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Glossary

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A

Absolute Advantage - An absolute advantage exists when a nation or economic region is able to produce a good or service more efficiently (using the same amount of resources) than a second nation or region.

Accelerated Tariff Elimination - An increased rate of reduction of import duties at a faster rate than what was originally planned or decided upon.

Active Income - In the U.S. tax code, income from an active business as opposed to passive investment income.

Ad Valorem Tariff - A tariff assessed as a percentage of the value of an import.

Adjusted Present Value - A valuation method that separately identifies the value of an unlevered project from the value of financing side effects.

Advanced Encryption Standard (AES) - The Advanced Encryption Standard (AES) is an encryption algorithm used by U.S. government agencies to secure materials. It is predicted that AES will soon be used in the private sector with commercial transactions.

Advising Bank - Bank, usually in the country of the seller, whose primary function is to authenticate the letter of credit and advise it to the seller.

African Developmental Bank Group (ABD Group) - The ABD Group is 1 of 4 major regional developmental banks currently operating in the global economy; it is headquartered in Abidjan, Cote d'Ivoire.

African Union (AU) - The African Union is an organization for regional, social and economic cooperation. It consists of 53 member nations in Africa and was derived from the OAU (Organisation of African Unity). Its goal is to unify Africa and promote peace, security, and stability on the continent through social and economic cooperation.

African, Caribbean, and Pacific Countries (ACP) - The African, Caribbean and Pacific Group of States (ACP) is an organization created by the Georgetown Agreement in 1975. It is composed of 79 African, Caribbean and Pacific States. All 79 states are signatories to the Cotonou Agreement (a partnership agreement between the ACP and the European Union).

Agency Costs - The costs incurred to ensure that agents and managers act in the best interest of the principal. For example, reward to managers as a percentage of profit.

Agent - Someone who represents another. In corporate governance terminology, management is the agent of the principal stakeholders in a principal-agent relationship.

Aggregate Demand - The total demand of all potential buyers of a commodity or service. Includes all individuals and organizations that have the ability, willingness, and authority to purchase such products.

Air Waybill - A nonnegotiable instrument of domestic and international air transport that functions as a bill of lading.

Allocation-of-Income Rules - In the U.S. tax code, these rules define how income and deductions are to be allocated between domestic-source and foreign-source income.

Alternative Tariff - A tariff that has two or more rates for the same product, trading to and from the same points, with the authority to use one that produces the lowest charge.

American Shares - Shares of a foreign corporation issued directly to U.S. investors through a transfer agent in accordance with SEC regulations.

American Terms - A foreign exchange quotation that states the U.S. dollar price per foreign currency unit (contrast with European terms).

Andean Community (CAN) - The Andean Community or Comunidad Andina de Naciones in Spanish (CAN) is made up of Bolivia, Colombia, Ecuador and Peru. It is a series of bodies and institutions that work to bring Andean subregional integration, promote external projection, and reinforce the actions connected with the process.

Andean Pact - A regional trade pact that includes Colombia, Ecuador, Peru, and Bolivia.

Anti-Boycott Regulations - Laws created to urge companies to not participate in foreign boycotts.

Anti-dumping Laws - Laws that are enacted to prevent dumping - offering prices in the overseas market that is lower than that at which a product is sold in its home domestic market.

Appellate Body (AB) - The Appellate Body is a World Trade Organization (WTO) entity, which was established in 1995 under Article 7 of the Understanding on Rules and Procedures Governing the Settlement of Disputes (DSU). Its purpose is to hear appeals and reports issued by panels in disputes between WTO members. It is composed of a standing body of 7 people and has the power to uphold, modify, or reverse the legal findings and conclusions of a panel. These rulings must be accepted by the parties of the dispute. The Appellate Body has its seat in Geneva, Switzerland.

Arab Maghreb Union (AMU) - A regional alliance seeking economic and political unity in Northern Africa. Members are Algeria, Libya, Mauritania, Morocco, and Tunisia.

Arbitrage - The process of purchasing and selling the identical products, such as foreign exchange, stocks, bonds and other commodities, in several markets intending to make profit from the difference in price. Arbitrage is generally seen as a "risk-less" transaction.

Arbitration - Arbitration is a way to settle disputes using an impartial third party instead of filing a law suit.

ASEAN Free Trade Area (AFTA) - A multilateral agreement on trade, including agricultural trade, between Association of Southeast Asian Nations (ASEAN) member countries, phasing out tariffs and revising other trade rules over the 15-year period of implementation of the Common Effective Preferential Tariff (CEPT) Scheme. The agreement was signed in January 1992.

Asia-Pacific Economic Cooperation (APEC) - A forum designed to promote economic growth, cooperation, and integration among member nations. APEC has also worked to reduce tariffs and other trade barriers across the Asia-Pacific region. Its vision is based on the "Bogor Goals" adopted in the 1994 meeting in Bogor, Indonesia. There are 21 member economies including: Australia; Brunei Darussalam; Canada; Chile; People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; The Republic of the Philippines; The Russian Federation; Singapore; Chinese Taipei; Thailand; United States of America; Viet Nam.

Asian Development Bank (ADB) - The Asian Development Bank (ADB) is a multilateral development financial institution owned by 67 members (48 from the region and 19 from other parts of the globe). Its goal is to improve the welfare of the people in Asia and the Pacific. ADB is headquartered in Manila, Philippines. It is one of four major development banks around the world.

Association of Southeast Asian Nations (ASEAN) - An organization founded in 1967 for the purpose of promoting regional stability, economic development, and cultural exchange in southeastern Asia. Membership includes Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

Autarky - In models of international trade, a situation in which there is no cross-border trade.

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Back to Back Letter of Credit - An arrangement in which one irrevocable letter of credit serves as the collateral for another; the advising bank of the first letter of credit becomes the issuing bank of the second letter of credit.

Balance of Payments - The International Monetary Fund's accounting system that tracks the flow of goods, services, and capital in and out of each country.

Balance of Trade - The difference between a country's total imports and exports over a set period.

Balanced Economy - In national finances, it is when exports are equal to imports.

Bangkok Agreement (BANGKOK) - A preferential trade agreement among developing countries of Asia and the Pacific. Members include; People's Republic of Bangladesh, India, Cambodia, The Philippines, Republic of Korea, Sri Lanka and Thailand.

Bank for International Settlements (BIS) - An international organization, which promotes international monetary and financial cooperation among nations by fostering the cooperation of world central banks.

Bank-based Corporate Governance System - A system of corporate governance in which the supervisory board is dominated by bankers and other corporate insiders.

Banker's Acceptance - A time draft drawn on and accepted by a commercial bank.

Banker's Draft - A payment instrument used to make international payments.

Barter - Trade in which merchandise is exchanged directly for others without use of money or the involvement of a 3rd party.

Basel Convention - An international treaty concerned with restricting the movement of hazardous wastes between countries, especially from developed to underdeveloped countries.

Bilateral Investment Treaty (BIT) - A treaty between two countries to ensure that investments between the two countries receive the same treatment as domestic or other international investments.

Bilateral Trade Agreement - A commercial agreement between two countries, often detailing what specific quantities of what specific goods can be exchanged.

Bill of Lading (BOL) - A document that establishes the terms and conditions of a contract between a shipper and a shipping company under which freight is to be moved between specified points for a specified charge.

Blanket Rate - A rate that is applied broadly over different articles or entities.

Blockade - The act of seizing commercial exchange with a particular country, common during wartime.

Blocked Funds - Cash flows generated by a foreign project that cannot be immediately repatriated to the parent firm because of capital flow restrictions imposed by the host government.

Bogor Goals - The Bogor Goals were created by the Asia-Pacific Economic Cooperation (APEC) in Bogor, Indonesia in 1994, with the intention of increasing economic unity among Asian Pacific nations by increasing trade. The goals are to have free trade and investment in developed nations by 2010 and in developing nations by 2020.

Bonded Exchange - Foreign exchange that cannot be freely converted into other currencies.

Bretton Woods Agreement - An agreement made near the end of World War II to promote exchange rate stability and facilitate the international flow of currencies.

Bretton Woods Conference - An international conference held in 1944 at Bretton Woods, New Hampshire. The conference established the International Monetary Fund and the World Bank.

Bureau of Industry and Security - An agency of the United States Department of Commerce that is in charge of dealing with both the advancement of national security and regulating the export of technologies.

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Calvo Doctrine - A foreign policy doctrine that states that the country in which an investment is located has jurisdiction over that investment.

Capital Account - A measure of change in cross-border ownership of long-term financial assets, including financial securities and real estate.

Capital Formation - The process of increasing the amount of capital goods - also called capital stock - in a country.

Capital Markets - Markets for financial assets and liabilities with maturity greater than one year, i.e. long-term loanable funds, including long-term government and corporate bonds, preferred stock, and common stock.

Capitalism - An economic system that is based on private ownership; economic development is proportionate to and dependent upon the accumulation and reinvestment of profits.

Caribbean Community and Common Market (CARICOM) - CARICOM consists of Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent & The Grenadines, Suriname, and Trinidad & Tobago. Its purpose is to provide a continued economic linkage after the dissolution of the West Indies Federation for English-speaking countries in the Caribbean.

Carrier - An individual or entity that transports persons or goods for compensation under the contract of carriage.

Cartage - The delivery of goods over a short distance.

Cartel - An agreement among, or an organization of, suppliers of a product to limit production in order to minimize competition and maximize market power.

Cash Against Documents (CAD) - Payment for goods where a commission house or other intermediary transfers title documents to the buyer upon payment in cash.

Cash in Advance (CIA) - Payment for goods in which the price is paid in full before the shipment is made. This type of payment is usually only made for very small shipments or when goods are made to order.

Cash With Order (CWO) - Payment for goods in which the price is paid at the time the order is placed.

CE Mark - A manufacturer places a CE Mark on their product establishing that they take sole responsibility for the product and that it meets the essential requirements and that the conformity assessments of their product has been fulfilled.

Central African Economic and Monetary Community (CEMAC) - The Central African Economic and Monetary Community is comprised of six Central African countries: Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, and Gabon. CEMAC was established to promote cooperation and exchange among its members.

Central American Common Market (CACM) - An association of five Central American nations that was formed to facilitate regional economic development through free trade and economic integration. Established by the General Treaty on Central American Economic Integration signed by Guatemala, Honduras, El Salvador, and Nicaragua in December 1960, its membership expanded to include Costa Rica in July 1962.

Central Bank - The sole institution of a nation that has the authority to issue banknotes and set monetary and credit policies. It manages the rate of exchange of the nation's currency and determines the internal and external monetary stability of the currency.

Central European Free Trade Agreement (CEFTA) - A trade agreement between non-EU countries in Central and South-Eastern Europe.

Centrally Planned Economy - An economy in which the government, rather than free-market activity, controls the allocation of resources.

Certificate of Acceptance - Term used in leasing. A document whereby the lessee acknowledges that the equipment to be leased has been delivered, is acceptable, and has been manufactured or constructed according to specifications.

Certificate of Analysis/Certificate of Inspection - Documents that may be asked for by the importer and/or the authorities of the importing country, as evidence of quality or conformity to specifications.

Certificate of Manufacture - A statement that is usually notarized in which the producer of goods certifies that the goods have been produced and are now available to the buyer.

Certificate of Origin - Documents that may be asked for by the authorities of the importing country, as evidence of the country of manufacture of the goods.

Certificate of Product Origin - A document required by certain foreign countries for tariff purpose, certifying the country of origin of specified goods.

Civil Society Organizations (CSOs) - Non-governmental and non-profit groups that work to improve society and the human condition.

Clean Bill of Lading - A receipt for goods issued by a carrier that indicates that the goods were received in apparently good order and without damage.

Clearance - The completion of customs entry requirements that results in the release of goods to the importer.

Clearing - The settlement of a transaction, often involving exchange of payments and/or documentation.

Clearing House Interbank Payments System (CHIPS) - Financial network through which banks in the United States conduct their financial transactions.

Closer Trade Relations Trade Agreement - An accord between Australia and New Zealand designed to facilitate the exchange of goods between the two countries. It was signed on January 1, 1983.

Codex Alimentarius Commission - An organization created in 1963 by the Food and Agriculture Organization and the World Health Organization to develop food standards, guidelines and related texts such as codes of practice under the Joint FAO/WHO Food Standards Program.

Collecting Bank - A bank that acts as the agent of the seller to collect payment from the buyer and then transfer the payment to the seller's bank.

Collectivist Society - A society in which people feel more comfortable thinking and acting in groups.

Collusion - An agreement (usually secret) among mostly oligopolistic competing firms in an industry to control the market, raise the market price, and otherwise act like a monopoly.

Command Economy - An economy based on government ownership and/or control of society's resources; during the 20th century, the dominant form of command economy was communism.

Commercial Bank - A bank whose primary function is to accept demand deposits (which can be withdrawn upon depositories' demand), and grant short-term and long-term loans.

Commercial Credit - A letter of credit that assures the seller that buyer will pay for the goods being sold. Such letter is usually issued by a bank upon client's request.

Commercial Document - General term for documents describing various aspects of a transaction, e.g. commercial invoice, transport document, insurance document, certificate of origin, certificate of inspection, etc.

Commercial Risk - The possibility that a debtor may not be able to pay back debts because of business events, like bankruptcy.

Commingling - Method of packing a shipment in which various goods subject to differing duties are grouped together. Because of this, the value of each type of item is difficult to determine.

Commodity Price Risk - The risk of unexpected changes in a commodity price, such as the price of oil.

Commodity Swap - A swap in which the (often notional) principal amount on at least one side of the swap is a commodity such as oil or gold.

Common Carrier - An organization that transports persons or goods for a fee.

Common Law - The body of law based on customs, usages, and court decisions rather than statutory laws.

Common Market - A common market is a group of countries that have common external tariffs against non-member nations. It may also allow labor mobility as well as common economic policies. For example, the European Union (EU).

Common Market for Eastern and Southern Africa (COMESA) - An organization of states that intends to promote the development of the resources of its members, COMESA forms a major trading block of 19 nations: Burundi, Comoros, D.R. Congo, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Libya, Madagascar, Malawi, Mauritius, Rwanda, Seychelles, Sudan, Swaziland, Uganda, Zambia and Zimbabwe.

Commonwealth - An association of independent states that promotes cooperation, consultation, and mutual assistance among members. However, such association has no treaty or constitution. For example, the British Commonwealth.

Commonwealth of Independent States (CIS) - An association of former Soviet republics that was established in December 1991 by Russia, Ukraine, and Belarus to help ease the dissolution of the Soviet Union and coordinate inter republican affairs. Other members include Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Uzbekistan and Ukraine.

Comparative Advantage - A comparative advantage exists when a nation or economic region is able to produce a product at a lower opportunity cost compared to another nation or region. The rule of economics that states that each country should specialize in producing those goods that it is able to produce relatively most efficiently.

Compensatory Trade - The sale of goods or services that is paid for by bartering other goods or services.

Complementary Imports - The imports of goods or services that the importing country does not possess or produce.

Compliant Documents - Documents presented under a letter of credit that comply with all its terms and conditions. The banks are only obliged to pay the beneficiary if documents are totally compliant.

Confirming Bank - A Confirming Bank assumes responsibility to a seller for payment to the buyers bank, as long as the terms and conditions are reached and the letter of credit has been met.

Consignee - Party to whom goods are to be delivered.

Consignment - Delivery of merchandise from an exporter (the consignor) to an agent (the consignee) under agreement that the consignee sells the merchandise of the account of the consignor, while the consignor retains title to the goods until the consignee sells them. The consignee sells merchandise for commissions and remits the net proceeds to the consignor.

Consignor - A consignor is an individual entity, partnership or a company that ships its goods to another party to be taken care of. A consignor is usually an exporter.

Consolidated Income - The sum of income across all of the multinational corporation's domestic and foreign subsidiaries.

Consolidation - A form of corporate reorganization in which two firms pool their assets and liabilities to form a new company. The term can also be used for shipping, in which a freight consolidator combines shipments of cargo that are less than truckload (LTL) in order to reduce shipping rates.

Consular Statement - A document required by some foreign countries, describing a shipment of goods and showing information such as the consignor, consignee, and value of shipment. Certified by a consular official of the foreign country, it is used by the country's officials to verify the value, quantity, and nature of the shipment.

Consulate - The diplomatic building located in a foreign country that represents the commercial interests of the home country.

Consumer Price Indexes (CPI) - A program that produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

Container Security Initiative (CSI) - The Container Security Initiative was launched in 2002 by the U.S. Bureau of Customs and Border Protection to increase the security of cargo containers shipped to the United States.

Contingency Insurance - Contingency insurance protects the exporter in any situation in which exporter responsibility relied on the buyer to insure, but sustained a loss because of inadequate coverage from that source. It will cover situations in which the FOB endorsement would have otherwise served had that been in force.

Continuous Quotation System - A trading system in which buy and sell orders are matched with market makers as the orders arrive, ensuring liquidity in individual shares.

Contracts for the International Sale of Goods (CISG) - Contracts for the International Sale of Goods establish rules for international sales contracts and also establish legal rights and obligations for both the buyer and seller.

Controlled Foreign Corporation (CFC) - In the U.S. tax code, a foreign corporation owned more than 50 percent either in terms of market value or voting power.

Convention on the International Trade in Endangered Species (CITES) - An international agreement between governments. Its aim is to ensure that international trade in specimens of wild animals and plants does not threaten their survival.

Convertible Currency - A currency that can be easily and freely exchanged for other currencies.

Convex Tax Schedule - A tax schedule in which the effective tax rate is greater at high levels of taxable income than at low levels of taxable income. Such a schedule results in progressive taxation.

Cooperation Council for the Arab States of the Gulf (GCC) - The Cooperation Council for the Arab States of the Gulf (GCC) was established on May 25, 1981. It joined the 6 states of the United Arab Emirates, Kingdom of Bahrain, Kingdom of Saudi Arabia, Sultanate of Oman, Qatar and Kuwait. The framework's focus is on achieving a state of unity in all fields among its member states. It also stresses a furthering of relations and cooperation among member states and provides a platform to address security and economic development challenges.

Copenhagen Criteria - The rules and regulations that all applicant countries to the European Union must meet, and to which all EU member nations must maintain.

Copyright - A copyright grants the exclusive legal right to sell, produce, publish or distribute an individual or organizations original work.

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 modern corporation.

Corporate Social Responsibility (CSR) - The responsibilities that corporations (including MNCs) have to workers and their families, to consumers, to investors, and to the natural environment.

Corporation - Form of business organization that is created as a distinct "legal person" composed of one or more actual individuals or legal entities. Primary advantages of a corporation include limited liability, ease of ownership, transfer, and perpetual succession.

Correspondent Bank - A bank that, in its own country, handles the business of a foreign bank.

Corruption Perception Index (The CPI) - A ranking of countries and territories based on how corrupt their public sector is perceived to be. It is a composite index, a combination of polls, drawing on corruption-related data collected by a variety of reputable institutions. The CPI reflects the views of observers from around the world, including experts living and working in the countries/territories evaluated.

Cost and Freight - A pricing term that indicates that the cost of the goods and freight charges are included in the quoted price.

Cost and Freight - The seller has the obligation to pay for all the transportation costs.

Cost Insurance and Freight (CIF) - The seller has the obligation to pay for all transportation costs as well as insurance for the goods.

Cottage Industry - An industry comprised of a labor force that produces goods for sale at home, often with their own equipment.

Countertrade - The sale of goods or services that are paid for in whole or part by the transfer of goods or services from a foreign country.

Countervailing Duties - Duties levied on an imported good that has been unfairly subsidized by a foreign government. Imposing duties on the good is meant to raise the product's price to a "fair market value".

Country Risk - The political and financial risks of conducting business in a particular foreign country.

Courtage - A European term for brokerage fee.

Credit Bureaus - An agency that collects and sells informational on individuals credit.

Credit Risk Insurance - Insurance that covers the risk of nonpayment for delivered goods.

Creeping Nationalization - The succession of small but important changes in a firm's condition or standing that bring it slowly under national control.

Cultural Relativism - The belief that no country is superior to another when comparing the systems of morality, law, politics, etc.

Culture - Collective mental paradigms that a society imparts to individuals in the form of behavior patterns, shared values, norms and institutions.

Currency Coupon Swap - A fixed-for-floating rate nonamortizing currency swap traded primarily through international commercial banks.

Currency Cross-hedge - A hedge of currency risk using a currency that is correlated with the currency in which the underlying exposure is denominated.

Currency of Reference - The currency that is being bought or sold. It is most convenient to place the currency of reference in the denominator of a foreign exchange quote.

Currency Option - A contract giving the option holder the right to buy or sell an underlying currency at a specified price and on a specified date. The option writer (seller) holds the obligation to fulfill the other side of the contract.

Currency Option Contracts - Currency option contracts provide the contract holder the right to buy or sell currency at a set exchange rate for a specific period of time.

Currency Risk - The risk of unexpected changes in foreign currency exchange rates. Also known as foreign exchange risk.

Currency Swap - A contractual agreement to exchange a principal amount of two different currencies and, after a prearranged length of time, to give back the original principal. Interest payments in each currency are also typically swapped during the life of the agreement.

Current Account - A measure of a country's international trade in goods and services.

Current Account Balance - A broad measure of import-export activity that includes services, travel and tourism, transportation, investment income and interest, gifts, and grants along with the trade balance on goods.

Current Rate Method - A translation accounting method, such as FAS #52 in the United States, that translates monetary and real assets and monetary liabilities at current exchange rates. FSA #52 places any imbalance into an equity account called the "cumulative translation adjustment."

Customhouse Broker - A person or firm obtains the license from the treasury department of its Country when required, and help clients (importers) to enter and declare goods through customs.

Customs - The authorities designated to collect duties levied by a country on imports and exports.

Customs Trade Partnership Against Terrorism (C-TPAT) - A partnership between the United States government and the private sector to extend U.S. border security by extending U.S. border protection to the origin of incoming cargo.

Customs Union - A form of regional economic integration group that eliminates tariffs among member nations and establishes common external tariffs.

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Debtor Nation - A nation that owes less in foreign currency than it owes other nations.

Deferral Principle - Parent companies are not taxed on the income of a foreign subsidiary until they actually receive a dividend amount from that subsidiary.

Deferred Payment Credit - A type of letter of credit which provides for payment some time after presentation of the shipping documents by the exporter.

Delivered Duty Paid (DDP) - The seller has the obligation to pay for all transportation costs of shipping goods as well as duties.

Demand Management - A business process with the intention to coordinate and influence all sources of demand for a firm's products.

Demurrage - A charge that is created to compensate for a delay.

Department for International Development (DFID) - UK Government Department responsible for promoting development and the reduction of poverty.

Department of Commerce (DOC) - US Government Department focused on advancing economic growth and jobs and opportunities for the American people.

Depository Receipt - A derivative security issued by a foreign borrower through a domestic trustee representing ownership in the deposit of foreign shares held by the trustee.

Developed Countries - The richer, more industrialized countries in the world.

Developing Country - A country that is in the process of becoming industrialized. A developing country typically lacks industrialization, infrastructure, high literacy rate and advanced living standards.

Digital Divide - The digital divide refers to the widening technological gap between the richer and the poorer countries of the world.

Direct Exporting - Marketer takes direct responsibility for its products abroad by selling them directly to foreign customers or through local representatives in foreign markets.

Discretionary Reserves - Balance sheet accounts that are used in some countries to temporarily store earnings from the current year or the recent past.

Discriminatory Pricing - The practice that selling a product or service at different prices that do not reflect a proportional difference in costs.

Dispute Settlement Body (DSB) - Dispute Settlement Body is a part of the World Trade Organization (WTO) that settles trade disputes between governments.

Dispute Settlement Panel (DSP) - The World Trade Organizations Dispute Tenement Body forms different Dispute Settlement Panels to resolve conflicting issues among its members.

Dispute Settlement Understanding (DSU) - The Dispute Settlement Understanding (DSU) of the World Trade Organization (WTO) was one of the key outcomes of the Uruguay Round of multilateral trade negotiations.

Distributor - Someone who sells directly for as supplier and maintains an inventory of goods for that seller.

Diversionary Dumping - The sale of foreign products at less than fair value to a 3rd country where the products are further processed and sold to another country.

Dock Receipt - Document issued by a shipping company to acknowledge that goods have been received for shipment.

Domestic Bonds - Bonds issued and traded within the internal market of a single country and denominated in the currency of that country.

Domestic International Sales Corporation - In the U.S. tax code, a specialized sales corporation whose income is lumped into the same income basket as a foreign sales corporation.

Domestic Liquidity - The aggregate of money supply, quasi-money or savings and time deposits, and deposit substitutes.

Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR) - A comprehensive trade agreement between Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and the United States to facilitate trade and investment and promote regional integration.

Downstream Dumping - A type of dumping in which the primary producer first sells its product to another domestic producer at below fair value or cost. The second producer then furthur processes the product and exports it to another country at a lower than normal cost.

Draft - A means of payment whereby a drawer (the importer) instructs a drawee (either the importer or its commercial bank) to pay the payee (the exporter). Also known as trade bill or bill of exchange.

Dual Pricing - The practice of selling identical products in different markets for different prices.

Dumping - Selling merchandise in another country at a price below the price at which the same merchandise is sold in the home market or selling such merchandise below the costs incurred in production and shipment, that is, selling the product at less than fair value. Dumping is an illegal trade practice.

Dumping Margin - The difference between the fair value of a product and the amount for which it is available in the case of dumping.

Duty - A tax imposed on imports by the customs authority of a country.

Duty Drawback Programs - A duty drawback program allows for the exporters of goods to obtain refunds on duties on materials made from imported goods.

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East African Community (EAC) - The East African Community (EAC) is a regional organization composed of the Republics of Kenya, Uganda, the United Republic of Tanzania, Republic of Rwanda and Republic of Burundi. The EAC provides a forum for cooperation on a broad range of topics including: trade, science and technology, wildlife management, investments and industrial development, and foreign affairs.

East African Cooperation (EAC) - The Commission for East African Cooperation (EAC), which comprised of Kenya, Uganda and Tanzania, was first formed in 1967 as the East African Community, but collapsed in 1977.

Eclectic Paradigm - A theory of the multinational firm that posits three types of advantages benefiting the multinational corporation: ownership-specific, location-specific, and market internalization advantages.

Economic Community of West African States (ECOWAS) - A regional group consisting of sixteen West African nations. It is a free trade area for agricultural products and raw materials, and a preferential trade area for various industrial products.

Economic Cooperation Organization (ECO) - An intergovernmental regional organization established in 1985 by Iran, Pakistan and Turkey for the purpose of promoting economic, technical and cultural cooperation among the Member States. In 1993 the ECO included seven new members: Islamic Republic of Afghanistan, Republic of Azerbaijan, Republic of Kazakhstan, Kyrgyz Republic, Republic of Tajikistan, Turkmenistan and Republic of Uzbekistan.

Economic Exposure - Change in the value of a corporation’s assets or liabilities as a result of changes in currency values.

Economic Freedom - Economic freedom occurs when individuals and businesses make most of the economic decisions in an economy.

Economic Integration - The integration of commercial and financial activities among countries through the abolishment of economic discrimination.

Economic Integration Levels - An economic arrangement between different regions which eliminate trade barriers and coordinate monetary and fiscal policies.

Economic Risk - The likelihood that events, including economic mismanagement, will cause drastic changes in a country's business environment that adversely affect the profit and other goals of a particular business enterprise.

Economic Union - A group that combines the economic characteristics of a common market with some degree of harmonization of macroeconomic policies, such as monetary and fiscal policies.

Economies of Scale - Achieving lower average cost per unit through a larger scale of production. This is achieved by spreading fixed cost over a greater amount of production.

Economies of Vertical Integration - Achieving lower operating costs by bringing the entire production chain within the firm rather than contracting through the marketplace.

Effective Exchange Rate - Spot exchange rates that are actually paid or received by the general public, including taxes on any transactions as well as bank commissions.

Efficient Market - A market in which prices reflect all relevant information.

Embargo - A type of economic sanction that totally disallows the imports of a specific product or all products from a specific country, typically placed in a time of war.

Emerging Market - An emerging market has a very high growth rate, which yields enormous market potential. It is distinguished by the recent progress it has made in economic liberalization.

Emerging Stock Markets - The stock markets of emerging economies. These markets typically have higher expected returns than established markets but also higher risk.

Equity-linked Eurobonds - A Eurobond with a convertibility option or warrant attached.

Ethnocentrism - The belief that one ethnic group or culture is inherently more superior.

Euro - The single currency of the European Economic and Monetary Union (EMU) was introduced in January 1999 and became the official currency of EMU member countries on January 1, 2002. EMU members are Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Spain.

Eurobond - A bond that is denominated in a currency other than that of the country of issue.

Eurocurrencies - Deposits and loans denominated in one currency and traded in a market outside the borders of the country issuing that currency (e.g., Eurodollars).

Eurocurrency Market - A money market for currencies held in the form of deposits in countries other than that where the currency is issued.

Eurodollars - Dollar-denominated deposits held in a country other than the United States.

European Article Number (EAN) - A standard international numbering code system that is used primarily in retail applications. It is also compatible with the U.S. UPC (Universal Product Code).

European Bank for Reconstruction and Development (EBRD) - The first international financial institution of the post Cold War period. It was established in 1991 in response to major changes in the political and economic climate in central and eastern Europe. The EBRD helps 29 countries from central Europe to central Asia with financing projects.

European Central Bank (ECB) - The central bank for European Union (EU). It sets monetary policy for member countries.

European Committee for Standardization (CEN) - An organization composed of the national standards organizations of 33 European countries. The European Committee for Standardization, or CEN, seeks to promote the European economy in the global market by providing an efficient and standardized infrastructure for trade.

European Community (EC) - Organization formed in 1967 with the merger of the European Economic Community, European Coal and Steel Community, and European Atomic Energy Community. The merger created a single Commission of the European Community and a single Council of Ministers. In 1993 the EC became the basis of the European Union, and the European Economic Community was renamed the European Community.

European Currency Unit (ECU) - A trade-weighted basket of currencies in the European Exchange Rate Mechanism (ERM) of the European Union.

European Economic Area - An agreement, entered into force on 1 January 1994, which links Iceland, Norway and Liechtenstein to the European Union Internal Market.

European Exchange Rate Mechanism (ERM) - The exchange rate system used by countries in the European Union in which exchange rates are pegged within bands around an ERM central value.

European Free Trade Association (EFTA) - The European Free Trade Association (EFTA) is an international organization established in 1960. It is composed by Iceland, Liechtenstein, Norway and Switzerland promoting free trade and economic integration. There are 3 main branches of the EFTA: the EFTA Secretariat, Surveillance Authority and EFTA Court. Its function is to create a free trade area among its Member States.

European Monetary System (EMS) - An exchange rate system based on cooperation between European Union central banks.

European Union (EU) - An intergovernmental organization which coordinates foreign, economic, and judicial policy among its 27 member nations.

Ex Works (EXW) - The buyer is responsible for all the costs and risks in shipping goods.

Exaction - Demanding or imposing various fees from a position of authority.

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.

Exchange Risk - The risk that losses may result from the changes in the relative values of different currencies.

Excise tax - A tax on the consumption of certain goods either made in or imported into a country.

Expatriate Manager - A national of one country appointed to a management position in another country.

Export - Any resource, intermediate good, or final good or service that producers in one country sell to buyers in another country.

Export Administration Regulations (EAR) - EAR carry both civil and criminal penalties. The EAR are available by subscription from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20401 (tel no: 202-275 2091).

Export Broker - An individual or firm that helps to locate and introduce buyers and seller in international business for a commission but does not take part in actual sales transaction.

Export Credit Insurance - Insurance provided to exporters in order to protect them against commercial and political risks.

Export Declaration - A control document that lists information on an export including amount, nature, and value.

Export Financing Interest - In the U.S. tax code, interest income derived from goods manufactured in the United States and sold outside the United States as long as not more than 50 percent of the value is imported into the United States.

Export License - A general export license covers the exportation of goods not restricted under the terms of a validated export license. No formal application or written authorization is needed to ship exports under a general export license.

Export Restraints - Quantitative restrictions imposed by exporting countries to limit exports to specified foreign markets, usually as a follow-up to formal or informal agreements reached with importing countries.

Export Subsidies - Any form of government payment that helps an exporter or manufacturing company to lower its export costs.

Export Trading Company (ETC) - A company that facilitates the export of goods and services. An ETC can either act as the export department for producers or take title to the product and export for its own account.

Export-Import Bank of the United States (Ex-Im Bank) - The official export credit agency of the United States with the mission of assisting financial export of U.S. goods and services to international markets. Ex-Im Bank enables U.S. companies — large and small — to turn export opportunities into real sales that help to maintain and create U.S. jobs and contribute to a stronger national economy.

Expropriation - A specific type of political risk in which a government seizes foreign assets.

External Market - A market for financial securities that are placed outside the borders of the country issuing that currency.

Extraterritoriality - A government practice which applies its laws outside its territorial boundaries.

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Factoring - Sale of an accounts receivable balance to buyers (factors) that are willing and able to bear the costs and risks of credit and collections.

Fair Trade Laws - Fair trade laws establish the minimum resale price for a product set by the manufacturer.

Fast Track Negotiating - Authority provided by the U.S. Congress to the Executive Branch to negotiate amendment-proof trade agreements.

Federal Trade Commission (FTC) - A U.S. agency, which ensures that consumers are protected in the marketplace against unfair methods of competitions.

Financial Contagion - The spread of a financial crisis from one country or region to other countries or regions.

Financial Innovation - The process of designing new financial products, such as exotic currency options and swaps.

Financial Market - The market for the exchange of credit and capital in an economy. It consists of the money market and the capital market.

Financial Price Risk - The risk of unexpected changes in a financial price, including currency (foreign exchange) risk, interest rate risk, and commodity price risk.

Financial Risk - Financial risk refers to unexpected events in a country's financial, economic, or business life.

Financial Service Income - In the U.S. tax code, income derived from financial services such as banking, insurance, leasing, financial service management fees, and swap income.

First-to-market Advantage - Also known as "first-mover advantage." The idea of first-mover advantage is that the initial occupant of a strategic position or niche (market segment) gains access to resources and capabilities that a follower cannot match.

Fixed Exchange Rate System - An exchange rate system in which governments stand ready to buy and sell currency at official exchange rates. Fluctuations of this currency are not possible.

Fixed Forward Contract - Currency is bought or sold at a given future date.

Flight of Capital - The movement of capital from one place to another in order to avoid loss or increase gain.

Floating Currency System - An exchange rate system under which a government is not obligated to declare that its currency is convertible into a fixed amount of another currency.

Floating Exchange Rate - An exchange rate system in which currency values are allowed to fluctuate according to supply and demand forces in the market without direct interference by government authorities.

Force Majeure - The title of a common clause in contracts exempting the parties for non-fulfillment of their obligations as a result of conditions beyond their control, such as Acts of God or war.

Foreign Aid - A grant of money, technical assistance, capital equipment, or other assistance typically extended by richer nations to poorer nations.

Foreign Base Company Income - In the U.S. tax code, a category of Subpart F income that includes foreign holding company income and foreign base company sales and service income.

Foreign Bonds - Bonds that are issued in a domestic market by a foreign borrower, denominated in domestic currency, marketed to domestic residents, and regulated by the domestic authorities.

Foreign Bottom - An ocean vessel built or registered in a foreign country.

Foreign Branch - A foreign affiliate that is legally a part of the parent firm. In the U.S. tax code, foreign branch income is taxed as it is earned in the foreign country.

Foreign Corrupt Practices Act - A federal law created in 1977 that prohibits companies from bribing foreign government officials and political figures in order to create business.

Foreign Debt - Money owed by a nation to foreign investors, banks, or governments.

Foreign Direct Investment (FDI) - The act of building productive capacity directly in a foreign country.

Foreign Equity Requirements - Investment rules that limit foreign ownership to a minority holding in a company.

Foreign Exchange - Currency of another country, or a financial instrument that facilitates payment from one currency to another.

Foreign Exchange Broker - Brokers serving as matchmakers in the foreign exchange market that do not put their own money at risk.

Foreign Exchange Dealer - A financial institution making a market in foreign exchange.

Foreign Exchange Markets - Networks of commercial banks, investment banks, and other financial institutions that convert, buy, and sell currencies in the global economy.

Foreign Exchange Rate - The price of one nation's currency in terms of another nation's currency. The foreign exchange rate is specified as the amount of one currency that can be traded per unit of another.

Foreign Exchange Risk - The risk of unexpected changes in foreign currency exchange rates. Also known as currency risk.

Foreign Remittances - The transfer across national boundaries of any kind of funds.

Foreign Sales Corporation (FSC) - In the U.S. tax code, a specialized sales corporation whose income is lumped into the same income basket as that of a domestic international sales corporation.

Foreign Tax Credit (FTC) - In the U.S. tax code, a credit against domestic U.S. income taxes up to the amount of foreign taxes paid on foreign-source income.

Foreign Trade Zone - A physical area in which the government allows firms to delay or avoid paying tariffs on imports.

Foreign-source Income - Income earned from foreign operations.

Forfaiting - A form of factoring in which large, medium- to long-term receivables are sold to buyers (forfaiters) that are willing and able to bear the costs and risks of credit and collections.

Forward Foreign Exchange - An agreement to purchase or sell a defined amount of forward currency in the future at a certain fixed rate.

Foul Bill of Lading - A receipt issued by a carrier to the exporter making use of its services which, to reduce the carrier's liability, notes that the goods were in some way damaged, short in quantity, or improperly packaged.

Franchise Agreement - An agreement in which a domestic company (the franchiser) licenses its trade name and/or business system to an independent company (the franchisee) in a foreign market.

Franchising - A parent company grants another independent entity the privilege to do business in a pre-specified manner, including manufacturing, selling products, marketing technology and other business approach.

Free Alongside Ship (FAS) - The seller is obligated to place goods alongside the ship at a specific port.

Free Market - The type of market in which goods and services cross borders freely, unrestrained by tariffs or any other sort of barrier to trade.

Free On Board (FOB) - A trade term requiring the seller to deliver goods via a method of transportation designated by the buyer. The seller fulfills its obligations to deliver when the goods have passed through the seller's ownership and prepared for delivery to the buyer.

Free on Board Endorsement (FOB) - Used with FOB (Free on Board), FAS, C&F, or CFR (but not CIF) quotations, FOB sales endorsement to an open marine policy can cover transit risk from the point of origin until title transfers. In these instances, the exporter relies on the importer to insure.

Free Port - An area such as a port city into which merchandise may legally be moved without payment of duties.

Free Trade Area of the Americas (FTAA) - A proposed hemispheric trade zone that would cover all of the countries in North, South, and Latin America. The FTAA is highly controversial.

Free Trade Zone - An area designated by the government to which goods may be imported for processing and subsequent export on duty-free basis. Merchandise may be stored, used or manufactured in the zone and reexported without duties being paid.

Freely Floating Exchange Rate System - An exchange rate system in which currency values are allowed to fluctuate according to supply and demand forces in the market without direct interference by government authorities.

Freight Forwarder - An independent business that handles export shipment on behalf of the shipper without vested interest in the products. A freight forwarder is a good source of information and assistance on export regulations and documentation, shipping methods, and foreign import regulations.

Freight Forwarders - Shipping cargo from other firms and assuming full responsibility for the shipment.

Freight Shippers - Agents used to coordinate the logistics of transportation. Also known as freight forwarders.

Fronting Loan - A loan between a parent company and foreign subsidiary that is channeled through a financial intermediary.

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G-7 - A formal organization of 7 highly industrialized democracies: Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

G-8 - The G-7 countries plus Russia.

General Agreement on Tariffs and Trade (GATT) - A post-World War II agreement designed to promote freer international trade among the nations of the world. The GATT was replaced by the World Trade Organization (WTO) in 1994.

General Average - A maritime law where shippers agree to reimburse the damage done to a ship or cargo in case of a catastrophic event.

General System of Trade Preferences among Developing Countries (GSTP) - An agreement established in 1988 as a framework for the exchange of trade preferences among developing countries in order to promote intra-developing-country trade.

Generalized System of Preferences (GSP) - A program of tariff preferences for designed to encourage the economic growth of certain developing countries. In accordance with the Generalized System of Preferences (GSP), developed countries let the manufactured and semi-manufactured goods of eligible developing countries enter with either no duty or a lower rate than is applied to other countries.

Generally Accepted Accounting Principles (GAAP) - A common set of accounting concepts, standards, and procedures by which financial statements are prepared.

Geocentric Multinational - A multinational in which the subsidiaries are neither satellites nor independent city states, but parts of a whole whose focus is on worldwide objectives as well as local objectives, each part making its unique contribution with its unique competence.

Global Bond - A bond that trades in the Eurobond market as well as in one or more national bond markets.

Global Economy - The international network of individuals, businesses, governments, and multilateral organizations which collectively make production and consumption decisions.

Global Quota - An import quota set by a nation which specifies the allowed quantity of a product from all countries.

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.

Gold Exchange Standard - An exchange rate system used from 1925 to 1931 in which the United States and England were allowed to hold only gold reserves while other nations could hold gold, U.S. dollars, or pounds sterling as reserves.

Gold Standard - An exchange rate system used prior to 1914 in which gold was used to settle national trade balances. Also called the "classical gold standard."

Gradualism - A steady and calculated approach to transforming an economy from communism to capitalism.

Graduation - The point at which a developing country's eligibility for Generalized System of Preferences (GSP) is terminated for the reason of sufficient economic progression.

Gray-market Imports - Gray-market imports are parallel distribution of genuine goods by intermediaries other than authorized channel members.

Greenfield - A Greenfield Investment is the investment in a manufacturing plant, office, or other physical company-related structure or group of structures in an area where no previous facilities exist.

Gross Domestic Product (GDP) - A measure of the market value of goods and services produced by a nation. Unlike Gross National Product, GDP excludes profits made by domestic firms overseas, as well as the share of reinvested earning in domestic firms' foreign-based operations.

Gross National Income (GNI) - Previously known as Gross National Product, Gross National Income comprises the total value of goods and services produced within a country (i.e. its Gross Domestic Product), together with its income received from other countries (notably interest and dividends), less similar payments made to other countries. For example, if a British-owned company operating in another country sends some of their incomes (profits) back to UK, UK's GNI is enhanced. Similarly, a British production unit of a US company sending profit to the US will affect the British GNI but will not reduce it since it is not included in the first place.

Gross National Product (GNP) - Total value of all final goods and services produced within a nation in a particular year, plus income earned by its citizens who are working abroad, minus income of non-residents located in that country. It is essentially the measurement of the value of all goods and services produced by a country's citizens regardless of their location. Its difference with Gross Domestic Product (GDP) is that GDP measures the total production within a country regardless of the citizenship of the producer.

Gulf Cooperation Council (GCC) - A council created in 1981 and composed of Saudi Arabia, Bahrain, Oman, Qatar, Kuwait, and the United Arab Emirates. It is a forum to coordinate and integrate economic policies between these six countries, which account for about 40% of oil in the international market.

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Harmonized Tariff Schedule (HTS) - A method of classification used by many countries to determine tariffs on imports.

Heavily Indebted Poor Countries Initiative - A major international response to the burdensome external debt held by the world's poorest, most indebted countries. It originated in 1996 as a joint undertaking of the World Bank and the International Monetary Fund (IMF). Also known as the HIPC Initiative.

Hedge Portfolio - The country-specific hedge portfolio in the International Asset Pricing Model serves as a store of value (like the risk-free asset in the CAPM) as well as a hedge against the currency risk of the market portfolio.

Hedging Tools - Hedging tools are used to reduce the risk of financial loss on an investment.

High Context Culture - A culture in which communication is often implicit and relationships are paramount.

High-withholding-tax Interest Income - In the U.S. tax code, interest income that has been subject to a foreign gross withholding tax of five percent or more.

Home Asset Bias - The tendency of investors to overinvest in assets based in their own country.

Homogeneous Expectations - Idea that all individuals have the same beliefs concerning future investments, profits, and dividends.

Horizontal Foreign Direct Investment - Foreign direct investment in the same industry abroad as a firm operates in at home.

Hyperinflation - An extremely high rate of inflation, often exceeding several hundred or several thousand percent, that causes a country's money to become practically worthless.

Hysteresis - The behavior of firms that fail to enter markets that appear attractive and, once invested, persist in operating at a loss. This behavior is characteristic of situations with high entry and exit costs along with high uncertainty.

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Implicit Tax - Lower (higher) before-tax required returns on assets that are subject to lower (higher) tax rates.

Import - Any resource, intermediate good, or final good or service that buyers in one country purchase from sellers in another country.

Import License - A document required and issued by some national government authorizing the importation of goods into their individual countries.

Income Baskets - In the U.S. tax code, income is allocated to one of a number of separate income categories. Losses in one basket may not be used to offset gains in another basket.

INCOTERMS - Trade terms used worldwide to specify seller and buyer obligations in shipments against international sales contracts. Proposed, updated and copyrighted by the International Chamber of Commerce (ICC), they serve as global standards for uniform interpretation of common contract clauses in international trade.

Indirect Diversification Benefits - Diversification benefits provided by the multinational corporation that are not available to investors through their portfolio investment.

Indirect Exporting - Export products to foreign markets by using an intermediary, usually export trading company based in the exporter's country.

Indirect Terms - The price of a unit of domestic currency in foreign currency terms such as DM1.5272/$ for a U.S. resident (contrast with direct terms).

Individualism - The belief that an individual and their goals and achievements are more important than a groups.

Infant Industry Argument - The infant industry argument is a rationale for the "temporary protection" of a new industry or firm in order to help it become established domestically and later become competitive worldwide. These protections consist of tariff and non-tariff barriers to imports, preventing global competition from entering the market.

Inflation Rate - The general increase in the price level herein measured by the growth rate in the GNP Implicit Price Index or the general price deflator.

Integrated Financial Market - A market in which there are no barriers to financial flows and purchasing power parity holds across equivalent assets.

Intellectual Property Rights - Patents, copyrights, and proprietary technologies and processes that are the basis of the multinational corporation's competitive advantage over local firms.

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.

Interest Rate Risk - The risk of unexpected changes in an interest rate.

Interest Rate Swap - An agreement to exchange interest payments for a specific period of time on a given principal amount. The most common interest rate swap is a fixed-for-floating coupon swap. The notional principal is typically not exchanged.

Intermediated Market - A financial market in which a financial institution (usually a commercial bank) that stands between borrowers and savers.

Intermodal - The use of two or more modes of transportation to complete a cargo move; truck/rail/ship, or truck/air, for example.

Internal Market - A market for financial securities denominated in the currency of a host country and placed within that country.

International Accounting Standards Board (IASB) - The International Accounting Standards Board (IASB) is an independent, privately funded organization that sets international accounting standards. The IASB is committed to developing a single set of high quality, understandable and enforceable global accounting standards that require transparent and comparable information in general purpose financial statements.

International Asset Pricing Model (IAPM) - The international version of the Capital Asset Pricing Model in which investors in each country share the same consumption basket and purchasing power parity holds.

International Bank for Reconstruction and Development - Also called the World Bank, an international organization created at Breton Woods in 1944 to help in the reconstruction and development of its member nations.

International Bonds - Bonds that are traded outside the country of the issuer. International bonds are either foreign bonds trading in a foreign national market or Eurobonds trading in the international market.

International Chamber of Commerce (ICC) - International non-governmental body concerned with promotion of trade and harmonization of trading practice. Responsible for drafting and publishing.

International Energy Agency (IEA) - An autonomous agency linked with the Organization for Economic Cooperation and Development (OECD). It is the authoritative source for energy statistics worldwide and an energy policy advisor for 28 member countries. It was founded during the oil crisis of 1973-74 and was initially focused on coordinating efforts between member countries in times of oil supply emergencies. Since then it has expanded its role to encompass climate change policies, market reform, energy technology collaboration, and outreach to the rest of the world.

International Joint Venture - An international joint venture is when two or more partners agree to control and own a business overseas.

International Labour Organization (ILO) - The International Labour Organization is the UN specialized agency which seeks the promotion of social justice and internationally recognized human and labour rights. The ILO formulates international labour standards in the form of conventions and recommendations setting minimum standards of basic labour rights.

International Monetary Fund (IMF) - An international organization designed to promote global economic stability and development. It compiles statistics on cross-border transactions and publishes a monthly summary of each country's balance of payments.

International Monetary System - The global network of governmental and commercial institutions within which currency exchange rates are determined.

International Organization for Standardization (ISO) - ISO is a worldwide federation of national standardization bodies of more than 159 countries. Established as a non-government organization in 1947, it develops international standards and publishes them. All branches other than electrical engineering standards are within the scope of ISO.

International Strategy - Attempting to create value by transferring core competencies to foreign markets where indigenous competitors lack those competencies.

International Trade Administration (ITA) - The International Trade Administration works to improve the global business environment as well as strengthen the competitiveness of the U.S. business industry through investment and fair trade through enforcement of trade laws and agreements.

Intervention - The efforts undertaken by a country or its central bank to affect the price of the country's currency on the exchange market. This can be done either through the government buying or selling large quantities of the currency to affect total supply, or by the central bank changing interest rates to affect the cash flow into the country.

Investment Agreement - An agreement specifying the rights and responsibilities of a host government and a corporation in the structure and operation of an investment project.

Invisible Barriers to Trade - Government regulations that do not directly restrict trade but have a hindering effect on through the use of excessive and obscure requirements on goods before they can be sold, especially imported goods. While known to local business people, foreign investors are not aware of these conditions, making them "invisible." Labeling requirements or other sorts of measurement or sanitary standards would be an example of this.

ISO 9000 - International Organization Standardization (ISO) guidelines for quality in manufacturing and service industries.

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Jeito - The way of somehow getting things done in Brazil; the jeito can help conquer seemingly insurmountable tasks (Portuguese).

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Kanban System - An inventory control system for tracking the flow of in-process materials through the various operations of a just-in-time production process. Kanban means "card" or "ticket" in Japanese.

Keiretsu - Collaborative groups of vertically and horizontally integrated firms with extensive share cross-holdings and with a major Japanese bank or corporation at the center.

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

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Laissez-faire - A term associated with the free enterprise economic system which calls for minimal government intervention or regulation, except in maintenance of this economic freedom.

Landed Cost - The quoted or invoiced cost of a commodity, plus any inbound transportation charges.

Latin American Integration Association (LAIA) - A trade integration association of Latin American countries dedicated to the improvement of member economic well-being through free trade.

Law of One Price - The principle that equivalent assets sell for the same price. The law of one price is enforced in the currency markets by financial market arbitrage. Also known as purchasing price parity (PPP).

Leading and Lagging - Reduction of transaction exposure through timing of cash flows within the corporation.

Least Developed Country (LDC) - A country, according to United Nations, characterized as having low gross national income per capita, a weakness in human resources, and economic vulnerability. Note: Many sources prefer LLDC to denote Least Developed Countries and LDC for Less Developed Countries.

Letter of Credit (L/C) - A letter issued by an importer's bank guaranteeing payment upon presentation of specified trade documents (invoice, bill of lading, inspection and insurance certificates, etc.).

Letter of Intent - A document describing the preliminary understanding between parties intending to join together in some sort of action or engage in a contract.

Liberalization - The process by which certain business activities become more market driven.

License Agreement - A sales agreement in which a domestic company (the licensor) allows a foreign company (the licensee) to market its products in a foreign country in return for royalties, fees, or other forms of compensation.

Licensing - One firm gives another firm a permission, which allows the latter to engage in an activity otherwise legally forbidden to it. Such activities usually involve the transfer of intellectual and proprietary knowledge in return for royalty as revenue.

Limited Flexibility Exchange Rate System - The International Monetary Fund's name for an exchange rate system with a managed float.

Local Content Requirement - A requirement that some specific fraction of a good be produced domestically.

Location-specific Advantages - Advantages (natural and created) that are available only or primarily in a single location.

Lombard Rate - The rate of interest changed by the Bundesbank, Germany's central bank, to loans backed by moveable, easily-sold assets.

London Interbank Bid Rate (LIBID) - The bid rate that a Euromarket bank is willing to pay to attract a deposit from another

Euromarket bank in London.

London Interbank Offer Rate (LIBOR) - The offer rate that a Euromarket bank demands in order to place a deposit at or make a loan to another Euromarket bank in London.

Low Context Culture - A culture in which communication is direct and the transfer of facts and information is what is paramount.

Lump of Labor Fallacy - The fallacious argument which, working on the assumption that there is only a fixed amount of work in the world, says that an increasing population will inevitably lead to increasing unemployment. This argument is often used by governments as reasoning behind reducing the workweek to reduce unemployment.

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Maastricht Treaty - The treaty, formally known as the Treaty on European Union, signed in 1992, that led to the unification of many European countries. The treaty changed the name of the European Community (EC) to the European Union (EU) and led to the creation of a monetary union with a European Central bank, political and military integration, common foreign policy, and common citizenship among member countries.

Macro Country Risks - Country (or political) risks that affect all foreign firms in a host country.

Madrid System - Allows for a trademark holder to have their trademark protected in several countries.

Maquiladoras - Duty-free assembly plants located mainly in the developing world. Maquiladoras are one type of foreign direct investment.

Market Access - The extent to which a domestic industry can penetrate a related market in a foreign country. Access can be limited by tariffs or other non-trade barriers.

Market Economy - An economy in which resource allocations, prices and other marketing decisions are primarily determined by the free market.

Market Failure - A failure of arms-length markets to efficiently complete the production of a good or service. In the eclectic paradigm, the multinational corporation's market internalization advantages take advantage of market failure.

Market Internalization Advantages - Advantages that allow the multinational corporation to internalize or exploit the failure of an arms-length market to efficiently accomplish a task.

Market Maker - A financial institution that quotes bid (buy) and offer (sell) prices.

Market-based Corporate Governance System - A system of corporate governance in which the supervisory board represents a dispersed set of largely equity shareholders.

Matchmaker Program - A service organized by the United States International Trade Administration, this program aids firms that are new to exporting or new to the market to meet prescreened business prospects in foreign markets who are interested in their products or services.

Melanesian Spearhead Group (MSG) - A regional trade treaty involving the states of Vanuatu, Solomon Islands, Papua New Guinea and Fiji created to foster and accelerate economic development through trade relations and provide a political framework for regular consultation and review on the status of the Agreement.

Mercantalism - An economic philosophy advocating that countries should simultaneously encourage exports and discourage imports.

Mercosur - The "common market of the South," a customs union which includes Argentina, Brazil, Paraguay and Uruguay. The organization mandates the lowering of tariffs and other trade barriers in hopes of eventually eliminating restrictions on the movement of capitol, labor, goods and services.

Method of Payment - Terms stating the acceptable forms of remittance for a given sales transaction. The party selling the product or service declares the acceptable method of payment.

Micro Country Risks - Country risks that are specific to an industry, company, or project within a host country.

Microcredit - Small loans, perhaps $50 or $100, that are extended to small businesses to finance a business start-up or other business activity.

Middle Market - A market segment generally represented by financing under $2 million. In leasing, this sector is dominated by single investor leases.

Miller and Modigliani's Irrelevance Proposition - Theory that if financial markets are perfect, then corporate financial policy (including hedging policy) is irrelevant.

Mixed Economy - An economy in which certain sectors of the economy are left to private ownership and free market mechanisms, while other sectors have significant government ownership and government planning.

Mixed Tariff - A combination of specific and ad valorem tariffs.

Money Supply - The total amount of currency in circulation and peso deposits subject to check of the monetary system.

Monopoly - Exclusive control or possession by one group of the means of producing or selling goods or services.

More Flexible Exchange Rate System - The International Monetary Fund's name for a floating exchange rate system.

Most Favored Nation (MFN) - A status granted to one country by another; the granting country then accords the recipient's imports and exports the most favorable treatment that it accords any country.

Multidomestic strategy - A strategy emphasizing the need to be responsive to the unique conditions prevailing in different national markets.

Multilateral Environmntal Agreements (MEAs) - Environmental agreements negotiated by a number of countries.

Multilateral Investment Guarantee Agency (MIGA) - One of the five institutions comprising the World Bank Group; MIGA's purpose is to help encourage equity investment and other kinds of direct investment flow into developing countries.

Multinational Corporation (MNC) - A corporation with operations in more than one country.

Multinational Netting - Elimination of offsetting cash flows within the multinational corporation.

Mutually Exclusive Investment Decisions - Investment decisions in which the acceptance of a project precludes the acceptance of one or more alternative projects.

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National Tax Policy - The way in which a nation chooses to allocate the burdens of tax collections across its residents.

National Trade Data Bank (NTDB) - The U.S. Government's most comprehensive source of international trade data and export promotion information. Types of information on the NTDB include: international market research, export opportunities; indices of foreign and domestic companies; how-to market guides; reports on demographic, political, and socio-economic conditions for hundreds of countries; and much more.

National Treatment - A country accords no less favorable treatment to imported goods than it does to domestic goods.

Nationalization - A process whereby privately owned companies are brought under state ownership and control (contrast with privatization).

Natural Advantage - Theory in economics that certain countries have a competitive advantage in certain products due to their access to specific natural resources, their climactic conditions, or their transportation system.

Negative-NPV Tie-in Project - A negative net present value infrastructure development project that a local government requires of a company pursuing a positive-NPV investment project elsewhere in the economy.

Net Position - A currency position after aggregating and canceling all offsetting transactions in each currency, maturity, and security.

New Protectionism - Recent efforts to pressure national governments to exercise greater control over foreign trade and foreign direct investment.

New-to-export (NTE) - The name of the circumstances of a company that either engages in export activities for the first time, engages in exportation for first time in twenty-four months, or has only exported to because of prior unsolicited orders. Export assistance is available to companies with this classification.

New-to-market (NTM) - The name of the circumstances under which a company exports to a foreign market in which it has either never exported to, has not exported to for the past twenty-four months, or has only exported to because of prior unsolicited orders. Assistance is available to companies with this classification.

Newly Industrializing Countries (NIC) - A group of former developing countries who, due to high levels of economic growth, have grown rapidly in recent years.

Nominal Cash Flow - A cash flow expressed in nominal terms if the actual dollars to be received (or paid out) are given.

Nominal Interest Rate - Interest rate unadjusted for inflation.

Non-governmental Organizations (NGOs) - Legally constituted, special interest groups created by natural or legal persons with no participation or representation of any government.

Non-market Economy - An economy in which the government, through the use of central planning, makes most economic decisions to control economic activity.

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.

Nonconvertible Currency - A currency is not convertible when both residents and nonresidents are prohibited from converting their holdings of that currency into another currency.

Nonintermediated Debt Market - A financial market in which borrowers (governments and large corporations) appeal directly to savers for debt capital through the securities markets without using a financial institution as intermediary.

Nordic Council - A regional alliance established in 1952 between Norway, Sweden, Finland, Denmark, and Iceland that is dedicated to cooperation among the Nordic countries. This has led to a common labor market, social security, and free movement of citizens across borders.

Normal Trade Relations (NTR) - New name for Most Favored Nation (MFN) trading status, in which the country which grants this status accords the recipient's imports and exports the most favorable treatment that it accords any country.

North American Free Trade Agreement (NAFTA) - A regional trade pact among the United States, Canada, and Mexico.

North-south Divide - A socio-economic and political division that exists between wealthy developed countries, known collectively as "the North", and poorer developing countries, or "the South."

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Ocean Bill of Lading - A document required for goods that travel across international waters.

Offering Statement - In the United States, a shortened registration statement required by the Securities and Exchange Commission on debt issues with less than a 9-month maturity.

Official Settlements Balance - An overall measure of a country's private financial and economic transactions with the rest of the world. Also known as overall balance.

Offshore Financial Centers (OFCs) - Offer little or no government interference in legitimate business and financial activities. In many cases, OFCs also offer very low or zero tax rates, and provide excellent communication facilities.

Oligopoly - A market dominated by so few sellers that action by any of them will impact both the price of the good and the competitors.

Open and Reform Policy - An economic policy enacted by the Chinese government combining central planning with market-oriented reforms to increase productivity, living standards, and technological quality without exacerbating inflation, unemployment, and budget deficits, with the goal of moving from a centrally-planned economy to a market-based one.

Operational Efficiency - Market efficiency with respect to how large an influence transactions costs and other market frictions have on the operation of a market.

Orderly Marketing Agreements - Agreements between two or more governments to hold back the growth of trade for certain products by limiting exports and imposing import quotas.

Organization for Economic Cooperation and Development (OECD) - A group of 30 countries that meets regularly to discuss global issues and make appropriate economic and social policies.

Organization of American States (OAS) - A regional organization created in 1948 promoting the economic and social development of Latin America. Members include the U.S., Mexico, most of South and Central America, and most of the Caribbean nations.

Organization of Petroleum Exporting Countries (OPEC) - An organization of countries formed in 1961 to agree on a common policy for the production and sale of petroleum.

Outsourcing - A situation in which a firm's functions are performed or provided by a person or group from outside the company.

Overall FTC Limitation - In the U.S. tax code, a limitation on the FTC equal to foreign-source income times U.S. tax on worldwide income divided by worldwide income.

Overseas Countries and Territories (OCT) - A group of twenty-one territories which depend constitutionally on four of the European Union Member States: Denmark, France, the Netherlands, and the United Kingdom.

Overseas Private Investment Corporation (OPIC) - A U.S. agency that assists U.S. businesses invest overseas and promotes economic development in new and emerging markets.

Ownership-specific Advantages - Property rights or intangible assets, including patents, trademarks, organizational and marketing expertise, production technology and management, and general organizational abilities, that form the basis for the multinational's advantage over local firms.

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Pan-Arab Free Trade Area (PAN-ARAB) - An agreement to preserve the economic interests of Arab States, as well as develop economic and trade relations among Arab States and the outside world.

Papau New Guinea-Australia Trade and Commercial Relations Agreement (PATCRA) - Established in 1977, an agreement between Papua New Guinea and Australia formalizing the traditional trading relationship by which substantially all the trade between the two countries is free of duty and other restrictive regulations of commerce.

Parallel Loan - A loan arrangement in which a company borrows in its home currency and then trades this debt for the foreign currency debt of a foreign counterpart.

Paris Convention - Signed in Paris in 1883 by 11 initial states the document allows for patents to be filed in other member countries.

Partnership - Form of business organization in which two or more co-owners form a business. In a general partnership each partner is liable for the debts of the partnership. Limited partnership permits some partners to have limited liability.

Passive Income - In the U.S. tax code, income (such as investment income) that does not come from active participation in a business.

Patents - A patent grants the sole right for a specific individual or organization to make, use or sell some invention as authorized by the government.

Pegged Exchange Rate System - The International Monetary Fund's name for a fixed exchange rate system.

Perfect Market Assumptions - A set of assumptions under which the law of one price holds. These assumptions include frictionless markets, rational investors, and equal access to market prices and information.

Peril Point - The limit beyond which the reduction of tariff protection in a given industry would cause it serious injury.

Points Quote - An abbreviated form of the outright quote used by traders in the interbank market.

Political Risk - The risk that a sovereign host government will unexpectedly change the rules of the game under which businesses operate. Political risk includes both macro and micro risks.

Polycentric Staffing - A staffing policy in a multinational enterprise in which host-country nationals are recruited to manage subsidiaries in their own country, while parent-country nationals occupy key positions at corporate headquarters.

Power Distance - The extent to which a society accepts hierarchical differences.

Predatory Pricing - Practice of temporarily selling below survival costs or giving goods away to undermine or eliminate the existing competition. Predatory pricing is an abuse of dominant position, and is illegal in several countries.

Price Discrimination - The practice of charging different prices for the same product in different markets.

Price Elasticity of Demand - The sensitivity of quantity sold to a percentage change in price.

Pricing Constraints - Pricing constraints limit the prices a company may set for their goods or services.

Pricing Controls - Pricing controls establish and maintain the maximum price levels goods or services can have, especially during times of inflation or war.

Privatization - A process whereby publicly owned enterprises are sold to private investors (contrast with nationalization).

Pro Forma Invoice - An invoice provided by a supplier prior to the shipment of merchandise, informing the buyer of the kinds and quantities of goods to be sent, their value, and important specifications.

Production Possibilities Schedule - The maximum amount of goods (for example, food and clothing) that a country is able to produce given its labor supply.

Production Sharing - Production sharing occurs when a producer chooses to make a product in stages - and in different countries - so that the firm can employ the lowest-cost resources in the production process.

Progressive Taxation - A convex tax schedule that results in a higher effective tax rate on high income levels than on low-income levels.

Promissory Note - Financial document in which the buyer agrees to make payment to the seller at a specified time.

Protectionism - Protection of local industries through tariffs, quotas, and regulations that discriminate against foreign businesses.

Protocol relating to Trade Negotiations among Developing Countries - An agreement negotiated under GATT auspices in 1973, providing for reciprocal tariff and other trade concessions among developing countries.

Psychic Distance - The similarities or lack thereof between country markets. This concept takes into account geographic distance, cultural similarities, linguistic aspects, legal systems and methods of conducting business.

Purchasing Agent - Someone who buys goods in his or her country on behalf of foreign buyers.

Purchasing Power Parity (PPP) - The principle that equivalent assets sell for the same price. Purchasing power parity is a measurement of a currency's value based on the buying power within its own domestic economy.

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Quantitive Restrictions (QR) - Restrictions on trade, generally in the form of quotas, that limit the quantity o a good or service that can be imported or exported. Another form of quantity restriction is a VER, or Voluntary Export Restraint.

Quid Pro Quo - An equal exchange that a person or firm makes with another person or firm.

Quota - The quantity of goods of a specific kind that a country permits to be imported without restriction or imposition of additional duties.

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Re-invoicing Centers - An offshore financial affiliate that is used to channel funds to and from the multinational's foreign operations.

Real Appreciation/Depreciation - A change in the purchasing power of a currency.

Real Exchange Rate - A measure of the nominal exchange rate that has been adjusted for inflation differentials since an arbitrarily defined base period.

Realignment - The coordinated revaluation and devaluation of the currencies of several countries.

Reciprocal Marketing Agreement - A strategic alliance in which two companies agree to comarket each other's products in their home market. Production rights may or may not be transferred.

Reconsignment - In shipping, it is the change in either the name of the consignee, the place of delivery, or relinquishment of the shipment by the carrier at the point of origin.

Regional Development Banks (RDBs) - 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.

Regional Value Content (RVC) - A rule that requires a product to be made up of a certain percentage of originating content.

Registration Statement - In the United States, a statement filed with the Securities and Exchange Commission on securities issues that discloses relevant information to the public.

Remittance - The forwarding of funds from one party to another as payment for goods or services.

Repatriation - The act of remitting cash flows from a foreign affiliate to the parent firm.

Reservation Price - The price below (above) which a seller (purchaser) is unwilling to go.

Restrictive Endorsement - Endorsement transferring title or right to a named party.

Rules of Origin - Rules used to determine in what country a good will be considered as actually made for tariff and other trade purposes.

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Sanitary Certificate - An inspection by a government agency that confirms that cargo meets the minimum sanitary requirements.

Scenario Analysis - A process of asking "What if?" using scenarios that capture key elements of possible future realities.

Section 201 - Also known as the "escape clause" of the U.S. Trade act of 1971, section 201 is a provision that permits imports to be restricted in a certain industry, for a limited time, if those imports have caused injury to U.S. firms.

Section 301 - In U.S. trade law, section 301 is a provision that allows private parties to seek compensation through the U.S. government if they have experienced injury to their business because of the illegal or unfair actions of foreign governments.

Segmented Market - A market that is partially or wholly isolated from other markets by one or more market imperfections.

Seller's Market - Exists when the demand for a good outweighs the supply, and so the economic forces of business cause the goods to be priced at or closer to the vendor's estimate of their value.

Semi-strong Form Efficient Market - A market in which prices fully reflect all publicly available information.

Settlement of Disputes - A declaration made by the United Nations (UN) stating that any water-based international disagreement must be settled in a peaceful and diplomatic manner.

Shipper - Consignor, exporter, or seller (who may be the same or different parties) named in shipping documents as the party responsible for initiating a shipment, and who may also bear the freight cost.

Simplified Network Application Process Redesign (SNAP-R) - The Department of Commerce's Bureau of Industry and Securities online system which allows users to submit export license applications and commodity classification requests.

Small Business Administration (SBA) - An independent agency of the U.S. federal government that aids, counsels, assists, and protects the interests of small business concerns to preserve free competitive enterprise and to maintain and strengthen the overall economy of the nation.

Small Business Development Center (SBDC) - An U.S. organization set up to assist small business owners by providing management and technical resources to help start and run their businesses.

Smoot Hawley Act - Passed in 1930, this protectionist act increased import duties to the highest rate ever imposed by the United States, resulting in the downfall of the world trade system.

Social Capital - Physical or real capital that is owned by the public sector rather than by private firms.

Society for Worldwide Interbank Financial Transactions (SWIFT) - Network through which international banks conduct their financial transactions.

Soft Currency - A currency which is not readily accepted in exchange for other currencies or convertible to gold.

Soft Loan - A loan with generous terms such as lower than usual or no interest, and/or a long payback period.

Sogo Shosha - A Japanese international general trading firm with integrated and coordinated services and production, such as Mitsubishi, and characterized by intercorporate shareholding and diversification to minimize risk, intra-group executives, and a presidential council.

Sole Proprietorship - A business owned by a single individual. The sole proprietorship pays no corporate income tax but has unlimited liability for business debts and obligations.

South Asian Association for Regional Cooperation (SAARC) - The South Asian Association for Regional Cooperation (SAARC) was established on December 8, 1985 as a economic and political organization for Southern Asia. Its members states consist of Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka.

South Asian Preferential Trade Arrangement (SAPTA) - An organization promoting and sustaining mutual trade and economic cooperation among Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka through the exchange of concessions in respect to tariffs, para-tariffs, non-tariff barriers and direct trade measures.

South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) - A non-reciprocal arrangement under which Australia and New Zealand offer preferential trade access to the developing nation members of the South Pacific Forum.

Southern African Customs Union (SACU) - A customs union among Botswana, Lesotho, Namibia, South Africa, and Swaziland focused on maintaining the free interchange of goods between member countries.

Southern African Customs Union (SACU) - Established in 1910, the SACU is the oldest customs union in the world and is composed of South Africa, Swaziland, Botswana, Namibia, and Lesotho. The countries engage in the free exchange of goods across their borders, and a share a common external tariff and excise duties, as well as the revenues generated by them.

Southern African Development Community (SADC) - The Southern African Development Community (SADC) was first established in 1992. It is the successor to the Southern African Development Coordination Conference (SADCC). The Member States are Angola, Botswana, the Democratic Republic of Congo, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia and Zimbabwe.

Southern African Development Community (SADC) - An inter-governmental organization focused on furthering socio-economic cooperation and integration as well as political and security cooperation among 15 South African states.

Southern Cone - The geographic region including Argentina, Brazil, Chile, Paraguay, and Uruguay.

Special Drawing Right (SDR) - An international reserve created by the International Monetary Fund and allocated to member countries to supplement foreign exchange reserves.

Specific Tariff - A tariff assessed at a specific amount per unit of weight.

Spot Exchange-rate - Price that is quoted for immediate (spot) settlement. Spot settlement is normally one to two business days from trade date.

Spot Market - A market in which trades are made for immediate delivery or delivery in the very near future.

Stabilization Policies - Government policies designed to promote economic growth, steady employment, and stable prices.

Stamp Tax - A tax placed on a legal document upon transfer.

Standard Industrial Classification (SIC) - A standard numerical code system used by the U.S. government to classify products and services.

Structural Impediments Initiative - A 1990 agreement between the United States and Japan aimed at trying to decrease non-tariff barriers restricting imports into Japan.

Subpart F Income - In the U.S. tax code, income from foreign subsidiaries owned more than 10 percent and controlled foreign corporations that is taxed on a pro rata basis as it is earned.

Subsidiary - A firm controlled by another firm (called the parent) through the ownership of greater than 50 percent of its voting stock.

Subsidized Financing - Financing that is provided by a host government and that is issued at a below-market interest rate.

Subsidy - Monetary assistance granted by the government to an individual or other entity in support of an activity that is regarded as being in the public interest.

Subsistence Agriculture - Small-scale agriculture designed to meet the consumption needs of individual households.

Synergy - In an acquisition or merger, when the value of the combination is greater than the sum of the individual parts: Synergy = VAT - (VA + VT).

Synthetic Forward Position - A forward position constructed through borrowing in one currency, lending in another currency, and offsetting these transactions in the spot exchange market.

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Tangible - Real assets that can be used as collateral to secure debt.

Tare Weight - The weight of a container and packing materials that excludes the weight of the goods it contains.

Targeted Registered Offerings - Securities issues sold to “targeted” foreign financial institutions according to U.S. SEC guidelines. These foreign institutions then maintain a secondary market in the foreign market.

Tariff Anomaly - The state of having a tariff on raw materials or semi-processed products be higher than the tariff on the corresponding finished product.

Tariff Engineering - The act of manufacturing something in order to get preferable duty treatment.

Tariff Escalation - A situation in which duties are low or non-existent for raw materials, moderate for semi-manufactured goods and relatively high for finished products.

Tariff-quota - A tariff that is set at a lower rate until a specified quantity (the quota) of goods has been imported, at which point the tariff increases for additional imports.

Tariffs - Taxes on imported goods and services, levied by governments to raise revenues and create barriers to trade.

Tax Arbitrage - Attempting to profit by exploiting the differences in tax rates or tax systems.

Tax Haven - A country or region imposing low or no taxes on foreign source income.

Tax Haven Affiliate - A wholly owned affiliate that is in a low-tax jurisdiction and that is used to channel funds to and from the multinational’s foreign operations. The tax benefits of tax-haven affiliates were largely removed in the United States by the Tax Reform Act of 1986.

Tax Holiday - A reduced tax rate provided by a government as an inducement to foreign direct investment.

Tax Neutrality - Taxes that do not interfere with the natural flow of capital toward its most productive use.

Tax Treaty - An agreement specifying what items of income will be taxed by the authorities of the country where the income is earned.

Technical Analysis - Any method of forecasting future exchange rates based on the history of exchange rates.

Territorial Tax System - A tax system that taxes domestic income but not foreign income. This tax regime is found in Hong Kong, France, Belgium, and the Netherlands.

Tied Loan - A loan issued by a government requiring the borrower to spend the funds in the lending country.

Trade Acceptance - A time draft that is drawn on and accepted by an importer.

Trade Balance - A country’s net balance (exports minus imports) on merchandise trade.

Trade Barrier - A governmental policy, action, or practice that intentionally interrupts the free flow of goods or services between countries.

Trade Deficit - Occurs when the value of a country's exports is less than the value of its imports.

Trade Surplus - A situation in which a country's exports exceed its imports. It represents a net inflow of domestic currency from foreign markets, and is the opposite of a trade deficit, which would represent a net outflow.

Trade Surplus - Occurs when the value of a country's exports is greater than the value of its imports.

Trademarks - A symbol or words that are legally registered to a company or product.

Trans-Pacific Strategic Economic Partnership - A multilateral free trade agreement which currently includes Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore, Vietnam and the United States.

Transaction Exposure - Changes in the value of contractual (monetary) cash flows as a result of changes in currency values.

Transaction Statement - A document that clearly outlines the terms and conditions agreed upon between an importer and an exporter.

Transfer Prices - Prices on intracompany sales

Transfer Pricing - The price one unit of a company charges to another unit of the same company for goods or services exchanged between the two.

Translation Exposure - Changes in a corporation’s financial statements as a result of changes in currency values. Also known as accounting exposure.

Transnational Corporation - An enterprise comprising entities in more than one country which operate under a system of decision-making that permits coherent policies and a common strategy.

Transparency - The observed degree of clarity, openness, measurability, and verifiability in a law, regulation, agreement, or trade practice.

Treaty of Rome - Treaty, signed in 1957, which inaugurated the European Economic Community, establishing a common market in a variety of products between member states.

Tripartite Agreement - An agreement among three parties. For example, the Germany, Italy and Japan Tripartite Pact, signed in 1940, specified the parties that would control Europe and Greater Asia.

Turnkey Project - A project in which a firm agrees to set up an operating plan for a foreign client and hand over the "key" when the plant is fully operational.

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Uncertainty Avoidance - The extent to which a society tolerates uncertainty and ambiguity.

Uniform Commericial Code (UCP) - Rules on commercial transactions which have been adopted by many countries and states.

Uniform Customs and Practice (UCP) - Internationally recognized set of regulations banks are obligated to follow when documenting letters of credit.

Uniform Rules for Collections (URC) - The internationally recognized standards on collection developed by the International Chamber of Commerce.

Uniform Rules for Collections (URC) - The internationally recognized standards on collection developed by the International Chamber of Commerce.

United Nations Conference on Trade and Development (UNCTAD) - UNCTAD was established in 1964 with the goal of promoting sustainable development while integrating developing countries into the world economy. It works to achieve this goal by acting as a forum for intergovernmental deliberations with an aim at consensus building; conducting research, policy analysis, and data collection; and by providing technical assistance tailored to the specific needs of different developing countries.

United Nations Industrial Development Organization (UNIDO) - UNIDO helps developing countries and countries with economies in transition in their fight against marginalization in today's globalized world. It mobilizes knowledge, skills, information, and technology to promote productive employment, a competitive economy, and a sound environment.

Unsustainable Debt - A financial condition in which a country is unable to service its foreign (external) debt without decimating its economy.

Usury - The practice of charging or paying exorbitant interest on a loan or other transaction. Note: in Islamic societies, charging, or receiving any amount of interest is considered usury.

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Value-added Tax (VAT) - A sales tax collected at each stage of production in proportion to the value added during that stage.

Vehicle Currency - A currency that plays a central role in the foreign exchange market (e.g., the U.S. dollar ad Japanese Yen).

Voluntary Export Restraint (VER) - A quota on trade imposed from the exporting country's side, instead of the importer's; usually imposed at the request of the importing country's government.

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Weak Form Efficient Market - A market in which prices fully reflect the information in past prices.

Weight Note - A document issued by either the exporter or a third party declaring the weight of goods in a consignment.

West African Economic and Monetary Union (UEMOA) - A regional alliance of Francophone West African countries dedicated to promoting economic integration among the seven member countries. The country members are Benin, Burkina Faso, Cote d'Ivoire, Guinea Bissau, Mali, Niger, Senegal, and Togo. They all share a common currency and have a central bank to oversee it.

Wharfage Charge - A charge assessed by a pier or dock owner for handling incoming or outgoing cargo.

Withholding Tax - A tax on dividend or interest income that is withheld for payment of taxes in a host country. Payment is typically withheld by the financial institution distributing the payment.

World Bank - An international organization created at Breton Woods in 1944 to help in the reconstruction and development of its member nations. Its goal is to improve the quality of life for people in the poorer regions of the world by promoting sustainable economic development. See also International Bank for Reconstruction and Development.

World Customs Organization (WCO) - An international organization whose function is the facilitation of trade between member states through the simplification and standardization of customs practices. The WCO was established in 1952 as the Customs Co-operation Council. This name was then changed in 1994 to the World Customs Organization. Today WCO provides regulations and standards to 176 Customs administrations worldwide.

World Intellectual Property Organization (WIPO) - An international organization focused on the protection of intellectual property. The WIPO administers 24 international treaties and is one of 16 specialized agencies of the United Nations. 184 nations are part of the WIPO and its headquarters is in Geneva, Switzerland.

World Trade Organization (WTO) - A multilateral organization that promotes free and fair trade among the nations of the world. It was created in 1994 by 121 nations at the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). The WTO is responsible for implementation and administration of the trade agreement.

Worldwide Tax System - A tax system that taxes worldwide income as it is repatriated to the parent company. It is utilized in Japan, the United Kingdom, and the United States.

WTO Committee on Trade and Development (CTD) - A forum for discussion on a broad range of issues relating to the trade of developing countries.

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Zaibatsu - Large family-owned conglomerates that controlled much of the economy of Japan prior to World War II. The four most historically significant zaibatsus, the Big Four, are Mitsubishi, Mitsui, Yasuda, and Sumitomo whose roots date back to the Japanese Edo period.

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