



GLOBAL TRADE TERMS | ALPHABET

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Trade Term	Definition
Abandonment	The refusal of merchandise by the designated consignee
About	A letter of credit term meaning plus or minus 10% of whatever immediately follows. The terms approximately and circa are synonymous
Abrogation	The cancellation of the part of a contract that has not yet been performed. For example, if parties agree to several deliveries of goods, but after the first delivery, war is declared in the buyer's country and no further goods can be delivered, the buyer must pay the first delivery, but the contract is abrogated for the remaining ones. See force majeure clause; war risk.
Absolute advantage	In the theory of international trade an absolute advantage occurs when a country or company is more efficient (using fewer resources) at producing the same good or service than another country or company. This theory was first suggested by British economist Adam Smith in the 18th century. See also comparative advantage.
Acceptance	The act of formally acknowledging a debt by signing a financial instrument called a draft. When done by a non-bank party, a trade acceptance is created. When done by a bank, a banker's acceptance is created. See banker's acceptance.
Acceptance date	The date on which a draft was signed. For drafts drawn at "X days from sight", the acceptance dates begins the time period toward maturity.
Acceptance letter of credit	A letter of credit, which requires, amongst the documents stipulated, provision of a term bill of exchange. The bill is then generally accepted by the bank on which it is drawn or discount. The practical result is that the beneficiary is paid promptly at a discount.
Accessions	Goods that are affixed to and become part of other goods. Examples includes semiconductors that are inserted into computers, parts that are added onto vehicles, or dials that are used in watches.
Accessorial charges	In shipping, charges made for additional, special or supplemental services, normally over and above the line haul services. Common accessorial charges include: congestion surcharges, currency adjustment factors (CAF) and terminal handling charges (THC). Also called surcharge.
Accord and satisfaction	A discharge of a contract or cause of action pursuant to which the parties agree (the accord) to alter their obligations and to perform new obligations (the satisfaction). For example, a seller who cannot obtain red fabric to meet the contract specifications may enter into an accord and satisfaction to provide the buyer with blue fabric for a slightly lower price.

Trade Term	Definition
Acknowledgement	1. Confirmation of receipt of a purchase order. 2. Confirmation sent by a bank confirming receipt of a collection. ACP Countries. African, Caribbean and Pacific countries is a group of countries with preferential trading relations with the EU under the former Lomé Treaty now called the Cotonou Agreement. This agreement is aimed at the reduction and eventual eradication of poverty while contributing to sustainable development to permit the gradual integration of ACP countries into the world economy.
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Act of God	The operation of uncontrollable natural forces. This expression is used in force majeure contract clauses that excuses a party who breaches the contract when performance is prevented by the occurrence of certain events. See force majeure clause.
Ad valorem duty	Latin expression that means according to the value. Import duties or taxes expressed as a percentage of value. For example, the import duty for a product classified under Harmonized System 220421 is 4.5 per cent of the customs valuation. Its acronym is A.V. or Ad Val. See tariff.
Adhesion contract	Contract with standard, often printed terms of sale of goods or services offered to consumers who usually cannot negotiate any of the terms and cannot acquire the product unless they agree to the terms.
Advance payment	Paying or part-paying a supplier before goods or services are delivered. Advance payments may be used to negotiate a reduced price or to cover initial supply costs.
Advance payment guarantee	A guarantee that advance payments will be returned if the party that received such payments does not perform its part of the contract.
Advice of shipment	A notice sent to a local or foreign buyer advising that shipment has gone forward and containing details of packing, routing, etc. A copy of the invoice is often enclosed and, if desired, a copy of the bill of lading.
Advised letter of credit L/C	A letter of credit whose terms and conditions have been confirmed by a bank. See letter of credit.
Advising bank	The bank that notifies the exporter of the opening of a letter of credit in his or her favour. The advising bank, usually located in the exporter's country, fully informs the exporter of the conditions of the letter of credit without itself making a payment commitment. See letter of credit.
Advisory capacity	A term indicating that an agent or representative is not empowered to make definite decisions or adjustments without approval of the principal represented. This is the opposite of without reserve.

Trade Term	Definition
Affidavit	A statement sworn under oath before an authorized official.
Affiliate company	A Company that is less than 50% owned by a parent company; the parents acts as minority shareholders. More loosely, this term is sometimes used to refer to companies that are related to each other in some way. In recent years, the concept of the affiliated company has also come to be applied to businesses that are affiliated with the same industry, and choose to forge an ongoing business relationship and sharing of resources to the mutual benefit of both entities. See also subsidiary.
Affreightment	A contract between a shipper and a carrier, setting forth their respective transportation obligations. Its is a synonym for charter.
Afloat	Refers to a shipment of cargo that is currently onboard a vessel between ports, as opposed to on land.
After date	In banking, a notation used on financial instruments (such as drafts or bill of exchange) to fix the maturity date as fixed number of days past the date if drawing of the draft. For example, if a draft stipulates “30 days after date”, it means that the draft is due (payable) 30 days after the date it was drawn. This has the effect of fixing the date of maturity of the draft, independent of the date of acceptance of the draft. See acceptance date; after sight; bill of exchange; drawee.
After sight	In banking, a notation on a draft that indicates that the payment is due a fixed number of days after the draft has been presented to the drawee. For example, “60 days after sight” means that the drawee has 30 days from the date of presentation of the draft to make payment. See acceptance date; after date; bill of exchange; drawee.
After-sale service	A collective term for attention to a transaction that normally takes place after the sale (and often after delivery) is accomplished. Typical after sale service functions include: installation, training, warranty-related repair and replacement part support. After-sale service is an extremely important consideration because of the normally greater distances between sellers and buyers in international trade. Some international contracts as distribution contracts include a clause of after-sales services and maintenance: The Distributor undertakes to carry out with its own staff and means, and assume the costs of, and adequate after-sales and maintenance service for all Products sold within the Territory. The Supplier shall provide the Distributor with the spare parts and other means required to service the warranty conditions of the Products. See also maintenance.

Trade Term	Definition
Agent	An independent person or legal entity, which acts on behalf of another (“Principal”). In international transactions, this term normally refers to a sales representative who prospects on behalf of a foreign principal, earning a commission on sales eventually concluded between the principal and the ultimate client. This is distinguished from sales through employees and subsidiaries – that are not independent – or through distributor’s buying and reselling in his or her own name. Sales Agents should also be distinguished from buying agents, as their respective rights and obligations are quite different. In international trade, relationships between agents and their clients (principals) are regulated through a Model of International Agency Contract.
Agio	The extra amount over and above the market price which is paid in counter trade transactions and results from the particular costs of countertrade.
Air freight	A service providing for the air transport of goods. The volume of air freight has been increased dramatically due to: decreasing shipping time: greater inventory control for just in-time manufacturing and stocking, generally superior condition of goods upon arrival, and, for certain commodities, lower prices.
Air freight consolidator	A company that obtains a low freight-of-all-kinds freight rate from air carrier in return for volume, and consolidates small shipments, often to fill air freight containers. Such companies often perform forwarding tasks and issue their own “house” air waybills to each shipper, backed up by “master” air waybills issued by the undercarrier for the consolidated shipment. See also consolidation.
Air freight forwarder	A freight forwarder for shipments by air. In many respects, air freight forwarder perform the same functions as air freight consolidators, except that smaller forwarders may co-load with others rather than actually perform their own consolidations. To the airlines, the air freight forwarder is a shipper. An air freight forwarder is ordinarily classed as an indirect air carrier; however, many air freight forwarders operate their own aircraft. See also freight forwarder.
Air waybill (AWB)	Transport document issued by a carrier for air transportation. If issued by the actual carrier, it is a master air waybill. If issued by an air freight consolidator or forwarder it is a house air waybill. The document is issued in three originals and is not negotiable so it cannot be issued to the order; it is always nominative and non-endorsable. 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. The standard form was designed to enhance the application of computerized systems to air freight processing for both the carrier and the shipper.
Aircraft pallet	A platform or pallet (in air freight usually from 3/4” to 2” thick) upon which a unitized shipment rests or on which goods are assembled and secured before being loaded as a unit onto aircraft. Most carriers offer container discounts for palletized loads. See also pallet.
Airport-to-airport	The main carriage transportation movement from departure airport on the seller’s side to the arrival airport on the buyer’s side.

Trade Term	Definition
ALADI	The Latin American Integration Association is an international and regional scope organization created in Latin America in 1980. Currently, it has 13 member countries, and any of the Latin American states may apply for accession. Website.
All risks (AR)	The broadest type of standard marine insurance coverage generally available and offered by the London Institute of Underwriters "A" Clauses. The name is misleading, as "all risks" does not include coverage for the perils of war risk, strike, riot and civil commotion. These additional coverages are available for most markets, usually at modest additional premiums. in the market. Since there is no worldwide standard nomenclature for all risks coverage, traders should determine exactly what is/is not covered, and arrange for any additional coverage they deem necessary.
Allowance	An amount paid or credited by a seller as a refund or reimbursement due to any one of a number of causes including: faulty packaging, shipment of good which do not meet buyer's specifications, a late shipment, etc.
Alongside	A phrase referring to the side of a vessel: goods to be delivered "alongside" are to be placed on the dock or lighter within reach of the transport ship's tackle so that they can be loaded aboard the vessel.
Alternative Dispute Resolution (ADR)	A general term for a variety of dispute resolution mechanism that may be used as alternatives to traditional litigation before governmental courts or tribunals. This term includes such techniques as conciliation, mediation and negotiation. Some experts also consider arbitration as an alternative dispute resolution mechanism.
Amendment	In law, an addition, deletion, or change in a legal document. In a letter of credit, a change in terms and conditions of the letter (e.g., extension of the letter of credit's validity period, shipment deadline, etc.) usually to meet the needs of the seller. The seller requests an amendment of the buyer, who, if he agrees, instructs his bank (the issuing bank) to issue the amendment. The issuing bank informs the seller's bank (the advising bank) who then notifies the seller of the amendment. In the case of irrevocable letters, amendments may only be made with the agreement of all parties to the transaction. See letter of credit.
American Foreign Trade Definitions	A set of sales terms published in 1941 that have become obsolete in favour of the current version of the ICC International Chamber of Commerce Incoterms. Buyers and sellers of US shall use the current Incoterms version and clearly indicate this
American option	A foreign exchange type of contract containing a provision to the effect that it can be exercised at any time between the date of writing and the expiration date. See currency option; European option.
American pallet	A type of pallet used in North America. The most commonly used is the GMA (Grocery Manufacturers Association) pallet that has deck boards of 40 inches and stringers of 48 inches. Its dimensions are 1016 mm by 1219 mm. This is equal to a pallet 40 inches wide and 48 inches long.

Trade Term	Definition
Andean Community	Community of four Latin America countries (Bolivia, Colombia, Ecuador and Peru), that decided voluntarily to join together for the purpose of achieving more rapid, better balanced and more autonomous development through Andean, South American and Latin American integration. Website.
Annex	A document attached to a contract or agreement. For example, a document entitled Exhibit A listing product specifications attached to a supply contract. Also called exhibit or schedule
Antidumping	Laws enacted to remedy dumping, which is defined as the sale of goods to a foreign market at less than fair value. Antidumping duty is an additional tax to normal import duty that is assessed on an imported good to raise its cost price value. See dumping.
APEC	The Asia-Pacific Economic Cooperation is a forum of 21 Pacific Rim countries (including United States, Canada, Mexico, Japan and Australia) that seeks to promote free trade and economic cooperation throughout the Asia-Pacific region. Website.

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