

Documents used in International Trade

Export and import documentations lie at the heart of all international trade transactions.

It provides exporters and importers with an accounting record; shipping and logistics companies with instructions of what to do with freight information; and banks with instructions and accounting tools for collecting payments. Export documents are more complex than those used for domestic sales due to the special characteristics of international trade : geographical distance, different customs laws, different means of transport, greater risk, etc. The documents required for each shipment will depend on the **conditions of sale (incoterms) agreed between seller and buyer.**

International transactions: are based on the buyer's purchase order. Issuance of an international purchase order is normally preceded by an exchange of information between exporter and importer with respect to the price, quality and quantity of products, etc.

The international commercial invoice: is an administrative document which contains all the information about the international sale. The item, quantity, price for the products/services sold, delivery and payment conditions, as well as the taxes and other expenses that might be included in the sale, are detailed in an international commercial invoice. The importer, with original of the international commercial invoice, declares to the tax authority of his country the amount that it must pay, to whom it is going to pay and the agreed means of payment. For the exporter, this document means a documentary evidence of the sales that it has made in foreign markets.

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The packing list: is a more detailed version of the commercial invoice but without price information. It must include invoice number, quantity and description of the goods, weight of the goods, number of packages, and shipping marks and numbers. A copy of packing list is often attached to the shipment itself and another copy is sent directly to the consignee to assist in checking the shipment when received.

In an **irrevocable letter of credit** the importer's bank agrees to the exporter (called the beneficiary) that the exporter will get paid if it can prove it has shipped the proper goods by providing the corresponding documents required by the letter of credit. Exporters like letters of credit because the advanced assurance of payment ensures the seller that it will not waste time preparing or shipping an order to a buyer who ultimately refuses to accept or pay for the goods.

An irrevocable letter of credit cannot be amended or cancelled without the consent of all parties.

Air Waybill AWB is a non-negotiable transport document covering transport of cargo from airport to airport. The Air Waybill must name a consignee (who can be the buyer). And it should not be required to be issued "to order" and/or "to be endorsed" as it is not a title of property of the merchandise. Since it is not negotiable, and it does not evidence title to the goods, in order to maintain some control of goods not paid for by cash in advance, sellers often consign air shipments to their sales agents, or freight forwarders' agents in the buyer's country.

A Multimodal Bill of Lading: is an international transport document covering two or more modes of transport, such as shipping by road and by

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sea. It is also used as a carriage Contract and receipt that the goods have been received. When it is issued "to the order", the multimodal bill of lading is title of ownership of the goods and can therefore be negotiated.

The certificate of origin: certifies the country in which the goods originated or in which the preponderance of manufacturing or value was added. It also constitute a declaration by the exporter. Virtually every country in the world considers the origin of imported goods when determining what duty will be assessed on the goods. Nevertheless the exporter's own certification on company letterhead will suffice. In most countries, chamber of commerce are the key agent in the delivery of certificates of origin. However, in some countries, this privilege may also be extended to other entities such as ministries or customs authorities.

The inspection certificate :

For pre shipment inspection is a document issued by an authority indicating that goods have been inspected (according to a set of industry, customer, government, or carrier specification) prior to shipment and the results of the inspection. They are generally obtained from neutral testing organizations. In some cases the inspection certificate can come from the manufacturer or shipper, but not from the forwarder or logistics firm.

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Key Words for Talking About International Trade

1. Economic Outlook:

We often use the word outlook to talk about our expectation of what the future might like. For instance, when the weatherman gives us the weather outlook, he's telling us what kind of weather to expect in the coming week.

Likewise, the term **economic outlook** tells us how the economy is expected to perform over a period of time in the future.

*** Sample sentence:**

The Bank of England governor Mark Carney has said the economic outlook following the UK's vote to leave the EU is "challenging."

2. Consumer Spending :

We all buy goods and services for our personal and household use. That makes us all consumers. So then, consumer spending refers to the purchase of goods and services by consumers like us.

*** Sample sentence:**

U.S. consumer spending rose for a second straight month in May on increased demand for automobiles and other goods, but there are fears Britain's vote to leave the European Union could hurt confidence and prompt households to cut back on consumption.

3. Free Trade:

Think of free trade as countries doing business freely with each other without the restrictions of import and export taxes.

*** Sample sentence:**

if the British people vote to leave, the EU could become more protectionist and less open to free trade.

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4. Restricted Trade :

Restricted trade is the opposite of free trade, In restricted trade, countries are taxed on the goods and services moving across their borders.

*** sample sentence :**

Britain hasn't left the EU yet, but we could see an exodus of American companies from London to Paris, Berlin or other potential European tech hubs before it does in order to preempt issues of restricted trade .

5. Manufacturers :

Manufacturers are companies that make large quantities (numbers) of goods for sale .

Hershey's, for instance, is one the biggest food manufacturers in the United States .

The noun manufacturer comes from the verb to manufacture.

*** sample sentence :**

And manufacturers that were starting to stabilize after a prolonged slump face a new potential setback.

6. Distribution:

Distribution is the action of sending a supply of goods to companies that sell them to consumers.

*** Sample sentence:**

If they have a good Proportion of sales on the continent, their may move their **distribution** centers.

7. Retailers:

Retailers are companies that sell goods in small quantities directly to consumers like us.

Macy's, for instance, is a huge retail store in the United States.

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The noun **retailer** comes from the verb to **retail**.

*** Sample sentence:**

British **retailers** and restaurateurs are already bracing for higher costs after the government moved to raise the minimum wage in stages through to 2020.

8. Startups:

The Silicon Valley in California is well-known for their many technology startup companies.

A **startup** can generally be described as a new business venture that's expected to grow very quickly .

*** Sample sentence:**

For the many Silicon Valley tech **startups** that have branched out to London, this represents a major problem.

9. Currency Unpredictability :

In international trade, countries often have to deal with profit and loss caused by rising and falling exchange rates. Currency unpredictability happens when the exchange rates fluctuate (move up and down continuously) due to certain market situations .

*** Sample sentence:**

As long as the uncertainty remains, cash flow issues and currency unpredictability will persist, consumer spending on tech goods will continue to drop, and tech workers will be left in a state of limbo.

10. entrepreneurs :

If you're an entrepreneur, you're someone who operates (runs) and manages a business.

*** Sample sentence:**

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Viewed through the lens of American entrepreneurs and small-business owners, Brexit may

Seem far away, but with an increasingly globalized world, the ripple effects from across the pond will undoubtedly have an impact here at home.

11. Win- win :

You've heard of winning and losing. But what if everyone's a winner and nobody loses ?

That's what we call a win-win. It's a situation where all parties involved benefit from doing something.

*** Sample sentence:**

In some way, that might be a **win-win** outcome : supporters of the Brexit vote would have made their protest loud and clear, whereas the rest of Britain — and the rest of the world – would be saved the disastrous economic consequences of a costly divorce.

12. Market Turbulence:

When we talk about **market turbulence**, we are referring to a market situation that's unsteady (shaky) and hard to predict, No one is sure if prices will rise and fall. Businesses have to try their best to prepare for whatever happens.

*** Sample sentence:**

The **market turbulence** generated by the referendum is already prompting some businesses to rethink hiring and investment plans.

13. Plan B:

Plan B is basically what you do if Plan A fails. It's the alternative (other) plan you would follow if your original plan is unsuccessful.

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*** Sample sentence:**

There is no **Plan B**. That is what many companies across Europe have been telling investors since Britain voted to leave the European Union. The exit and its timing are so uncertain, executives say, that few companies had any meaningful contingency plans to either defend against the fallout or take advantage of the opportunity.

14. Real Estate :

Real estate simply refers to a piece of property that's made up of land and buildings.

*** Sample sentence :**

Brexit may prompt wealthy foreigners to sell U.K. **real estate**, spurring demand for U.S. Properties .

15. Foreign Investment :

If your company decides to invest in (put money into) a company based in another country, that's referred as making a foreign investment .

*** Sample sentence :**

But homebuyers may be dealt a favorable drop in mortgage rates, while U.S. business and ers welcome a possible fresh stream of foreign investment diverted from the

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Ad Valorem Tariff

A tariff calculated “according to value,” or as a percentage of the value of goods cleared through Customs; for example, 15 percent ad valorem means 15 percent of the value of the entered merchandise.

ATA Carnet

An ATA Carnet (a. k. a. “Merchandise Passport”) is a document that facilitates the temporary importation of products into foreign countries by eliminating tariffs and value-added taxes (VAT) or the posting of a security deposit normally required at the time of importation.

Brokerage

Often refers to Customs brokerage, where a third party is used for the clearance of inbound or outbound shipments.

Consumption

The purchase and utilization of goods or services for the gratification of human desires or in the production of other goods or services. The consumer may be an individual, a business firm, a public body, or other entity.

Cost and Freight (CFR)

Cost and freight to a named overseas port.

Cost, Insurance, and Freight (CIF)

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

Commercial Invoice

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A commercial invoice is a bill for the goods from the seller to the buyer. These invoices are often used by governments to determine the true value of goods when assessing customs duties.

Commodity

Any article exchanged in trade, but most commonly used to refer to raw materials, including minerals such as tin, copper, and manganese; and bulk-produced agricultural products such as coffee, tea, and rubber.

Consumer Goods

Goods that directly satisfy human desires (as opposed to capital goods). An automobile used for pleasure is considered a consumer good. An automobile used by a business person to deliver wares is considered a capital good.

CIF

An abbreviation used in some international sales contracts, when the selling price includes all “Costs, Insurance and Freight” for the goods sold. This means that the seller arranges and pays for all relevant expenses involved in shipping goods — from their point of export to a given point of import. In trade statistics, “CIF value” means that all figures for imports or exports are calculated on this basis, regardless of the nature of individual transactions.

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Countervailable Subsidy

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Foreign governments subsidize industries when they provide financial assistance to benefit the production, manufacture or exportation of goods. Subsidies can take many forms, such as direct cash payments, credits against taxes, and loans at terms that do not reflect market conditions. The statute and regulations establish standards for determining when an unfair subsidy has been conferred. The amount of subsidies the foreign producer receives from the government is the basis for the subsidy rate by which the subsidy is offset, or “countervailed,” through higher import duties.

Countervailing Duties (CVD)

Specific duties imposed on imports to offset the benefits of subsidies to producers or exporters in the exporting country.

Customs Declaration

Any statement or action, in any form prescribed or accepted by Customs, giving information or particulars required by Customs.

Demand

The quantity of an economic good that will be bought at a given price at a particular time in a specific market. Demand in a market economy is strongly influenced by consumer preference or the individual choices of many independent buyers, based upon their perceptions of value for Price.

Export Control Classification Number (ECCN)

Dual-use items on the Commerce Control List have five characters assigned to them because the items are classified as controlled exports and may require an export license for shipping.

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

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

EEI must be prepared and submitted, regardless of value, for all shipments requiring an export license or destined for countries restricted by the Export Administration Regulations.

Imports

The inflow of goods and services into a country's market for consumption. A country enhances its welfare by importing a broader range of higher-quality goods and services at lower cost than it could produce domestically. The expansion of world trade since the end of World War I has therefore been a principal factor underlying a general rise in living standards in most countries.

importer Of Record (IOR)

This is the person responsible for the shipment documents provided to Customs and all duties and taxes.

Goods

inherently useful and relatively scarce articles or commodities produced by the manufacturing, mining, construction, and agricultural sectors of the economy. Goods are important economically because they may be exchanged for money or other goods and services.

Embargo

Partial or complete prohibition of commerce and trade with a particular

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country.

Exports

Goods and services produced in one country and sold in other countries in exchange for goods and services, gold, foreign exchange, or settlement of debt.

Countries devote their domestic resources to exports because they can obtain more goods and services with the international exchange they earn from the exports than they would from devoting the same resources to the domestic production of goods and services.

Landed Cost

The cost of the imported goods at the port or point of entry into a country, including the cost of freight, insurance, and port and dock charges. All charges occurring after the goods leave the import point are not included.

Market Forces

Shifts in demand and supply that are reflected in changing relative prices, thus serving as indicators and guides for enterprises that make investment, purchase and sales decisions.

Tariff

A duty (or tax) levied upon goods transported from one Customs area to another, for either protective or revenue purposes. Tariffs raise the prices of imported goods, thus making them generally less competitive within the market of the importing country, unless that country does not produce the items so tarified.

Trade Agreement

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Also known as trade pact, this is a wide– ranging tax, tariff and trade treaty that often includes investment guarantees.

Trade Barriers

Government laws, regulations, policies or practices that either protect domestic products from foreign competition or artificially stimulate exports of particular domestic products.

Logistics

As you can see, shipping your goods can be complex, but you don't have to go it alone.

There are lots of partners, such as the International Freight Forwarders Association, that regulate the industry. Go to the CIFFA site and find out about the legitimate freight companies in your area.

Customs brokers

Similarly, the Canadian Society of Customs Brokers can help make shipping easier. It's an umbrella organization for those who can help you with customs issues.