the factors of production in Asia. The ministry's objective was to keep Japan competitive while assisting in the economic development of its neighbour countries through direct investment, joint ventures and other strategic alliances.
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7. Quick Checks

The Quick Check series contains the “Top Things to Know” about various international trade subjects. Far from being comprehensive how-to’s, the Quick Checks are merely mental refreshers.

7.1 Market Research

Market research is solely intended to gather the information and conduct the analysis required to make a business decision. To that end, here are the “Top Six Things to Remember” about conducting this kind of research:

1. **Determine the objective of the research** – What is the objective of the research? What is it you are researching: a market? trade rules? cultural aspects? etc.
2. **Know what you need to know to make a decision** – What are the critical bits of information needed to make a decision? In target market selection, for example, would your first question be about macroeconomic and socio-political trends or market size?
3. **Aim small to hit small** – It is one thing to get a good answer by asking a good question, it is another to know what comprises a “good question”. The question should cover one single issue. For example, in selecting a target market, would you ask about market size or would you ask how much money was spent on product(s), or service(s), like mine?
4. **Good secondary research should get you 95% of what you need** – The amount of data available on the internet is astounding. Finding what you need can be daunting. Or, it can be as simple as envisioning your perfect document—the document that has exactly what you need—and searching for the terms used in it. Creative searching techniques can be found in a number of sources, one of which is *Around the Web in 80 Ways*, by Dennis Gaulin.
5. **Primary research should fill information gaps; or, validate or eliminate previous work** – Primary research is highly tailored to provide critical bits of information unavailable from other sources. As such, doing it after secondary research has been completed is advisable. However, primary research, particularly focus groups, is also useful to determine which conclusion from previous analysis, is most useful.
6. **Make a go or no-go decision** – In the end, decision-makers must, based on the analysis presented, act. Business research is therefore not intended to educate and illustrate the wonders of a target market. Rather, it should aim at finding the data needed to make a decision.

Exporters are frequently told to conduct market research as part of their market selection process. However, few resources actually provide a template outlining the facts and information that should be included in market research. The template approach streamlines the research process, by focusing the research effort on fact gathering and analysis required to make business decisions. By using a template approach, the research process can be both efficient and cost-effective. For more information on how to conduct this kind of market research using a template methodology, please refer to the FITTskills course: International Trade Research.

7.2 International Trade Finance

International trade finance usually involves minimizing the risks involved in each individual transaction. These transactional risks revolve around three things: the Buyer's ability to pay, the country's political and economic stability and foreign exchange. Those risks are managed by businesspeople, around the world, using a variety of tools specifically designed for that purpose. However, the important thing to remember is that these tools are used, ultimately, for one reason: to make sure that the exporter gets paid.

1. **Getting paid for the work you do is critical** – Conducting a credit check on your buyer is always advisable, even if you have a long-term relationship. To reduce the risk that you won't get paid, you can use: *Export Credit Insurance* which will generally cover up to 90% of the loss if the buyer does not pay, and, is often used on transactions with repayment terms of 180 days or less. *Documentary Credits*, such as a *Letter of Credit* also substantially reduce the risk of not getting paid.
2. **Political or economic risk** – Politically or economically unstable countries present a unique set of risks to the exporter. Civil unrest, wars, and runaway inflation will obviously affect your transaction. Unpredictable legislative or regulatory changes can also have a negative impact on your business. In some cases, *Export Credit Insurance* will cover these risks; check your Policy to verify this. Similarly, *Documentary Credits*, particularly a *Confirmed Irrevocable Letter of Credit*, can offer protection in these situations.
3. **Foreign exchange rates** – the difference between the values of one currency compared to another— can fluctuate with severe impact on your transaction's profitability. Managing this risk involves determining how much of an impact a fluctuation can have on your transaction. What will the US dollar's value be in 60 days? Higher or lower than it is now? You have to determine if you can "take the hit" or not. If the latter, purchasing a *forward or spot contract*, at your bank, will provide you with cost certainty when you exchange your foreign currency. To mitigate the risk that the currency may fluctuate the opposite way, a *currency hedge*, available at your bank, is another option.
4. **Working capital** – The above tools can also be used to obtain more working capital. These tools are 'guaranteed' by another financial institution and can be used as security on a line of credit. In this way, exporters with limited access to capital are able to obtain the money they require to run their export business without destabilizing their entire business operation.
5. **Third parties (banks)** – Since international trade transactions are usually more complicated than domestic transactions, third parties, such as banks, are often involved in the process. Most bankers, however, are not taught how to finance international trade transactions and, therefore, it may be necessary to refer to your bank's International Trade Finance department.

These are some of the tools that can be used to mitigate risk in international trade. There are other aspects to international trade, such as export costing, using the correct Incoterms, and preparing the financing presentation, that are as critical to the exercise as getting paid. These and other issues are covered in detail in the FITTskills course: International Trade Finance.

7.3 Legal Aspects of International Trade

If there is one area of international trade where the advice of an expert is required, it is in the legal arena. When conducting business internationally it is always useful to consult with a lawyer who has expertise in the target market and the sector in which you operate. Broadly speaking, there are three legal systems in the world: Common Law, Civil Code, and Sharia Law. Although each is very different, there are some legal fundamentals regarding contracts that should be remembered:

1. **A contract is a contract** – It is a legally binding agreement between at least two parties. Each legal system has different criteria regarding what constitutes “legally binding,” however, so exporters must ensure that their contract is binding on the other party.
2. **Governing Law** – Clauses in a contract stipulate which of the three legal systems, and which jurisdiction within the specified system, will be used to enforce the contract. Exporters are generally taught to list their own legal system and jurisdiction as Governing Law. Unfortunately, Buyers are taught the same thing; so resolving this issue can be difficult.
3. **Alternative dispute resolution (ADR)** – often the solution to the dilemma in (2). Mediation and arbitration are internationally recognized methods of resolving disputes. There are organizations with global reach that provide ADR services. Using ADR in your contract can either be a compromise solution to the dilemma posed in (2) or can be used as a cheaper solution than litigation.
4. **Other elements of a contract** – These include clearly stating what the responsibilities of each party are specifically regarding the transfer of title to the goods involved and method of payment (services contracts must be very clear on how and when the service is viewed as having been rendered); penalty clauses; and duration of the contract using a calendar that satisfies all parties (just as there are different legal systems, different calendars are used in the world).

7.4 Market Entry and Distribution

In order to succeed internationally you must, at some point, deliver the goods or service to the buyer.

1. **Selecting the correct Incoterm is vital** – These terms apply to goods only and clearly state at what point, and under which conditions, Title to the goods pass from Seller to Buyer. Until Title passes, the exporter is responsible for the goods. As such, exporters should match the Incoterm to their capabilities and skill set; i.e.: accepting an Incoterm that requires you to clear the goods through Customs, when you do not know how to do that, is not advised
2. **Direct exporting** – Involves maintaining ownership of the goods until they are sold to the buyer. While this allows the exporter to maintain control over the goods, it can be, depending on the Incoterm used, more costly to the exporter. This cost would be included in the price paid by the buyer
3. **Indirect exporting** – Involves selling the goods to a third party, such as a wholesaler or trader, who then ships the goods to market. Although this is cheaper to the exporter the exporter loses control over how, where and to whom the goods are sold.
4. **Distributor or agent** – Selling the goods in the target market often requires the use of a local distributor or agent. The principal difference between the two is that the distributor will usually pay for the goods, while the agent enters into contractual agreements with the Buyer on your behalf.

7.5 International Logistics

Viewed narrowly, logistics simply involves moving goods from one place to another. Although this is certainly true, this art revolves around creating value for those involved in the movement of personnel, materials and information from the point(s) of origin to the desired destination on schedule and in the required condition. Modern logisticians create value by eliminating costs centres in the production and distribution chain. For example, logisticians developed the concept of Just-in-Time (JIT) shipping which eliminated the need for manufacturers to maintain and manage warehouse space and excess inventory. Equally, the Free and Secure Trade (FAST) and Pre-Arrival Processing System (PAPS), involved input from logisticians. These two information and data exchange systems permit frequent users of border crossings to pre-clear their goods electronically.

The professions of Customs Broker and Freight Forwarder are often viewed as part of the logistics process:

1. **Customs brokering** – A highly specialized, and, since 9/11, very dynamic area of international trade. The businessperson without access to this kind of in-house expertise is advised to outsource. For exporters of record to the US, it is critical to ensure that customs documentation is completed and filed correctly. Failure to comply with customs regulations can result in costly delays at the border and/or fines levied by US Customs.
2. **Freight Forwarding** – Is similarly specialized. Using the services of a professional freight forwarder can save time, money and frustration in terms of shipping methods. Frequently, freight forwarders are also able to provide customs brokerage services.
3. **Security** – As noted above, since 9/11 significant changes have been made to US Customs regulations. These changes have been made with security as the first priority and impact all suppliers of US based buyers regardless of the nature of the goods. The most prominent change is the Customs-Trade Partnership Against Terrorism (C-TPAT) initiative. C-TPAT is a voluntary initiative designed to build cooperative relationships that strengthen overall supply chain and border security. C-TPAT requirements are evolving and the latest information can be obtained at www.cbp.gov under the C-TPAT heading.

7.6 International Marketing

Domestic marketing and international marketing are related, but international marketing is more complicated because it must meet customer needs in a foreign market which may have a different set of cultural values and ways of doing business. To manage that level of complexity, it is critical for exporters to plan their marketing effort in a systematic way that also gets to the root of the issue by using the simplest of terms possible. This is a strategic method of thinking and planning that starts with knowledge:

- Know yourself
- Know the customer and the market
- Know your competition

Marketing plans should discuss most of the following:

1. **Nature of the business** – What do you do that customers like? No company can do everything and exporters must ask themselves, fundamentally, what they do best. Attempts to develop markets in niches beyond the scope of your own capabilities will require creating partnerships with those who can do what you cannot.
2. **Nature of your product or service** – Exporters need to know why people buy their product or service. What needs or desires are met? Does that need exist in the foreign market? If the answer is no, you may wish to consider another market.
3. **Target market** – Exporters need to be able to define their target market quite specifically. Most exporters will state they export to a country when, realistically, they target a much smaller market segment inside a country. Focusing on who your customers are; where they live and work; and what they need or want from you, will greatly increase your market knowledge and improve your planning process.
4. **Market entry strategy** – A sound market entry strategy enables your customers to buy your product or service easily. An effective market entry strategy will take maximum advantage of knowledge of local conditions. Starting at the point of sale, and moving back through the distribution process, enables exporters to see the purchase from the customer's perspective.
5. **Promotional techniques** – These are used to draw attention to your product or service so that a customer will be interested enough to purchase it. Many exporters have failed by using previously successful promotional strategies. Every strategy should be reviewed in the context of the new customer.
6. **Your competition** – Exporters need to know more than their competitors' products and market share; they need to know how and why the competitor makes sales. In other words, the above questions must also be applied to the competition! Within this knowledge, exporters will be able to determine a competitive advantage for their product or service.
7. **Rationale for developing a foreign market** – Exporting is different than developing a foreign market. A company can export simply by selling product to a foreign customer, however, developing a market requires commitment and an investment of resources (money, energy, staff, etc.). You must have at least one solid business reason to develop a foreign market. The foreign market development process can then be aligned with broader corporate objectives.

8. Sources of Assistance

There are numerous and diverse sources and types of assistance offered to entrepreneurs and exporters. We cannot list them all here. The following figure informs you of those considered to be of interest to most business people across the country.

Name and contact information	Type of assistance	Brief description
General information		
Team Canada Inc 888.811.1119	Team Canada Inc's toll-free export information service	Trained export information specialists help you to quickly access the right programs, services and resource people. Your call will be instantly directed to an information officer located in the Canada Business Service Centre in your province or territory. Hours of operation: 9 a.m. to 5 p.m., Monday to Friday.
ExportSource www.exportsource.ca	Team Canada Inc's online resource for export information	ExportSource is Canada's most comprehensive online source for export information. The site provides information on foreign markets, export financing, trade statistics, export contacts, trade shows and missions. There are guides on export preparation, business trip planning, trade show preparation, international project bids, and others.
Export Your Services: Take a World View www.exportsource.ca/worldview	Web site for exporters of services	Provides answers to frequently asked questions about exporting expertise, knowledge and skills. Features information on world markets for service exporters, available assistance and others.
Strategis www.strategis.gc.ca	Canada's largest business information web site	Canada's largest virtual library. Provides access to information on market trends, industry analyses, trade statistics and more.

Name and contact information	Type of assistance	Brief description
Skills development		
Forum for International Trade Training (FITT) Inc. 800.561.3488 www.fitt.ca	Developer of international trade training programs	The FITTskills program is delivered through colleges, universities and private training institutions across the country as well as online. FITT has introduced Canada's first professional designation in international trade, the Certified International Trade Professional (CITP).
Market entry support		
The Canadian Trade Commissioner Service www.infoexport.gc.ca	Market preparation entry support	Advice and assistance for companies that are ready to enter foreign markets. The Canadian Trade Commissioner Service is staffed by trade commissioners, representing Industry Canada and International Trade Canada. They are your gateway to the Trade Commissioner Service abroad.
Canadian Commercial Corporation (CCC) 800.748.8191 www.ccc.ca	International trade facilitation	Contracting services, prime contractor in government-to-government contracts.
Trade financing		
Business Development Bank of Canada (BDC) 888.463.6232 www.bdc.ca	Financial and management services	Canada's small business bank. Focuses on emerging and exporting sectors.
Export Development Canada (EDC) 1-800-880-1884 www.edc.ca	Financial and risk management services	Canadian crown corporation providing export credit insurance, medium- and long-term financing and guarantees to support exporters.

Name and contact information	Type of assistance	Brief description
In-market services		
International Trade Canada (ITCan) www.itcan-cican.gc.ca	In-market assistance	International Trade Canada has a variety of programs and services to companies that are ready to enter foreign markets.
Canadian Trade Commissioner Service www.infoexport.gc.ca	In-market assistance	<p>One of the key services offered is the Trade Commissioner Service that helps companies that have researched and selected their target markets.</p> <p>Services offered include:</p> <p>Market Prospect, Key Contacts Search, Visit Information, Face-to-Face Briefing, Local Company Information, and Troubleshooting.</p>
Cultural information		
Centre for Intercultural Learning (CIL) 819.997.1197 or 800.852.9211 www.intercultures.gc.ca	Intercultural preparation for going to foreign markets	<p>For 35 years, the Centre for Intercultural Learning has been preparing Canadians for assignments abroad. The Centre was established in 1969 by the Canadian International Development Agency (CIDA) and in 1996 was incorporated into the Canadian Foreign Service Institute of Foreign Affairs Canada, which is internationally recognized in the area of training. The thousands of people served each year by the Centre come from government departments and agencies, NGOs and a growing number of private-sector enterprises that have international involvement.</p> <p>“Intercultures” is published electronically every quarter in English and French and distributed free of charge by the Centre for Intercultural Learning, Foreign Affairs Canada. The magazine explores international work from an intercultural perspective. See www.dfait-maeci.gc.ca/cfsi-icse/cil-cai/magazine/menu-en.asp</p>