

Dictionary of International Business



B. NANDHAKUMAR



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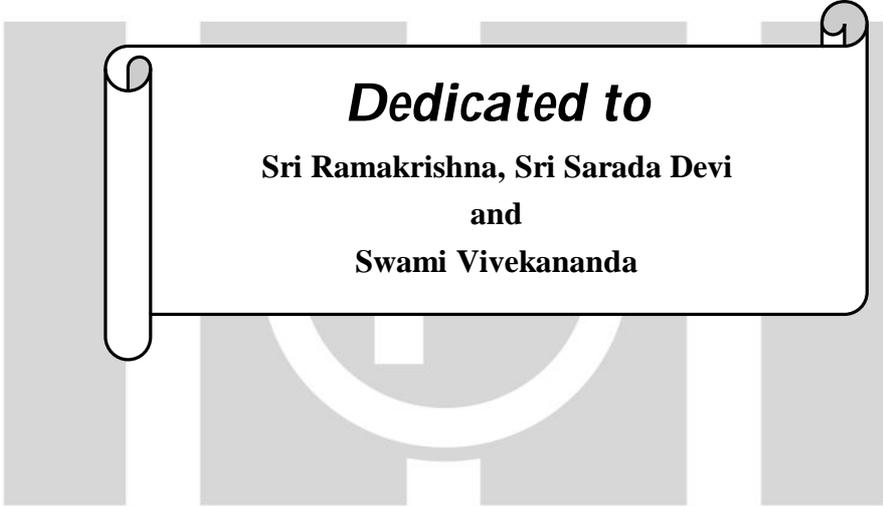
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Dedicated to

**Sri Ramakrishna, Sri Sarada Devi
and
Swami Vivekananda**

Preface

International business is the buying and selling of goods and services across national borders or territories, allowing both the buyer and seller to expand their markets for goods and services that otherwise may not be made available to them. International business is a term used to collectively describe all commercial transactions (private and governmental, sales, investments, logistics, and transportation) that take place between two or more regions, countries and nations beyond their political boundary.

Usually, private companies undertake such transactions for profit; governments undertake them for profit and for political reasons. It refers to all those business activities which involve cross border transactions of goods, services, resources between two or more nations. Transaction of economic resources include capital, skills, people, etc., for international production of physical goods and services such as finance, banking, insurance, construction, etc.

The Dictionary of International Business has undergone a major update and expansion. More than 4,000 key terms related to in legal systems, political systems, economic policy, accounting standards, living standards, local culture, corporate culture, foreign exchange market, tariffs, import and export regulations, trade agreements, climate defined clearly and concisely. This Dictionary presented in alphabetical order provides understandable explanations of terms and phrases commonly encountered in banking and finance. It also includes abbreviations and acronyms.

This dictionary is designed to provide a useful, reliable and readable guide to exporters, researchers, analysts, policy makers and all those who are interested in the International Trade. Both beginners and seasoned professionals will find it full of indispensable facts.

We shall look forward to receive suggestions, for future enrichment of the quality of the text.

B. NANDHAKUMAR

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A

AAR

Abbr. Against all risks.

Abandon

To allow an option to expire worthless.

Abandonment

Act of passing ownership of insured property to the insurer in the event of total loss. It takes place in certain circumstances, if the loss is unavoidable or the cost of repair exceeds the value of the property. In the latter case, the property is written off. Abandonment occurs most in marine insurance when a vessel is declared to be dangerous or unseaworthy.

Ability

It refers to one's capacity to perform.

Above Par

Normally used to describe a share that has a market value above its denomination or par value.

Above-the-line

Describing items that are included in the profit and loss account of a business (as different from the appropriation account).

Absenteeism

Deliberate act of keeping away from the work place.

Absolute Advantage

(1) As stated by Adam Smith and David Ricardo, the specialization of each country in the goods that it can produce most efficiently. It states that a country produces those goods in which it possesses greater efficiency and exports them for other things it needs. (2) A country benefits by producing only those products in which it has absolute advantage or can produce using fewer resources than another country.

Absolute Convergence

Tendency of both the levels and growth rates of output in different countries to approach each other over time, so that their steady-state values will be the same.

Absolute PPP (Purchasing Power Parity)

A theory that the exchange rate is determined by the relative prices of similar baskets of goods or services.

Absolute Liability

Legal principle that a party that causes loss or harm is liable, whether or not it

acted with wrongful intent or negligently. It is also called liability.

Absolute Quota

Limit, imposed by government on the amount of goods that may be imported in a particular period.

Absolute Uniformity

Theory that proposes that accounting methods be standardized regardless of the different circumstances of different users

Absorption

Use of absorption rates to allocate a company's overhead to its production. It is a method used in absorption costing.

Absorptive Capability

A firm's ability to acquire, assimilate, integrate, and exploit knowledge and skills that are transferred from another firm.

Absorption Costing

Method of costing a product that assigns fixed manufacturing overhead as well as materials and labour costs as a product cost to the units being produced.

Absorption Rate

In an absorption costing, the rate is determined before an accounting period so that overheads can be charged to a company's production. It is equal to the budgeted overhead divided by the budgeted production.

Abusive Draw

Drawing on a standby letter of credit when no violation of the underlying contract has occurred.

Accelerated Depreciation

Practice of depreciating an asset at a rate greater than the actual decline in its value in order to obtain tax concessions. It need not occur throughout the life of an asset; a substantial proportion of its total value is often written in the first year and reduced allowances for depreciation are made thereafter.

Accelerated Tariff Elimination

Speeding up of the reduction in tariffs, usually resulting from trade agreements between nations. Total elimination of tariffs results in a free-trade situation.

Acceleration

Increase in the rate of a price trend or if borrower defaults on a deal, the action of the lender when demanding early repayment.

Accelerator Principle

Theory that growth in production is directly related to the level of investment. If consumer demand increases, for example, a company is likely to invest in more equipment, thereby accelerating the current economic growth.

Acceptable Use Policy (AUP)

System that restricts the use to which a computer network may be put, particularly used by commercial organizations.

Acceptance

(1) It is a term used for a time draft (or bill of exchange) which has been accepted by the drawee and is unconditionally obligated to pay at maturity. The said draft should be presented first for acceptance - the drawee becomes the "acceptor" - then for the payment. The word "accepted" and the date and place must be written on the face of the draft. (2) A term for the drawee's act in receiving a draft and

entering into the obligation to pay the mentioned value at maturity. (3) Any agreement to purchase goods under specified terms.

Acceptance of Bill of Exchange

Recognition of a legal obligation to pay the amount on a term bill of exchange at a specified future date (maturity date).

Acceptance Commission

The fee that is usually paid by the applicant to the accepting bank to compensate the bank for accepting the draft under a Letter of Credit.

Acceptance Credit

A documentary credit which requires the beneficiary to draw a bill for subsequent acceptance by the issuing bank or the advising bank or any other bank as the credit stipulates.

Acceptance Supra Protest

Situation that occurs when a bill of exchange is turned down (or protested) and is then accepted by another party, thereby saving the honor of the drawer.

Accepted Bill of Exchange

Also known as trade acceptance, a draft for payment that does not involve a bank, presented by an importer to an exporter.

Accepting Bank

The bank or other financial institution that endorses a time draft or sight draft for immediate payment.

Acceptor

Person who accepts either the terms of a contract or a bill of exchange. When a bill of exchange is accepted, the drawee becomes the acceptor.

Access Control List (ACL)

Means by which access to a computer network security system is controlled. It lists the services available and the hosts allowed using them.

Accommodation

Money that is lent for a short period.

Accommodation Bill

(1) In the context of fraud, a bill drawn without a genuine underlying commercial transaction. (2) Bill of exchange signed by one person in order to help another to raise a loan. The signatory (or accommodation party) is acting as guarantor, and normally does not expect to pay the bill when it falls due. Accommodation bills are also known as kites or windmills.

Accounting Exposure

A degree to which the consolidated financial statements and balance sheets of a company can be affected by exchange rate fluctuations.

Accounting Diversity

The range of differences in national accounting practices.

Accounting Standard

Rules for preparing financial statements.

Account Party

The party for whom a letter of credit is opened. "Account party" and "applicant" are the same, but sometimes one party will agree with the issuing bank to make all payments under a letter of credit showing the name of another party (as in the case of affiliated companies). Banks may refer to one of these parties as the applicant and the other as the account party.

Accounting Exposure

Risk arising from the translation of assets and liabilities into foreign currency. It is also known as translation exposure.

Account Receivables

Business assets consisting of financial obligations due from others.

ACP

African, Caribbean and countries

Accrual

The apportionment of premiums and discounts on forward exchange transactions that relate directly to deposit swap (Interest Arbitrage) deals, over the period of each deal.

Accrued Charge

Also called accrued liability, a charge that has not been accounted for or paid. For example, demand for rent made in arrears must appear on the accounts as an accrued charge, because the service had already been used but not paid for.

Acculturation

It is not only understanding cultural differences, but modifying or adapting behavior to become more compatible with local culture.

Accrued Interest

The interest payment that is due, but not yet received.

Accumulated Depreciation

Total value of an asset that has been written off so far. It is also accrued depreciation, aggregate depreciation and allowance for depreciation.

Active Role

A subsidiary role in which many activities are located locally but carried

out in close cooperation with other subsidiaries.

Active or Aggressive Reciprocity

The withdrawal of previous commitments and concessions from, or the undertaking of retaliatory measures against, a country until it reduces or eliminates its barriers to trade.

Action Lag

Time period between the decision taken on a policy and its implementation.

Actuals

The physical commodity.

Actualize

It is the underlying assets or instruments, which are traded in the cash market.

Act of State Doctrine

A legal principle that holds that sovereign nations can act within their authority considering assets or belongings taken by the state in public actions.

Acquired Advantage

It is a sort of trade advantage that arises on account of technology rather than the availability of natural resource.

Acquired Group Memberships

A affiliations not determined by birth, such as religious or political customs and practices.

Acquisition

It is purchase of a company by another company.

Acquisition Loans

It refers to the credit or finance arrangement to be used for the acquisition of a business unit.

Adaptability Screening

A selection procedure that usually involves interviewing both the candidate for an overseas assignment and his or her family members to determine how well they are likely to adapt to another culture.

Adaptations

Firms efforts to modify one or more elements of its international marketing program to accommodate specific customer requirements in a particular market.

Adaptive System

A system that imitates local HRM (human resource management) practices.

Adjustment

Official action normally by either change in the internal economic policies to correct a payment imbalance or in the official currency rate or.

Admiralty Court

It is a court having jurisdiction over maritime questions related to ocean transport, which includes contracts, charters, collisions, and also cargo damages.

Administrative Trade Policies

It is typically adopted by government bureaucracies, than can be used to restrict imports or boost exports.

Advance Economic

Post-industrial countries characterized by high per-capita income, highly competitive industries and well-developed commercial infrastructure.

Advance Pricing Agreement

An agreement between the tax authority and the taxpayer on the transfer pricing methodology to be applied to any apportionment or location of income,

deductions, credits, or allowances between two or more members within an organization.

Ad Valorem

According to value.

Ad Valorem Duty

The determination of customs duties as a percentage of the value of the goods.

Ad Valorem Rate

An import duty rate determined "according to the value" (*ad valorem*) of the commodity entering a country, as opposed to the weight or other basis for calculation. An *ad valorem* tariff is a tariff calculated as a percentage of the value of the goods when clearing customs.

Ad Valorem Tax (in Latin: to the value added)

A tax based on the value (or assessed value) of property.

Advance Against Documents (AAD)

A loan made on the security of the actual documents covering a shipment.

Advance Licence

It is granted for import of inputs without payment of customs duties. It is issued in accordance with the policy and procedures in force and subject to fulfillment of time-bound export obligation. Such licences can be issued for import of inputs for use in the export production as well as for replenishment of the inputs already used in the export product.

Advance Payment

Trading method in which the buyer pays for the goods before they are dispatched. This is used where the buyer is of unknown creditworthiness

and is unable to obtain a letter of credit. This is also used as a matter of convenience for small orders.

Advance Payment Bond

The bond, guarantee, or standby letter of credit given by a seller receiving an advance payment (or contract) to the buyer to assure that the funds will be returned if goods are never shipped or the services are not performed.

Adverse Selection

A form of market failure resulting from asymmetric information; if insurance companies must charge a single premium because they cannot distinguish between high-risk and low-risk individuals, more high-risk individuals will insure, making it unprofitable to sell insurance.

Advice of Fate

The collecting bank informs the remitting bank of: a) non-payment/non-acceptance or b) of D/A bill acceptance and the bill maturity date.

Advising

Conveying the terms and conditions of a DC to the beneficiary. The advising bank is the issuing bank's agent and is usually located in the beneficiary's country. The advising bank also takes reasonable care to verify the authenticity of the credit.

Advising Bank

(1) Bank, usually in the seller's country, whose primary function is to authenticate the letter of credit and advise it to the seller. The advising bank may also take on other roles in the transaction. These include:

(a) Confirming the letter of credit (confirming bank).

(b) Accepting a term bill of exchange (accepting bank).

(c) Paying the seller upon presentation of documents (paying or negotiating bank).

Advisory Capacity

(a) Used to indicate that a shipper's agent or agent or representative is not empowered to make definitive changes or adjustments without approval of the group or individual represented. (b) A term indicating that a shipper's agent or representative is not em-powered to make definitive decisions or adjustments without approval of the group or individual represented.

(2) A bank in the country of the exporter that informs the exporter that letters of credit have been made available by foreign banks; an advising bank has no responsibility of payment associated with the letters of credit.

AEZs

It refers to a scheme of Agricultural Export Zones. So far, 48 AEZs have been approved in 19 States by the Department of Commerce.

AFTA

(Otherwise known as the Andean FTA): The Andean Free Trade Agreement is being negotiated between the United States, Colombia, Ecuador, and Peru (with the possibility of including Bolivia at a later time).

Affiliate

It is a partially or wholly owned unit of an MNC.

Affiliation

The basic desire to have closer interpersonal relationships.

Affinity

How closely aligned nations are, based on both history and political reality.

African Development Bank (AFDB)

A headquartered in Ivory Coast, with the objective of accelerating the development process in Africa.

Agent

(1) A foreign representative who tries to sell your product in the target market. The agent does not take possession of and assumes no responsibility for the goods. Agents are paid on commission basis. (2) Person or company that has entered into a contract of agency with another party and acts as its representative, usually in buying and selling goods and services.

Agent-agent Middleman

A middleman who negotiates purchases, sales or both but who does not take title to the goods.

Agent Bank

(1) It is bank acting for a foreign bank. (2) In the euro market - the agent bank is the one appointed by the other banks in the syndicate to handle the administration of the loan.

Agency

Person or company that represents another in a particular field, or a contractual arrangement by which one party agrees to represent another, the agent's word becoming binding in the affairs of the other as if the latter had acted on his or her own behalf.

Agency Bill

The bill of exchange that is drawn on and accepted by the London branch of a foreign bank.

Agency Fee

A fee charged to the ship by the ship's agent, representing payment for services while the ship was in port, some time called attendance fee.

Agency Loan

The loan from the European Investment Bank which may be allocated among various projects. Such loans are made only to public organizations.

Agency of Necessity

Situation that arises when an agent acts to safeguard the principal's interest, without the principal's permission. It can only arise when, (a) the principal cannot be reached, (b) there is contract of agency already in existence between the two parties, and (c) immediate action is absolutely necessary. If these conditions exist, the agent's actions are legally binding on the principal.

Agent for Exporter

Authorized forwarding agent of an exporting company.

Aggregate

Risk Total amount of exposure a bank has with a customer for both spot and forward contracts.

Aggregate Demand

It is the term used to describe the total demand for goods and services in the economy. This includes the private and public sector demand for goods and services within the country and the demand of consumers and firms in other countries for goods and services.

Aggregate Risk

It is the size of exposure of a bank to a single customer for both spot and forward contracts.

Aggregate Supply

It is the total supply of goods and services in the economy from domestic sources (including imports) available to meet aggregate demand.

Agreement

An agreement is a general term with positive overtones suggesting that some settlement has been made between concerned parties.

Agreement in Principle

When two or more parties are negotiating on a subject and reach mutual understanding, they prepare a letter containing what was agreed (and what was not) and under what conditions. This paper is also called the Letter of Intent. This also becomes the basis for detailed negotiations leading to contract formation.

Agio

It is the difference in the value between currencies. Also used to describe percentage charges for conversion from paper money into cash, or from a weak into a strong currency.

Agreement on Trade-related Aspects of Intellectual Property Rights (TRIPS)

An agreement that allowed the creation of domestic laws concerning the protection of intellectual property rights.

Air Cargo Agent

It is a type of freight forwarder specialized in air cargo and acts for airlines that pays a fee. This person is registered with the International Air Transport Association (IATA).

Air Freight

Transport of goods by air; accounts for less than one percent of the total

volume of international shipment, but more than 20 per cent of value.

Air Freight Forwarder

They provide pickup and delivery service under their own tariff, consolidates air shipments into larger units, prepares shipping documentation, and also tenders shipments to the airlines. Since they do not usually operate their own aircraft, they are also called "indirect air carriers." The airlines consider this forwarder as shipper because they tender the shipment.

Airway Bill

A bill of lading accepted by the shipper, indicating that he or she has received the goods and agrees to deliver the goods to the specified airport. This is not a document of title and so is not needed by the consignee in order to claim the goods from the carrier. The Airway bill serves as a non-negotiable receipt for the shipper.

Allision

The act of striking or collision of a moving ship against a stationary object.

Allocation Mentality

The tradition of acquiring resources based not on what is needed but on what is available.

All Risk

This is the most comprehensive type of transportation insurance, providing protection against all physical loss or damage from external causes.

All Risks Insurance

Insurance covering risks set out in the Institute of London Underwriters Cargo Clauses A. Covers fire, theft, loss at sea, damage during loading, transshipment and discharge but NOT strikes, riots,

civil commotion or war piracy. It is an insurance provision providing additional coverage to an Open Cargo Policy. It covers theft, pilferage, non-delivery, fresh water damage, breakage, and leakage. It does not cover inherent vice, loss of market, and losses caused by delay.

Alongside

Upon delivery, placement of goods on a dock or a barge very close to the ship, so that the goods can be placed aboard the ship.

Alteration

A change in the boundaries of an activated zone or subzone.

Alternative Inventory Control System (AICS)

A former system of inventory control, manual or automated, based on records maintained by a zone grantee, operator or individual zone user.

Amalgamation

The combining together of two or more firms, which is usually concluded by mutual agreement.

Amendment

Variation in the terms or conditions of any document. In the case of Letters of Credit, an amendment to a letter of credit is issued by the Issuing bank under the direction of the applicant, and is advised to the Advising bank, following the same route as the original LC.

American Depository Receipt (ADR)

It is a certificate issued by a US bank (depository) in the USA in lieu of the shares of foreign companies.

American Stock Exchange (AMEX)

One of New York's two stock exchanges, which deals mainly in the shares of young and smaller companies. It is also known as Little Board or Curb Exchange. Larger companies are listed on the New York Stock Exchange (NYSE).

American Terms

The prices of currencies quoted in terms of variable units of U.S. dollars per unit of their currency.

Analysis Certificate

A document that confirms the goods have been analyzed for quality, composition, etc.

Ancillary Guarantee

Type of guarantee where the guarantor joins with one of the parties to the contract and agrees to fulfill that party's obligations if necessary, effectively co-signing the contract. (Sometimes referred to as a "Bank Guarantee" in foreign countries.) As opposed to an independent or demand guarantee, under an ancillary guarantee the guarantor also acquires rights under the contract and may resort to terms in the contract to dispute claims against the guarantee. Also called a "contract guarantee." It should be noted that banks in the USA are generally prohibited by law from issuing ancillary guarantees, banks in other countries are not.

Andean Community

A customs union among Latin American countries.

Andean Group

It is an economic integration scheme embracing five countries, *viz.*, Bolivia, Colombia, Ecuador, Peru and Venezuela.

Animosity

How closely estranged nations are, based on both history and political reality.

Annuity

It refers to financial transaction under consecutive payments or receipts of equal amount.

Anticipated Inflation

The inflation that business people expect to happen which will influence their price-settlement.

Antidumping Duty

(a) A special duty imposed to offset the price effect of dumping that has been determined to be materially harmful to domestic producers. (b) Article VI of the GATT 1994 permits the imposition of anti-dumping duties against dumped goods, equal to the difference between their export price and their normal value, if dumping causes injury to producers of competing products in the importing country.

Antidumping Laws

The domestic laws that stipulate that a foreign country cannot sell a product at a cost below that of the cost of production (or less than fair value).

Antidumping Policies

Designed to punish foreign firms that engage in dumping and thus protect domestic producers from unfair foreign competition.

Antidumping Regulations

The regulations designed to restrict the sale of goods for less than their fair market price.

Antitrust Laws

Regulations intended to promote a competitive economy by prohibiting actions that restrain competition.

Anthropology

It is branch of social studies, which studies the societies to learn about the human's beings and their activities.

APACS

Abbr. Association of Payment Clearance Services.

APEC

Asia Pacific Economic Cooperation, an organization of countries in Asia and elsewhere dedicated to increasing international trade.

Appellate Body

An independent seven-person body that, upon request by one or more parties to the dispute, reviews findings in panel reports.

Appreciation

1. Describes a currency strengthening in response to market demand rather than by official action. 2. A currency is said to 'appreciate' when it strengthens in price in response to market demand.

Applicant

The individual or company applying for a Letter of Credit; synonymous terms are importer, buyer and account party.

Approval, Documents Sent On

Treatment of letter of credit documents wherein the negotiating bank does not certify that the documents meet the requirements of the L/C, but rather forwards the documents to the issuing bank with a request that it examine the documents, obtain waiver of any discrepancies, and pay, or, in the case of

time drafts, accept the drafts, if drawn on them, or authorize acceptance by the paying/drawee bank.

Arbitrage

(1) The process of buying goods in one market and selling them in another market; the profit is determined by the differential between the purchase price of the good and price at which the good is ultimately sold. (2) Buying and selling foreign currency in different markets in order to reap profit out of varying exchange rates.

Arbitration

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

Arbitrage Channel

It is the range of prices within which there will be no possibility to arbitrage between the cash and futures market.

Area Control List

A list of countries to which any export (except humanitarian items) requires an export permit.

Area Expertise

Knowledge of the basic systems in a particular region or market.

Area Structure

An organizational structure in which geographic divisions are responsible for all manufacturing and marketing in their respective areas.

Area Studies

Training programs that provide factual preparation prior to an overseas assignment.

Arm's Length Pricing

The same price for affiliates as is charged for unrelated third party buyers. It does not involve any over/under-invoicing.

Arm's Length Principle

The principle stating that the transfer price struck between related companies should be the same that negotiated between two independent entities acting in an open and unrestricted market.

Around

It is the word used in quoting forward "premium/discount." "Five-five around" would mean five points on either side of the present spot value.

Ascribed Group Memberships

Affiliations determined by birth (such as sex, family, age, ethnicity, etc.)

ASEAN

Abbr. Association of Southeast Asian Nations. The seven ASEAN members of the WTO - Brunei, Indonesia, Malaysia, Myanmar, the Philippines, Singapore and Thailand - often speak in the WTO as one group on general issues. The other ASEAN members are Laos and Vietnam.

ASEAN Free Trade Area (AFTA)

Free trade area formed by the Association of South East Asian Nations in 1992.

Asian Development Bank (ADB)

The development bank that centers on promoting economic growth and cooperation in Asia and the Far East.

Asian Dollars

U.S. dollars deposited in Asia and the Pacific Basin.

Asian Financial Crisis (1997–98)

The economic collapse of many South-east Asian nations due primarily to speculative bank lending in the region.

Ask

An indication of willingness, to sell a specified amount of a commodity at a specific price (also known as offer).

Ask Price

Ask is the lowest priced acceptable to the buyer.

Asset

In the context of foreign exchange is the right to receive from counterparty an amount of currency either in respect of a balance sheet asset (e.g., a loan) or at a specified future date in respect of an unmatched forward or spot deal.

Asset Allocation

It is the dividing instrument funds among markets to achieve diversification or maximum return.

Asset Retained

It refers to those assets that the owner would retain after selling or disposing off his assets through acquisition or mergers.

Assignment

A transfer of legal rights under an agreement. In the case of letters of credit, a banking arrangement between the beneficiary of a letter of credit and a third party - usually the supplier of the goods - who requires an assurance of payment. Usually takes the form of a letter or deed of assignment. The beneficiary of the credit is the assignor; part of the proceeds of the credit is irrevocably assigned to the assignee.

Assignment of letter of credit

Transfer of the proceeds of a letter of credit (or part of them) to another person (assignee) as advised by the beneficiary to the bank, which promises to pay the proceeds to the assignee before paying the balance to the original beneficiary.

Assignment of Proceeds

Legal mechanism by which the beneficiary of a letter of credit may pledge the proceeds of future drawings to a third party. Assigning proceeds involves giving the letter of credit to a bank, which will hold the L/C until drawn upon, along with irrevocable instructions to the bank to disburse proceeds, when generated, in a Specified way, (such as, "pay 50% of each drawing to Acme Corporation.") The bank will acknowledge the assignment to the assignee but has no obligation actually to pay any funds to the assignee unless the L/C is drawn upon by the beneficiary and payment is received from the issuing or confirming bank. An assignment of proceeds is not an assignment or transfer of the letter of credit and the assignee acquires no rights to perform under the L/C in order to generate funds.

Assembling

The marketing function of concentrating goods or their control to facilitate sale or purchase.

Assessment

A study to determine whether, and to what extent, labour practices comply with the provisions of a code of labour practice. The term can refer to the study of a workplace but can also apply to more general studies such as to an industry within a country.

Assessment of Taxes

The valuation of property or transactions for purposes of taxation; in Counter trade, based on the exact value of the goods exchanged, the time when income was received, and the profitability of the transaction.

Associated Company

A joint-stock company in which another company or group has a significant, but not controlling, shareholding and not a subsidiary of the holding company.

Associate Director

The director who is a member of a company's board but lacks full voting powers. The position is normally held by able but comparatively junior managers; it rewards their enthusiasm and reinforces their commitment without giving them real power.

Associated Operation

The operation that is somehow linked to another within a company. Such operations may, for example, manufacture similar products or use similar production methods.

Associated Undertaking

Business entity that does not have company status but is considered as part of a group when compiling company accounts.

Association of Futures Clearing Services (AFBD)

Former self regulation organization, established in 1986, which regulated the activities of brokers and dealers on the London futures market. In 1991, it became part of the Securities and Futures Association (SFA).

Asymmetric Information

A situation in which a buyer and a seller have different information about a transaction.

At Best

An instruction given to a dealer to buy or sell at the best rate that is currently available in the market.

At or Better

An order to deal at a specific rate or better.

ATC

The WTO Agreement on Textiles and Clothing which integrates trade in this sector back to GATT rules within a ten-year period.

At-the-Money

An option whose strike/exercise price is equal to or near the current market price of the underlying instrument.

At Par Forward Spread

When the forward price is equivalent to the spot price.

At the Price Stop-loss Order

A stop-loss order that must be executed at the requested level regardless of market conditions.

Attributive Basis

Method of accounting for merchandise where direct identification of the goods with the shipment as admitted to the zone has been lost.

Audit

A thorough formal examination of the labour practices of a particular workplace or company, based on corroborated evidence.

Audit-inspection Procedures

Provide the framework for Customs to reduce on-site supervision of zones and for zone operators/users to increase zone operating flexibility through the method of supervising zones.

Audit Standards

Rules for performing an audit.

Autarky

An economy that does not trade with other nations; a closed economy.

Authorized Dealer

Is a financial institution or bank authorized to deal in foreign exchange.

Automated Pit Trading (APT)

Computerized trading system that initially supplemented the open outcry market at the London International Financial Futures Exchange (LIFFE). its main use was after 1620 hours (when the floor market closed) until 1800 hours (when the exchange closed).

Automaticity

The "automatic" chronological progression for settling trade disputes in regard to panel establishment, terms of reference, composition and adoption procedures.

Automated Screen Trading (AST)

Computerized trading system that can operate 24 hours a day worldwide, now introduced in most of the world's major stock exchanges.

Autonomous Consumption

That part of total consumption expenditure, which does not vary with changes in national income or disposable income.

Autonomous Expenditure

The expenditure that is largely determined by factors other than current income.

Autonomous Investment

That part of real investment that is independent of the level of and changes in national income.

Autonomous Role

A subsidiary role where the subsidiary performs most activities of the value chain independently of headquarters.

Auto-stereotypes

How we see ourselves as a group and as distinguished from others.

Aval

This is a banker's guarantee to pay a bill of exchange. It is common in the practice of forfeiting operations.

Average Cost Method

An accounting principle by which the value of inventory is estimated as the average cost of the items in inventory.

Average Cost Pricing

It is using both fixed and variable costs in figuring the costs of production.

Average Due Date

The date on which several payments due at different times can be paid together, to settle the whole debt.

Average Propensity to Consume

It is the proportion of income the average family spends on goods and services.

Average Propensity to Save

It is the proportion of income the average family saves (does not spend on consumption).

Average Rate of Return

The average annual profit (on an investment) expressed as a percentage of the sum invested. It is equal to 100 times the profit per annum divided by the capital outlay.

Average Rate Option

A contract where the exercise price is based on the difference between the strike price and the average spot rate over the contract period. Sometimes called an "Asian Option".

Average Total Cost

It is the sum of all the production costs divided by the number of units produced.

