

**Consignment:** Delivery of merchandise to the buyer or distributor, whereby the latter agrees to sell it and only then pay the Canadian exporter. The seller retains ownership of the goods until they are sold, but also carries all of the financial burden and risk.

**Document of Title:** A document that provides evidence of entitlement to ownership of goods, e.g. carrier's bill of lading.

**Documentary Collection:** The exporter ships the goods to the foreign buyer without a confirmed letter of credit or any other form of payment guarantee.

**Documentary Credit (sight and term):** A documentary credit calling for a sight draft means the exporter is entitled to receive payment on sight, i.e. upon presenting the draft to the bank. A term documentary credit may allow for payments to be made over terms of 30, 60, or 90 days, or at some specified future date.

**Draft (Bill of Exchange):** A written, unconditional order for payment from one party (the drawer) to another (the drawee). It directs the drawee to pay an indicated amount to the drawer. A sight draft calls for immediate payment. A term draft requires payment over a specified period.

**Export Financing House:** A company that purchases a Canadian exporter's foreign receivables on a non-recourse basis upon presentation of proper documentation. It then organizes export arrangements and provides front-end financing to the foreign buyer.

**Factoring House:** A company that buys export receivables at a discount.

**Letter of Credit:** An instrument issued by a bank on behalf of an importer that guarantees an exporter payment for goods or services, provided the terms of the credit are met.

**Letter of Credit (Confirmed):** A Canadian bank confirms the validity of a letter of credit issued by a foreign bank on behalf of the foreign importer, guaranteeing payment to the Canadian exporter provided that all terms in the document have been met. An unconfirmed letter of credit does not guarantee payment so, if the foreign bank defaults, the Canadian exporter will not be paid. Canadian exporters should accept only confirmed letters of credit as a form of payment.

**Letter of Credit (Irrevocable):** A financial institution agrees to pay an exporter once all terms and conditions of the transaction are met. No terms or conditions can be modified without consent of all parties.

**Open Account:** An arrangement in which goods are shipped to the foreign buyer before the Canadian exporter receives payment.

### **Partnership, alliance and market entry terms**

The following expressions define the various types of partnership or alliance arrangements as well as methods of market entry common in international trade.

**Agent:** A foreign representative who tries to sell your product in the target market. The agent does not take possession of – and assumes no responsibility for – the goods. Agents are paid on a commission basis.

**Co-marketing:** Carried out on the basis of a fee or percentage of sales, co-marketing is an effective way to take advantage of existing distribution networks and a partner's knowledge of local markets.

**Co-production:** This arrangement involves the joint production of goods, enabling firms to optimize their own skills and resources as well as take advantage of economies of scale.

