

The International Business Dictionary and Reference

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Preface

This is the first work of its kind to be written and published in the English language anywhere in the world. As astounding as this may seem, it is true: before this work existed, there was nothing comparable to it for study, reference, or as a desktop working guide. Thus, I am proud to be its author and to have John Wiley & Sons as its esteemed publisher.

When I approached John Mahaney at John Wiley, initially he was somewhat surprised at my claim about the uniqueness of this work. But he was able to verify my claim. Why is it unique?

I think the reason is that few working scholars are truly *integrative* in their approach to, let alone in their understanding of, the interdisciplinary dynamics of international business. This is so both at the undergraduate business school level and at the postgraduate level. Unfortunately, it is also true at the level of industrial and commercial practice in "the real world" where it counts the most.

The cause of this is, in my judgment, the overweening preoccupation of academics with the jealous guarding of the turf of their specialized fields. This behavior has hobbled generations of students in their international business training; and, as a logical consequence, it has deprived private-sector business people and public-sector government officials of informed and sensitive individuals who, by their actions, create and promote tolerant international relations that lead to profitable international business dealings.

How many opportunities have been lost to our competitors? How much time has been wasted? How many avoidable mistakes have been made, never to be undone? How much money has been unwittingly spent or squandered? No more.

To remedy past errors, to avoid making new ones, and to contribute to success in the real world, I have used a cross-disciplinary approach in writing this work. As my "model," I studied important international business success stories and sought the reasons for their success. The answer was always the same: they all used cross- and interdisciplinary approaches to decision making. So I did, too. Thus, my going-in position was that (1) the work I was writing had to be essentially *integrative* in nature versus *disintegrative*; (2) it had to analyze, master, understand, and communicate the core meanings in all the component vocabularies of the subject, for example, International Marketing,

International Law, International Economics, International Banking and Finance, International Physical Distribution and Logistics, and International Relations/Politics; and (3) it had to tie together the *commonalities* rather than dwell (annoyingly) on the differences. This strategy and the tactics used to implement it took years of diligent work, during which time I learned how to artfully splice together theory and practical experience. I hope I have succeeded.

LEWIS A. PRESNER

Ontario, Canada
August 1991

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The actual translation of my ideas into the physical reality that is this book would not have been possible without the following people, who have earned my respect: John Mahaney (Wiley—editor); Judy Cardanha, Providence, Rhode Island (copy editor); Maggie Dana, Old Saybrook, Connecticut (Pageworks—design and typesetting); Gloria Fuzia (Wiley—editorial assistant), and Mary Daniello (Wiley—production management).

Finally, I alone am accountable for any errors or shortcomings in this book. The responsibility for any misperceptions, however, remains with the reader.

L.A.P.

Introduction

The following introduction explains the plan of this book in order that readers may make the best use of it.

ALPHABETICAL SYSTEM OF ARRANGEMENT

The aim of this volume is to present a comprehensive and accurate cross-disciplinary interpretation of the vocabulary of international business. Hundreds of thousands of works (books, journals, abstracts, theses, essays, newspaper and magazine articles, interviews, and radio and television broadcasts on domestic and international frequencies) have been culled in English, in original versions in French and Spanish, and in English translations of works in major world languages, plus regional languages (for example, Punjabi, Kiswahili). The result has been an *alphabetical system of arrangement*, using the English language alphabet (A-Z). Thus, if you are looking for *tariff*, you look under "T"; for World Bank, under "W"; and so on.

APPENDICES

There are seven Appendices in this volume as follows:

- Appendix I: Foreign Exchange Contracts Vocabulary
- Appendix II: Foreign Exchange Risk Vocabulary
- Appendix III: Nonuniform Terms of Trade: Non-Incoterms
- Appendix IV: Uniform Terms of Trade: Incoterms
- Appendix V: International Organizations
- Appendix VI: International Law Vocabulary
- Appendix VII: Selected Information Sources

Each Appendix was developed to include information germane to the subject as a whole, but necessitating special "topical" treatment. This was done to assist the reader: if you know the "topic" area, it is simply easier to access the appropriate "topic" Appendix, rather than search alphabetically in the main body of the book. For example, if an experienced exporter wanted to clarify the exact meaning of *Cost, Insurance and Freight . . . (named port of destination/import)* and knew it was an "Incoterm," then Appendix IV could

be accessed directly, and *Cost, Insurance, and Freight . . . (named port of destination/import)* could be clarified.

Appendix V and Appendix VII are subdivided as follows:

Appendix V: International Organizations

- A. International Trade Groups (ITGs)
- B. International Commercial/Financial Groups (ICFGs)
- C. International Political Groups (IPGs)
- D. International Organizations of the United Nations System
- E. International Commodity Groups (ICGs)

Appendix VII: Selected Information Sources

- A. United Nations System
- B. Canadian Government
- C. United States Government
- D. Quasi-Government Organizations
- E. International Organizations

GEOGRAPHIC REFERENCE GUIDES OF KEY TERMS

The major problem with any alphabetical arrangement of word listings is that unless the reader knows what to look for, the search can be endless, and possibly fruitless. Thus, there are eight multipurpose geographical Reference Guides of Key Terms. Each one deals with those words and ideas listed in the main entries of the book but separates groups of items on a geographic basis. They are as follows:

- 1. Global Reference Guide of Key Terms
- 2. North American Reference Guide of Key Terms
- 3. Latin American and Caribbean Reference Guide of Key Terms
- 4. West European Reference Guide of Key Terms
- 5. East European Reference Guide of Key Terms
- 6. Middle East Reference Guide of Key Terms
- 7. African Reference Guide of Key Terms
- 8. Asian Reference Guide of Key Terms

The intent of these Reference Guides is to assist the reader in making excellent use of this book. Every term is listed in at least one appropriate Reference Guide; and where there is important cross-functionality, terms are listed in more than one guide. For example, the term *bilateral trade agreement* is listed in the North American Reference Guide of Key Terms since it is most commonly referred to, by North American readers, as a trading arrangement between the United States and Canada, or between the United States and Mexico, or between Canada and Mexico. On the other hand, the term *boycott* is listed in the Global Reference Guide of Key Terms since it has, potentially at least, worldwide usage. It is also cross-listed in the Middle East Reference Guide of Key Terms, as is *Arab boycott of Israel*, since the term has special geographical applicability.

The Reference Guides were also designed for their power to logically

arrange entries. For example, *tariff* is most logically found in the Global Reference Guide of Key Terms since a tariff has worldwide application, albeit in every geographic region. Consequently, listing *tariff* in the Global Reference Guide of Key Terms is more logical and less redundant than listing it in each of the geographic Reference Guides.

The following "search strategy" is recommended to make best use of the Reference Guides and of the alphabetic system:

1. If you seek a term with the greatest general applicability, look first in the Global Reference Guide of Key Terms, or simply look for it under its alphabetic listing (A-Z).
2. If you have an idea of the geographic applicability of the entry, search the appropriate geographic Reference Guide.

Thus, the geographic Reference Guides were designed to be useful in several specific ways. First of all, they are eminently suited to experienced exporters who are major traders internationally, who know trading geography, and who wish to expand their operations to the global arena.

Secondly, the geographic Reference Guides can functionally assist sophisticated exporters who traditionally trade with one region (for example, West Europe) and who are considering trading with another one (for example, East Europe). In such cases, the geographic Reference Guides can be ideal for "topical research."

Thirdly, for the novice trader or the student, the geographic Reference Guides will be profitable and useful tools to immediately assist one in getting started in a new geographic market.

TOPICAL REFERENCE GUIDES

Two Reference Guides are provided to assist the reader to access information by specific "topic":

9. Foreign Language Reference Guide of Key Terms
10. International Law Reference Guide of Key Terms

The Foreign Language Reference Guide of Key Terms lists every term not yet "naturalized" into the English language. For example, *aduana* and *douane* are words from Spanish and French, respectively, that are still "foreign" and are, thus, listed in the Foreign Language Reference Guide of Key Terms. On the other hand, the term *laissez-faire* has become "naturalized" into standard American English and its variations, and it is, thus, listed in the Global Reference Guide of Key Terms.

The provision of an International Law Reference Guide of Key Terms was based on the acknowledgment that business life in general, and international business life in particular, is becoming more litigious. To afford the reader access to important terms and ideas under this topic, the International Law Reference Guide of Key Terms was compiled. Page references for terms or ideas in this particular Guide refer to Appendix VI: International Law Vocabulary, where every item is listed alphabetically. (There are a few important exceptions.) Thus, international law vocabulary can be accessed directly

with Appendix VI or via the International Law Reference Guide of Key Terms if the reader wants the exact page without having to leaf through the pages of Appendix VI.

CROSS-REFERENCING

A main alphabetic entry under "A" is listed as follows:

Arab Bank for Economic Development in Africa (ABEDA), also known as *Banque Arabe pour le Développement Économique en Afrique (BADEA)*

This entry is followed by a thorough explanation of the organization: what it is, what its origins are, and the role it plays in the world. At the end of the main entry, the following cross-references are provided:

See also Organization of African Unity; Arab League; Appendix V (B).

At once, one can see that the cross-reference to the Organization of African Unity places the head word in an appropriate African perspective, while reference to the *Arab League* gives notice of the embeddedness of the organization within an Arab/Islamic context. Both target references have key importance since each is individually listed as a main entry. Further, there is a cross-reference to "Appendix V (B)" where the organization, together with all other organizations in the same functional class, are listed. This deep cross-referencing facilitates further research (1) on the initial main entry itself, (2) on comparative organizations, and, in this example, (3) on the entire subject of international commercial/financial groups.

From these cross-references, the reader now has learned that the main entry is now part of an "African topic"; and perhaps the next time it is accessed, the reader might wish to exercise the option of going directly to the African Reference Guide of Key Terms to find the exact page listing.

As a final observation, it should be noted that every main entry listed in "Appendix V (B): International Commercial/Financial Groups (ICFGs)" is cross-referenced to other informationally relevant main entries in the book, which may have another series of cross-references either to the Appendices or to the Reference Guides or to both. The reader is thus provided with a fabric of informationally rich threads, each layer of which ramifies through other informational layers, the whole being a network of accurate, wide-ranging information, accessible in a number of ways:

1. from individual main entries,
2. from listings in the Appendices, or
3. from secondary entries cross-referenced
 - from main entries,
 - from Appendix listings, or
 - from the Reference Guides.

It is worth noting that because the Appendices are so strong in their referential power, they bind all the special-use vocabularies of this volume together into a single body of knowledge as a communications tool. The

result is an integrated, high-level international marketing vocabulary of depth and power.

NEW WORDS

Some main entries in the vocabulary listings, in the Appendices, and in the Reference Guides are classified as New Words (NW). New words are always followed by •NW•. For example,

birdyback •NW•

to highlight the new word prominently.

These •NW• entries are different both from words naturalized into standard American English (e.g., oligopoly) and from those listed in the Reference Guide of Key Foreign Terms (e.g., *carnet*). What makes a word, or expression, a *new word*? Reference to those •NW• entries, like *birdyback*, will indicate they are more than faddish "buzz words": •NW• words (1) have a genuine meaning; (2) have practical application, that is, are used in the main course of international business; and (3) have been coined by their users as a way of "making up the language necessary to do the job."

A NOTE ON STYLE

The writing style of this reference, including abbreviations, has been modeled on the *Concise Oxford English Dictionary*. It is an eminently respected lexicon and readers are referred to it.

In this book—unlike in any standard dictionary—the comprehensive treatment of the entries has necessitated an innovative stylistic device to assist the reader to get the full benefit from every entry.

First of all, *examples* supporting the entries are keyed with the word **Example** and indented and printed in smaller type.

Under *clean bill of lading* is found:

Example: A clean bill gives the goods loaded on board the carrier a clean bill of health.

Some of the examples are events drawn from actual happenings. Others are constructed scenarios to illustrate a particular word, phrase, or idea. To take literally every example provided is to see either the world as an incredibly bizarre place or the author as having an incredibly droll sense of humor. It is important to remember this: the example is simply an example, whether actual or constructed.

Secondly, *explanations* are also printed in smaller type, set off with rules above and below them.

Under *economic integration* is found:

It is suggested that harmonization itself acts as an incentive for more integrated economic activity and for economic bloc-building.

They may (1) provide important information to support a meaning, (2) balance a meaning either with opposing facts or contrary viewpoints, or (3) simply provide a contrasting and comparative viewpoint. The same caveat provided for the "examples" pertains to the "explanations." In this case, to take literally every explanation is to conclude that the author is variously sarcastic or cynical, mocking or mendacious. Again, remember this: the explanation is simply an explanation, intended to explain and using the entire repertoire of allowable literary license.

A FINAL NOTE ON THE BIBLIOGRAPHY

In yet another way, this dictionary is like no other: one can actually read it like a regular nonfiction book. This is not accidental. In devising this work, I did what many academics would call a "beastly thing": I took all the research sources and consolidated them into a single bibliography at the end of the book. Had I taken the orthodox academic approach and documented every lexical entry, every supporting example, and every clarifying explanation (including cross-references within every example and explanation), the result on a "rolling" basis would have been a work of under 300 actual dictionary pages sprinkled among over 1,000 pages of footnotes and annotations! Such a rigid academic format would have choked the life out of the content. This I refused to do.

Thus, to make the book fundamentally readable and useful, I defoliated the tree-book of its customary leafage-footnotes, moving the fallen references into one enormous pile-bibliography at the end. Conventional academics will certainly find this approach unorthodox. They may even disapprove. However, I know that all *cognoscenti* will cheer this eclecticism in the interests of the worthwhile goal: readability versus obscurity, and ease-of-use versus heavy slogging. I hope I have achieved this goal.

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a

above-the-line items See autonomous transactions.

absolute advantage is the greater normative efficiency that one nation has or may have over another (or others) in the production of a commodity or service. That was the economic basis of international trade, according to Adam Smith.

Cf. comparative advantage.

See also *laissez-faire*.

accelerated tariff elimination is mutual agreement to increase the pace of tariff reduction within the framework of international agreements.

The Canada-U.S. Free Trade Agreement (FTA) of 1989 has as its ultimate goal the total elimination of all tariffs between the two countries by January 1, 1998. Periodically, detailed lists of requests emanate from either the Canadian or the U.S. government to accelerate tariff elimination under the FTA. These lists originate in petitions from private industry associations and non-governmental organizations charged with providing their governments with ongoing advice on the outcome of implementation of the FTA.

In 1989, over 350 Canadian companies and industry associations and more than 200 U.S. firms petitioned their governments for accelerated tariff elimination under FTA. Following extensive discussions on those requests, accelerated elimination of duties was agreed to on over 400 tariff items covering CAD \$6 billion in Canada-U.S. trade.

Further, the FTA itself provides for accelerated elimination of tariffs on specified goods in the FTA tariff schedules. Decisions on these areas are subject to consultation between the Canadian and U.S. governments at the FTA Commission level.

See also FTA Commission.

acceptance financing is a method of obtaining short-term credit used by exporters.

If the exporter needs working capital and offers the draft for payment in advance of its maturity date, the bank that accepts it is called an accepting bank, and the draft, when accented, is called a banker's acceptance.

When the draft is accepted by the bank, the exporter is paid a discounted value for the draft (i.e., the face value of the draft less a percentage). This percentage may be the prevailing bank rate, an interbank rate, such as the London interbank offer rate (LIBOR), or a percentage determined by the nature of the risk associated with the time between when the draft was drawn and its ultimate maturity date.

The accepting bank undertakes to pay the face value of the draft at maturity to the party tendering the draft for payment.

See also export financing; accepting bank; documentary credit; London interbank offer rate.

accepted bill of exchange *See* trade acceptance.

accepting bank is the bank that endorses a documentary draft for payment.

When banks endorse a sight draft, they accept it for immediate payment.

More commonly, a bank's endorsement of a term draft acknowledges its agreement to pay the face value of the draft upon maturity or to discount the instrument (i.e., liquidate it at a discount) in favor of the beneficiary (the exporter) before the maturity date.

See also acceptance financing.

accession is the process of agreeing to or becoming a contracting member of a multilateral agreement, such as the General Agreement on Tariffs and Trade (GATT).

See also General Agreement on Tariffs and Trade; multilateral agreements.

accommodating transactions are international transactions, often referred to as "below-the-line items," that are exchanges in official reserve assets of, and of foreign official assets in, a country that are required to balance international cash flows.

A country's accommodating transactions comprise its official reserve account. The balance on this account (whether in surplus or in deficit) is called a country's official settlements balance.

Cf. autonomous transactions.

See also Bank for International Settlements.

acculturation is the process of adapting oneself to a culture of a host country.

across-the-board tariff reductions (ATB tariff reductions), also called *linear reduction of tariffs*, is a process involving an agreement between countries, usually in a given round of General Agreement on Tariffs and Trade (GATT) trade negotiations, to abate by a fixed percentage all tariffs maintained in all countries that are Contracting Parties to the agreement.

This process is sometimes used to obviate the necessarily protracted bargaining involved in negotiations of item-by-item tariff reductions.

Cf. item-by-item tariff reductions.

adjustment (adjustment policies) refers to specific measures used by governments aimed at correcting a balance of payments disequilibrium.

The government actions taken can be changes in

1. *fiscal policy*, that is, government spending and taxes;
2. *monetary policy*, that is, interest rates and the money supply;
3. *exchange controls*, that is, direct controls over foreign exchange;
4. *commercial controls*, that is, tariffs, quotas, and quantitative restrictions, for example, voluntary export restraints (VERs);
5. *nontariff barriers* (NTBs), such as administrative and technical regulations.

Example: Whenever the International Monetary Fund (IMF) assists a nation with a temporary balance of payments deficit, it requires the government to undertake a program of adjustment.

Cf. balance of trade.

See also International Monetary Fund.

administrative law judge (ALJ) is a jurist who presides over tribunals and hearings into civil matters in the United States.

Example: Notice is hereby given that the U.S. International Trade Commission (USITC) has determined not to review the presiding ALJ's initial determination in the investigation on the basis of a settlement agreement between the parties.

See also initial determination.

administrative protection order (APO) is a directive that is issued by the U.S. International Trade Commission (USITC) in connection with investigations under Title VII of the Tariff Act of 1930 and that requires the Commission—under Section 1332 of the Omnibus Trade and Competitiveness Act of 1988—to release to the authorized representatives of interested parties in dumping and countervailing duty investigations the business proprietary information (BPI) collected by the USITC in the course of such investigations.

The USITC, using implemented procedures governing the release of BPI under an APO, only provides BPI to authorized applicants who agree to be bound by the terms and conditions of the APO.

The main function of APOs is to protect the BPI of those who are parties to USITC investigations from having their BPI disseminated to unauthorized persons who might be in a position to use the BPI to misuse confidential information commercially. Such dissemination may occur (1) willfully; or (2) by failing to "locket" BPI which leads to inadvertent disclosure; or (3) by failing to supervise junior attorneys and inexperienced clerical people in the proper handling of BPI at the law firms; or (4) by failing to destroy documents containing BPI (upon the termination of an USITC investigation), subject to the right to retain the documents during a judicial review of a USITC determination.