



Mohamed Kheider University of Biskra
Faculty of Economics, Commerce and Management Sciences
Department of Commercial Sciences

Subject: English Language

Teacher: Mekhloufi Rania

Grade: 3rd Year LMD International Commerce

Group: (1,2,3)

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Lecture 3:

English Common Vocabulary for International Trade

Task: 1) Read the paragraph. 2) Extract out the highlighted terms. 3) Define each term.

The Process of International Trade

The process of international trade starts with finished merchandise being inspected and given a certificate of manufacture. The seller will then issue a pro-forma invoice, while the buyer may obtain a letter of credit to finance the payment. Next, the seller will draw up a bill of lading and arrange shipment under internationally agreed Incoterms such as CFR, CIF and FOB. On arrival, merchandise is often stored in a bonded warehouse until the import tax or duty is paid. A customs broker may then help clear the goods through customs.

Merchandise

Certificate of manufacture and Inspection

Pro-forma invoice

Letter of credit

Bill of lading

Incoterms (CFR, CIF, FOB)

Bonded warehouse

Import tax/duty

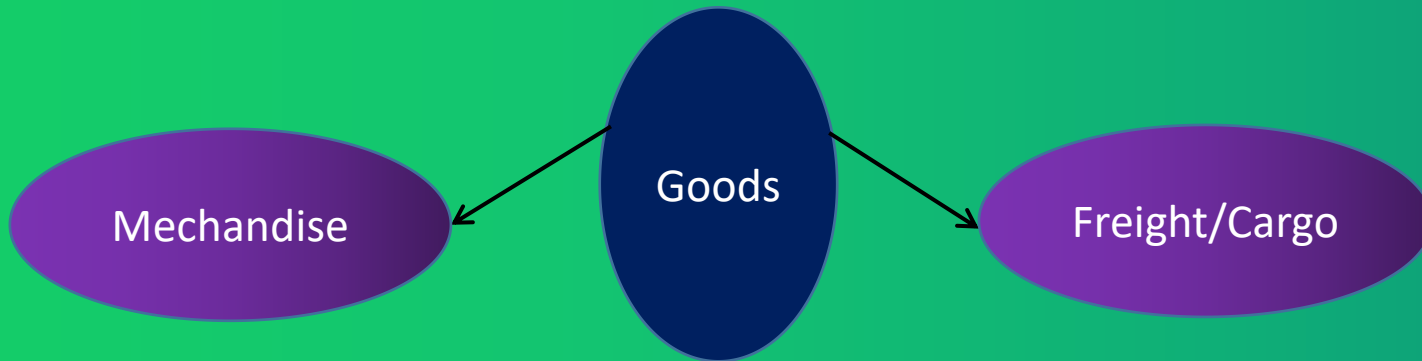
Customs broker

1/ Merchandise



➤ Goods that are bought and sold in trade are called merchandise.

➤ When merchandise is being moved or shipped, it would be called freight or cargo.



Example: Trucks took the merchandise in containers from the factory to the port

2/ Certificate of manufacture and inspection

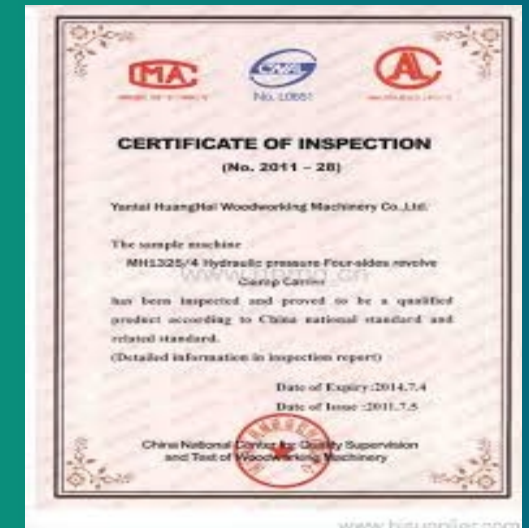
- When merchandise is ready, the manufacturer will issue a **certificate of manufacture** certifying that the goods have been made to the buyer's specifications.



- A **certificate of inspection** is a document reporting that the merchandise was in good condition immediately prior to shipment

Example:

The goods appear damaged, so the buyer checked to see that the **certificate of inspection** was valid



4/ Letter of credit

- In large trades, a buyer will finance the transaction using a **letter of credit**. This document guarantees that payment will be made when the seller meets the conditions of sale.

Example:

When Wayland Inc. received the **letter of credit**, they contacted the shipping company to arrange transport.

Date: _____
Credit Number: _____

Beneficiary: _____
Beneficiary Address: _____

Amount _____ (\$ _____)
Applicant/Facility: _____
Date of Expiration: _____

Dear Sir or Madam:

We hereby issue, favoring you, this credit which is available by negotiation by *name of financial institution*. Accompanying this letter are duplicates of the documentation. If it isn't a duplicate, it will specify what you need to do.

Beneficiary's signed statement including terms and conditions


Any other special conditions

We hereby honor the negotiated terms and have presented the drafts with our accepted conditions.

(Handwritten signature)
(Title)

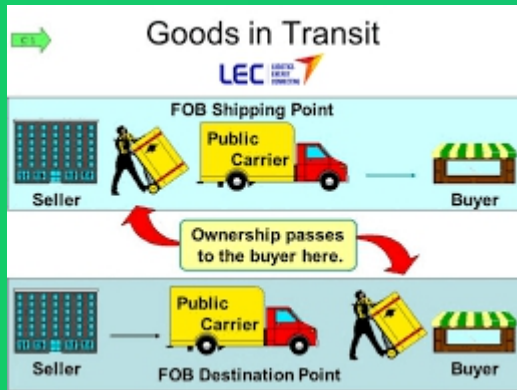
In this letter, it is important to include:

- * The amount being considered
- * Any and all special conditions
- * A handwritten signature

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6/ Incoterms

- The internationally agreed terms of a sale that govern trade are called **incoterms**. Some of the common terms includes:

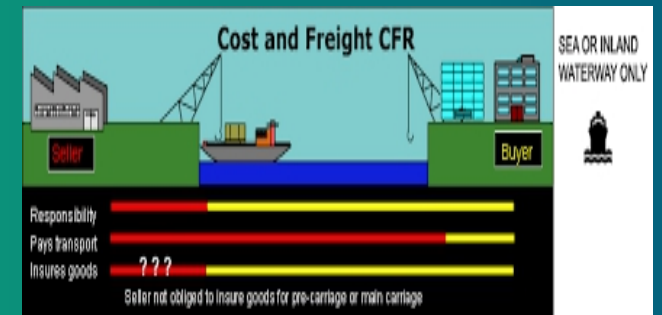


Free On Board (FOB)

It means that the seller is responsible for the goods until they are loaded. The seller must pay all costs related to getting the goods to port and onto the ship.

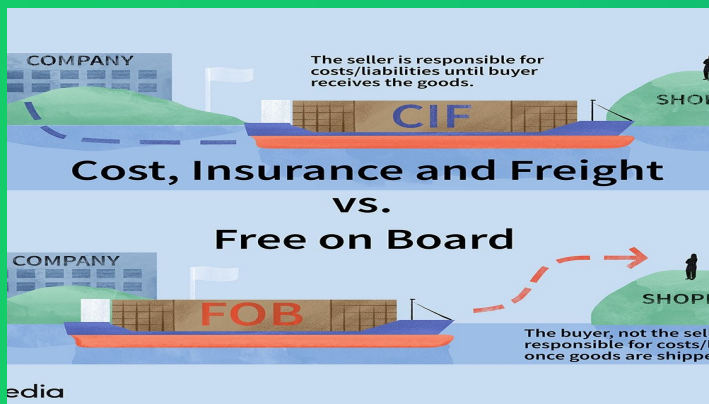
Cost and FReight (CFR)

It means that a quoted price includes the cost of goods and transport charges to the destination port.



Cost Insurance Freight (CIF)

It means that the quoted price includes the cost of goods, insurance and transportation to the destination port.



7/ Bonded warehouse

- A bonded warehouse is a place where goods are stored after shipping but before the payment of duties on those goods.

Example:

At any major port facility there will be a number of **bonded warehouses** available to store goods.



8/ Customs



- The Customs is the authority or organisation that controls the flow of goods in and out of a country. Customs authorities collect the taxes/duties applied to imports and exports.

- A tax/duty is a tariff levied by government on imported or exported goods



Example:

Within a port , customs officials have the right to board and search any ship



9/ Customs broker

- A **customs broker** is a person who helps importers and exporters move their goods through Customs. They prepare documents, help with communication and arrange payment of duties / taxes.

Example:



Many customs brokers specialize in certain types of goods, such as textiles, food, or computer equipment.

Practice

Now it is your turn to practice

After understanding the key terms, try to reread the previous paragraph and also try to generate sentences using the vocabulary that you learnt in this lesson.

THANK YOU FOR WATCHING...