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国际支付简明教程

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总 序

进入“十三五”，我国高等英语教育迎来深化改革和创新发展的关键期，商务英语专业也随之从规模发展进入内涵发展和质量提升的新常态。截至2016年，全国已有293所高校开办了商务英语本科专业，有近500所高校的英语类专业开设了商务方向或课程。2017年，教育部制订的《高等学校商务英语专业本科教学质量国家标准》（以下简称《国家标准》）也将颁布，《国家标准》对商务英语人才培养提出了明确要求，以满足对外开放的国家战略和需求。

为了认真贯彻落实《国家标准》，全国高等学校商务英语专业教学协作组与上海外语教育出版社密切合作，对入选“十二五”普通高等教育本科国家级规划教材的“新世纪商务英语专业本科系列教材”进行全面修订。修订后的“新世纪商务英语专业本科系列教材（第二版）”体系更加完整，涵盖英语知识与技能和商务知识与技能两个模块，很好地体现出《国家标准》对商务英语专业学生知识和能力的要求。

本系列教材中，英语知识与技能模块包含《商务英语综合教程》、《商务英语视听说教程》、《商务英语阅读教程》、《商务英语写作教程》、《商务英语论文写作》、《商务英语口译教程》、《商务英汉翻译教程》等。

商务知识与技能模块包含《国际贸易实务与操作》和《国际商业伦理》、《国际商务合同》、《国际经济学》、《国际知识产权》、《国际营销》、《国际支付》、《国际贸易单证》等简明教程。

本系列教材具有以下四个鲜明的特色：

第一，完全对接《国家标准》规定的培养目标和课程体系，突出打牢英语基本功，拓宽国际视野，提升人文素养，培养商务意识和素养，着重提高英语应用能力、商务实践能力、跨文化交流能力、思辨与创新能力、自主学习能力。

第二，编写理念先进，选材新颖，充满时代感，坚持语言、文化、商务三者有机结合，充分体现国际化、人文性、复合型、应用性的特点和全人教育的理念。

第三，体系完整，覆盖商务英语专业核心课程，英语知识与技能教材突出听、说、读、写、译、跨文化交际等技能训练导向；商务知识与技能教材理论体系完整，知识讲解简明扼要，语言原汁原味，配套练习实用性和可操作性强，注重中外真实案例分析，培养思辨和创新能力。

第四，课堂任务设计多样化和立体化的特色鲜明，突出网络多媒体技术的应用，

提供丰富的视频材料和教学资源，加大了英语学习的趣味性和输入的有效性。

本系列教材是全国高等学校商务英语专业教学协作组重点推荐教材，由国内商务英语教学专家编写，可供一、二年级商务英语专业本科生、英语专业商贸方向学生、财经类院校本科生以及各类经管专业本科生使用，同时也可作为大学英语ESP课程模块的商务英语教材，以及各类企业培训和社会商务英语学习者的参考书。本套教材的修订得到上海外语教育出版社领导和编辑的大力支持，在此表示衷心感谢。

王立非

全国高等学校商务英语专业教学协作组组长

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Introduction

The past 15 years have seen a dramatic fall in trade barriers, the globalization of markets, and a huge growth in international trade. Companies of all sizes are seeking to take advantage of the opportunities in this new world economy.

International transactions, however, add an additional layer of risk for buyers and sellers familiar only with doing business in their domestic markets. Currency regulations, foreign exchange risk, political, economic, or social upheaval in the buyer's or seller's country, questions of payment, and different business customs may all contribute to uncertainty. Ultimately, sellers want to get paid and buyers want to get what they pay for. Choosing the right payment method can be the key to a transaction's feasibility and profitability.

This book is designed to help both buyers and sellers learn about international payment options. The relative merits of the four most common types of payments are explained, and the two most common options — documentary collections and documentary letters of credit — are featured. This book also contains chapters on cyberpayments, Incoterms 2000, a comprehensive glossary, and a section devoted to documents used in international transactions.

To learn more about payment methods read one or more of the publications listed in the resources chapter and consult with the international trade finance department of your bank.

Edward G. Hinkelman
San Rafael, California

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Contents

CHAPTER 1

Key Issues in International Payments

国际支付中的几个主要问题

THERE ARE SEVERAL broad issues that affect what payment method will ultimately be used in an international transaction. Every participant in the transaction must consider these issues, though they will affect each differently and to a different degree.

Even after these broader issues are resolved, questions will continue to be raised throughout the transaction. Therefore, careful consideration of these issues can make a transaction go smoother, keep costs to a minimum, and ensure timely and efficient delivery and distribution of goods.

学习指南

本章主要探讨国际贸易中买卖双方支付方法选择时需要考虑的几个关键问题。例如，国际支付中的信用风险、交易费用的承担、支付货币的选择、交易过程中政治和法律风险、运输成本及风险等。虽然这些国际支付中的宏观问题解决后，实际操作中依然存在许多具体问题，但对于以上问题的重视和了解能够从一定程度上确保交易的顺畅进行，降低交易成本，有效确保交易完成的时效性。

Who Bears the Credit Risk?

In almost all business transactions the buyer would prefer to obtain easy, extended, and inexpensive (preferably free!) credit terms. Credit gives the commercial buyer the opportunity to resell the goods before having to pay for them. In many instances, the buyer will have a market for goods but not possess sufficient working capital to make an outright purchase and payment prior to their resale. Credit makes many such transactions possible.

At the same time, the seller has a different set of priorities. Having paid for product development, raw materials, component parts, labor, and overhead, the seller needs to get his investment back. The seller may not know the buyer or may not trust that the buyer is financially stable enough to make payment at a future date. International transactions are not as stable, secure, transparent, or reliable as domestic transactions and many things can happen between the time of the sale and the expected time of payment. For these and other reasons, the seller will always prefer to be paid immediately; either at delivery or even prior to delivery.

Word Study

credit risk—信用风险：又称违约风险，指借方无法履行到期偿还货币本金的承诺，而对贷方造成的风险。

contract date—定约日。

- BUYER/IMPORTER: Prefers that the seller bear the credit risk and wants to make certain that he receives the goods once he has paid
- SELLER/EXPORTER: Prefers that the buyer bear the credit risk and wants to make certain he receives payment for goods shipped

Who Finances the Transaction?

In an international transaction it may take from several weeks to several months for merchandise to find its way from the warehouse of the seller to the warehouse of the buyer. Goods must be prepared for export, trucked or sent by rail to the port, export cleared, shipped to another port, possibly transshipped to the final port, warehoused awaiting customs clearance, inspected, customs cleared, sent overland to the final destination, and finally inventoried at the buyer's warehouse. The seller has already made a substantial investment in manufacturing the product and doesn't feel that he should bear the brunt of the costs of financing.

The buyer, on the other hand, knows that it may be one or two months before he even sees the goods in his warehouse, another one or more months before he sells the goods, and another one or several months before he gets paid from his customers. Why should he pay for goods or pay for the financing of goods he doesn't even have in his warehouse?

Although both buyer and seller would wish that the other party finance the transaction and pay for the costs of financing, the realities are that both buyer and seller typically need to compromise somewhat in order to make the transaction happen.

- BUYER/IMPORTER: Needs funds for payment and during the period before resale of goods, and prefers that the seller finance the transaction
- SELLER/EXPORTER: Needs funds for production and during the period before payment is received, and prefers that the buyer finance the transaction

In What Currency Will Payment Be Made?

The currency specified for payment in a contract can have a significant effect upon the ultimate profitability of the transaction for either the buyer or seller. If the value of the specified currency appreciates between the contract date and payment date, it is a hardship for the buyer. If it depreciates, it is a benefit to the buyer.

In most instances, the specified currency of the transaction will be a "hard currency," such as the US dollar (US$), the Swiss franc (SwF) or the Japanese yen (￥).

In some instances, however, it will be impossible to conclude a transaction in anything other than a local, less stable currency. In these instances, it may be possible to "hedge" the foreign exchange risk. See "Hedging" in Chapter 4: Foreign Exchange Basics.

- BUYER/IMPORTER: Wants (typically) to make payment in own currency or in a currency that is expected to decrease in value between the date of the contract and date of the payment
- SELLER/EXPORTER: Wants (typically) to receive payment in own currency, a hard currency, or in a currency that is expected to increase in value between the date of the contract and date of the payment

Word Study

hedging—套期保值(对冲交易):指同时进行两笔行情相关、方向相反、数量相当、盈亏相抵的交易,利用对冲机制规避风险,使市场风险最小化。可运用套期保值的金融工具有保险单、远期合约、金融掉期交易、金融期权等场外交易和金融衍生交易,最常用的交易工具是期货对冲交易。

What Are the Political and Legal Risks?

The political environment in both the country of export and the country of import can have disastrous effects on international business transactions. Political instability can lead to changes in trade policy, restrictions on foreign transfers, restrictions on the importation or exportation of certain goods, changes in monetary policy leading to devaluation of the local currency, and riots or civil unrest causing loss or damage to merchandise potentially not covered by insurance, among other problems. Although political risks are generally outside the direct control of either trader, they can sometimes be predicted in the short term and managed to a degree.

Legal risks can also affect an international transaction and can only be managed through extreme diligence. Lack of comprehensive knowledge of legal issues can precipitate problems unimaginable in the local marketplace. These include unknown procedural restrictions, import regulations, and more.

EXAMPLE: A contract signed in a foreign country was ruled invalid because the trader was improperly in the country on a tourist visa.

EXAMPLE: A shipment of encyclopedias published in the United States languished in customs in Calcutta because a map of India showed the "de facto" border with Pakistan, indicating Pakistan's gains from a long-simmering border war, rather than the government approved map that indicates all the territory as part of India.

- BUYER/IMPORTER: Considers political risk to be minimal in part because he lives with it every day and understands it
- SELLER/EXPORTER: May consider political and legal risks to be significant, especially if the country appears to be unstable by his own standards

Word Study

insurable interest—可保权益：指保险利益货物遇险时，索赔人要对货物具备可保权益，即货物损失与索赔人之间存在利害关系。

Who Will Bear Transportation Costs and Risks?

Who pays for transportation and who assumes the risk if goods are damaged or lost in shipment is also a major issue in international transactions. This is especially true in transactions involving high-value or perishable goods and unusual destinations. Both the cost and risk increase as goods are shipped to remote locations or transshipped or handled over and over again.

The seller probably feels that his quoted price is excellent and that it is the problem of the buyer to get the goods to the buyer's home country market.

The buyer, on the other hand, doesn't think in terms of the sale price in the country of origin, he thinks in terms of the landed cost in his own market. If the goods are heavy or bulky and are shipped from Chicago, in the United States, and are going to Uzbekistan, the transportation and insurance costs will be high.

Even if the buyer agrees to handle insurance coverage, the seller may have "insurable interest" in the goods, especially if they have not yet been paid for.

Timeliness may also be an issue of risk as some goods are time-sensitive.

EXAMPLE: Christmas merchandise needs to be on the shelves no later than early November. This generally means that it needs to be received by distributors and wholesalers by no later than mid-October. If the goods arrive on the dock in early December the selling season has been lost.

- BUYER/IMPORTER: Wants (typically) the seller to bear the transportation and insurance costs and to have the goods delivered to a local, home-country delivery point where ownership is assumed
- SELLER/EXPORTER: Wants (typically) the buyer to bear the transportation and insurance costs and to deliver the goods and transfer ownership at his own warehouse or at a local port

What Are the Costs of Each Method of Financing and Payment?

Every moment the goods are not paid for costs the seller money in financing, while every moment the goods are not resold in the end market costs the buyer money in financing. Who assumes responsibility for the goods at what point in the transaction will affect the availability and terms of financing.

Each method of financing and transfer of payment has a greater or lesser risk for the buyer, the seller and the banks involved. Costs are directly related to the risks and someone has to pay. The following chapters introduce the buyer and the seller, and then detail the various methods of international payment.

Word Study

advance payment—预付款：指贸易中收到货物或服务之前预先支付的款项，预付款通常是卖方防止买方收货后不付款的保险条款。

confirmed letter of credit—保兑信用证：指开证行开出的信用证，由另一银行保证对符合信用证条款规定的单据履行付款义务。对信用证加保兑的银行为保兑行(confirming bank)。

Special Cases

- Multinational affiliates shipping raw materials or merchandise to each other will normally do so on open-account terms, although they might be hesitant to accept these payment terms from any other international customer.
- High-value or perishable goods normally require special payment arrangements, such as advance payment or inspection after arrival of the merchandise and before payment is made.
- Transactions in a developing country, which can be difficult though profitable, often require cash or confirmed letter of credit terms. To consider any other method of payment would probably be a mistake.
- In new trading relationships it often makes sense to start on more conservative terms and, after experience and greater familiarity, proceed to deal on more liberal terms.

Information Link
知识链接

国际支付的特征

首先，国际支付产生的原因是国际经济活动引起的债权债务关系。国际经济活动包括贸易活动与非贸易活动。国际贸易活动指国际贸易中的不同当事人之间的货物、技术或服务的交换，如货款、运输费用、各类佣金、保险费、技术费。非国际贸易活动是指除贸易活动以外的各类国际行为，如国际投资、国际借贷、国际各类文化艺术等活动。其次，国际支付的主体是国际经济活动中的当事人。国际经济活动中的当事人含义依据不同的活动而定。如在货物买卖中，当事人是指双方营业地处在不同国家的人，且有银行参与。再次，国际支付是以一定的工具进行支付的。国际支付的工具一般为货币与票据。一方面，由于国际支付当事人一般是跨国之间的自然人、法人，而各国所使用的货币不同，这就涉及货币的选择、外汇的使用，以及相关外汇汇率变动带来的风险问题；另一方面，为了避免直接运送大量货币引起的各种风险和不便，就涉及票据的使用问题，与此相关的是各国有关票据流转的一系列复杂的法律问题。最后，国际支付是以一定的方式来进行的。在国际贸易中，买卖双方通常互不信任，他们从自身利益考虑，总是力求在货款收付方面能得到较大的安全保障，尽量避免遭受钱货两空的损失，并想在资金周转方面得到某种融通。这就涉及如何根据不同情况，采用国际上长期形成的汇付、托收、信用证及国际保理等不同的支付方式，从而处理好货款收付中的安全保障和资金融通问题。

Running Workshops
巩固练习

I Workbook

A. Translate the terms into Chinese and then find their corresponding definitions.

Terms	Chinese Translation		Definitions
1) Advance payment			A. It is an investor's risk of loss arising from a borrower who does not make payments as promised.
2) Confirmed letter of credit			B. The price at which the last trade of a particular security or commodity took place.
3) Credit risk			C. It is the process by which the monetary authority of a country controls the supply of money, often targeting a rate of interest for the purpose of promoting economic growth and stability.
4) Hard currency			D. It is a type of risk faced by investors, corporations, and governments. It is a risk that can be understood and managed with reasoned foresight and investment.
5) Hedge			E. Any type of payment that is made ahead of its normal schedule.
6) Monetary policy			F. Letter of Credit in international trade guaranteed by a second bank, in addition to the bank originally issuing the credit.
7) Political risk			G. In economics, it refers to a globally traded currency that can serve as a reliable and stable store of value.
8) Quoted price			H. In finance, it is a position established in one market in an attempt to offset exposure to price changes or fluctuations in some opposite position with the goal of minimizing exposure to unwanted financial or other risks.

B. Decide whether each of the following statements is true or false. Put a T at the end of the statement if you think it is true and put an F if you think it is false.

1) Purchase and sale of goods and services are carried out beyond national boundaries, which makes it rather difficult for the parties concerned in the transaction to get adequate information about each other's financial standing. Therefore, mutual trust is hard to build. (   )

2) The sellers need funds for production and during the period before payment is received, and prefer that they finance the transaction. (   )

3) Both the buyers and the sellers prefer to make payments or receive payments in their own currency. (   )

4) Legal risks can hardly affect an international transaction and can only be managed through extreme diligence. (   )

5) On the part of the importer, there is the risk of delay in the shipment, and he might only receive them long after payment. (   )

II Discussion

This chapter introduces some basic issues in international payments. Both the exporter and the importer face risks in international transaction because there is always the possibility that the other party may not fulfill the contract. The following table shows us the key points of this chapter. Please fill in the table according to the text and discuss one or two aspects with your group members.

Key Points	Contradictions Between Buyers and Sellers
Who bears the credit risk	
Who finances the transaction	
Payment currency	
Political and legal risks	
Transportation costs and risks	

Case Study
案例学习

Case Story

The following case is from an online international service company. It mainly provides one of the main kinds of services in international payments. Take the beverage wholesaler for example. After getting to know the company's requirements, the service company felt that the best option for the beverage wholesaler to protect from foreign exchange risk was to take advantage of highly competitive spot deals.

Situation

A UK-based beverage wholesaler works with a number of suppliers within Europe. Each week the company has to make a number of payments to their European suppliers in order to ensure the release of stock from their warehouses. It is vital that these payments arrive at their destination on time and that each payment (no matter how small the amount) obtains the best possible currency exchange rate.

Solution

After getting to know the companies' requirements, our specialists felt that the best option for the beverage wholesaler was to take advantage of our highly competitive spot deals. Spot deals allow companies to get the best rate available that day and provide beneficiaries with speedy access to payments through the use of Electronic Funds Transfers thereby minimizing foreign exchange risk.

Outcome

By using spot deals to pay their suppliers the wholesaler is able to make sure that all their payments are made on time and at the best possible currency rate. In addition the company can decide each time whether they want Currencies Direct to transfer the money directly to the supplier or into the company's own foreign currency account from which they can then make the payment. Either way, both the beverage wholesaler and the beneficiary receive notification that the payment has been made.

Case Analysis

International trade is in principle not different from domestic trade as the motivation and the behavior of parties involved in a trade do not change fundamentally depending on whether trade is across a border or not. The main difference is that international trade is typically more costly than domestic trade. The reason is that a border typically imposes additional costs such as tariffs, time costs due to border delays and costs associated with country differences such as language, the legal system or a different culture. International trade uses a variety of currencies, the most important of which are held as foreign reserves by governments and central banks.

Spot deal is a foreign exchange deal that consists of a bilateral contract between parties delivering a certain amount of one currency against receiving a certain amount of another currency from a second counterparty, based on an agreed exchange rate.

Discuss the case with your partners and list the risks of the buyer and the seller in international trade. Is it worthwhile to enjoy the service from the third party?

Case Summary

国际贸易是指世界各国或地区之间所进行的商品交换活动。这里的商品是指广义的商品，既包括各种有形的、物质性的商品，也包括劳务、技术以及其他与有形商品贸易有关的经济联系与往来。

国际贸易的特殊性主要表现为：受不同国家利益关系的制约；涉及不同的货币与度量制度；涉及不同的国家法律、海关制度、商业习惯及其他贸易法规；业务繁杂，交易环节多，机构多；涉及不同的语言文字、风俗习惯、宗教信仰；另外，面对的风险也更多更大。

案例中的服务公司为国际贸易中的参与者提供了支付服务，同时他们也获得收益。在国际贸易过程中，不同国家的货币汇率不同，同时，有的企业擅长研发、制造和市场运作，但没有精力投入到国际贸易的工作中，因此他们利用第三方服务以减轻企业压力，实现企业资源的合理配置。

Expanding Input 拓展阅读

Payment in International Trade

Both the exporter and the importer face risks in an export transaction because there is always the possibility that the other party may not fulfill the contract.

For the exporters there is the risk of buyer default; the customers might not pay in full for the goods. For the importers there is the risk that the goods will be delayed and they might only receive them a long time after paying for them.

It is to guard against such possibilities that different methods of payment have been developed. There are six basic methods of payment in foreign trade.

1. Cash in Advance By insisting on cash in advance the seller obviously has complete assurance of obtaining payment. This method is often used in cases where the buyer is unknown, for example, at the time of the first sale to a customer when the exporter is not familiar with the buyer's credit standing. Cash in advance may also be appropriate when the political and economic conditions in the buyer's country make payment uncertain.

2. Open Account This method is used where there is complete trust between the seller and the buyer. The seller dispatches the goods, debits the purchaser's account and sends his invoice. At some agreed period of time, say once a month or every three months or after an agreed time following the dispatch of each consignment, the buyer sends a remittance to the seller to settle the outstanding balance on the account.

3. Payment against Documents The shipping documents are exchanged with the bank representing the importer. There are two procedures: Documentary Bills and Documentary Letters of Credit.

4. Sight Draft Collection Under a sight draft arrangement the exporter forwards all shipping documents, invoices, insurance certificates, etc. along with his draft drawn at sight on the importer through his bank to the importer's bank overseas with instructions that the documents can only be released to the importer upon his payment of the draft.

5. Time Draft Collection Using this method of payment the exporter draws on the importer a draft payable on a specified due date or a certain number of days after sight or date. The time draft and documents are forwarded through his bank to the importer's bank overseas with instructions to deliver documents against acceptance only.

6. Clean Draft Collection Under this arrangement the exporter presents only the draft drawn on the importer to the bank for collection; the shipping and other documents are sent directly to the importer. This method thus lacks the protection of the documentary collection. It is generally used in countries where a draft is needed for legal purpose or because it is required by the exchange control authorities.

Questions for discussion

1) Compare the different methods of international payments listed above, think about their advantages and disadvantages and make a list.

___

2) Find out which method of international payments is the most frequently used in today's international trade.

___

3) Based on China's present institution of international trade, which method is the optimal payment choice, and why?

___

4) Looking through the payment methods listed above, discuss and analyze the developmental path of all the methods.

___

5) Based on the developmental path you've pointed out in Question 4), analyze the deep cause for its evolution path, and discuss whether it is helpful for China's international trade development.

___

6) Try to categorize different risks of importers and exporters in international trade respectively.

___

Introducing the Buyer and the Seller

买方和卖方

CHAPTER 2

AT THE HEART OF every business transaction are the buyer and the seller. Both parties have one thing in common: to profit from the transaction and to expose themselves to the least risk possible. All transactions, no matter how innocent, expose buyers and sellers to risk. In this chapter we will discuss the business concerns of the buyer and seller and how these concerns affect decisions relating to which payment method is used in an international transaction.

Fundamentally, the concerns of the buyer and the seller are the same in both domestic and international transactions: The buyer wishes to get the goods ordered and paid for, and the seller wishes to get paid for the goods shipped. International transactions, however, add a layer of uncertainty and risk for the buyer and seller that does not exist in purely domestic transactions. The buyer and seller are separated by long distances, differences in culture and business tradition, different government and economic systems, different currencies, and different banking and legal systems to name but a few.

In this chapter we will discuss issues and concerns from the perspective of both the buyer and the seller. If you are already a buyer or seller many will be familiar with some or all of them. You may also be introduced to new issues of concern to the other party. Understanding the needs of your counterparty will help you in structuring a transaction that works for all concerned.

If there are any conclusions to be drawn from this analysis of the buyer and seller, they are: (1) you should know as much as possible about all the parties to a transaction in which you have an interest, and (2) no matter what protections are in place, a degree of trust in the other party will be required.

学习指南

本章从买卖双方不同角度，主要介绍在国际贸易中买卖双方各自关心的事项以及选择国际支付方式的依据。

Introducing the Buyer

The buyer is in the business of purchasing or the brokering of raw materials, component parts, finished goods, or services for manufacturing, assembly, or resale to others. The realities of the buyer's financial situation, type of business, physical location, country of business operation, position in the chain of distribution, and type of goods purchased dictate the manner in which he or she is able to conduct business and make payment.

ISSUES AND CONCERNS OF THE BUYER

- ASSURANCE OF DELIVERY AND CORRECT COUNT The most fundamental concern of the buyer is certainty of securing delivery of the goods purchased. What if the buyer orders and prepays for goods that never arrive? What if the buyer orders one hundred units and receives only eighty-eight units?
- QUALITY OF GOODS The buyer will always want to receive "quality" goods. What if the buyer orders one quality and receives a lesser quality? Who is the arbiter of what "quality" means when dealing with people from a different culture?
- CONDITION OF GOODS The buyer will always be concerned that the goods arrive in good (usable or salable) condition. What if the goods arrive damaged and in unsalable condition? What if the refrigeration unit ("reefer" container) malfunctions and perishable goods spoil en route?
- TIMELINESS OF RECEIPT OF GOODS The buyer wants to make certain that goods ordered are shipped and received in a timely fashion. What if Christmas merchandise scheduled for arrival in October is delayed and arrives at the port in mid-December, much too late to make it to the store shelves for the Christmas holiday selling season? What if component parts arrive late and a production line is held up?
- LAG TIME The buyer and the seller may be separated by many thousands of miles. What if it takes sixty days for the goods to arrive at the buyer's warehouse? Is the buyer going to be required to pay prior to receipt of the shipment? Who will pay the financing costs while the goods are in transit?
- FINANCING THE TRANSACTION In almost all business transactions the buyer would prefer to obtain easy and free long-term credit. In many instances the buyer will not possess sufficient working capital to make an outright cash purchase of goods.

  What if the buyer's cycle of getting paid is extremely long and he needs time to make payment?

  What if the buyer has the ability to successfully market the goods as well as the willingness to make payment at a future date after resale of the merchandise but doesn't possess the capital to make immediate or prepayment for the goods?

EXAMPLE: In the book publishing business, it may take the wholesaler three to four months to collect on a shipment of books sold to a retail bookstore.

- BUYER AS BROKER The buyer may be acting as a broker and unable to make payment before getting paid himself. What if the buyer's buyer is unable to pay before the buyer must pay the seller?

  The buyer acting as a broker may also be working on a small margin. What if unexpected "incidental" costs eat up his entire margin of profit?
- TRANSPORTATION COSTS AND RISK The cost and particulars of transportation will be of great concern to the buyer, especially if great distances are involved and if the risk of loss is great. Who will bear the costs of transportation? Also, at what physical point will the buyer accept responsibility for transportation? From the factory door of the seller? From the port of export? From the port of import?

  In international transactions it may take as long as several months for merchandise to find its way from the warehouse of the seller to the warehouse of the buyer. The cost of this transportation may be high, especially with heavy, bulky, perishable, or high-risk goods requiring special handling. What if the cost of transportation is very high in proportion to the sale price of the goods themselves?
- INSURANCE The cost and particulars of insurance will be of concern to the buyer, especially when the terms of the contract specify that the buyer is responsible for insurance costs from the seller's door or from the port of embarkation of the seller's country.

  The cost of insurance for goods in transit may also be a concern for the buyer, especially with heavy, bulky, perishable, or high-risk goods requiring larger insurance premiums. What if the buyer finds the costs associated with insurance to be extremely high compared to the sale price of the merchandise?
- DISTANCES The buyer and the seller may be separated by huge distances requiring several modes of transport. This can both add to the cost and risks of transport as well as to the time it takes the buyer to receive the goods and begin the process of manufacture, assembly, or resale.
- CURRENCY OF THE TRANSACTION International contracts for the sale of goods or services need to specify in what currency the payment is to be made. If the specified currency *appreciates* between the contract date and payment date, it has the effect of increasing the cost of the goods or services purchased by the buyer.

EXAMPLE: Assume that a Korean company conducting business primarily in Korea and in its national currency (the Korean won) agrees to purchase goods from a US seller with payment to be made in US dollars. If the Korean won depreciates 40 percent, (as it did in the fall of 1997) the Korean company will have to pay 66 percent more than it expected for the US dollars to make payment.

Introducing the Seller

The seller is in the business of manufacturing, selling, or brokering raw materials, component parts, finished goods, or services to the buyer for eventual manufacture, assembly, or resale to others. The realities of the seller's financial situation, type of business, physical location, country of business operation, position in the chain of distribution, and type of goods purchased dictate the manner in which he or she is able to conduct business and secure payment.

ISSUES AND CONCERNS OF THE SELLER

- CERTAINTY OF PAYMENT The most fundamental concern of the seller is certainty of getting paid for the goods sold. What if the seller ships goods and never gets paid?
- ASSURANCE OF DELIVERY AND CORRECT COUNT The seller wants to make certain that goods shipped equal goods received. What if the seller ships one hundred units and the buyer claims receipt of only eighty-eight units? Does the seller have to make up the difference?
- CONDITION OF GOODS The seller wants to make certain that the goods arrive in good (usable or salable) condition. If the goods arrive in an unusable condition it may affect the ability of the buyer to make payment. What if the goods arrive damaged and in unsalable condition? What if the refrigeration unit ("reefer" container) malfunctions and perishable goods spoil en route? What if the buyer claims that he is unable to make payment because he is unable to resell or use the goods shipped? Although the seller may think that this is not of concern if the goods are already paid for, unhealthy buyers will ultimately have an unhealthy effect on sellers.
- TIMELINESS OF RECEIPT OF GOODS The seller will want to make certain that goods shipped are received in a timely fashion. If the buyer's shipment is delayed it may affect his ability to pay the seller.
- FINANCING THE TRANSACTION If the seller is the manufacturer of the goods he or she has invested in product development, raw materials, component parts, labor, and overhead. As a result the seller is likely to prefer to be paid immediately; either at or even prior to delivery of the goods. But what if the buyer is simply unable to buy unless there are credit terms? What if the buyer has the contacts and business structure to sell the goods if only they are made available on credit terms? Also, what if the seller has a great product that is in demand but does not possess the financing to start manufacturing?
- SELLER AS BROKER The seller may be acting as a broker and be unable to ship the goods before making payment to his supplier, or the seller may be unable to make payment before getting paid himself.

  The selling broker may be working on a thin margin and unable to extend credit. The buyer acting as a broker may also be working on a small margin.

What if unexpected "incidental" costs eat up the entire margin of profit for either?

- POLITICAL RISK The seller may be contemplating a sale to a buyer in a politically or economically unstable country. Political instability can lead to changes in trade policy, restrictions on foreign transfers, restrictions on the importation of certain goods, a change in monetary policy leading to devaluation of the local currency, or riots and civil unrest that can cause loss or damage to merchandise (potentially) not covered by insurance, among other problems. What if the sale is made, goods shipped and received in good order, and then a revolution occurs? Or civil unrest destroys the goods and therefore the buyer's ability to pay? Or a change in the country's political or economic policies makes it impossible for the buyer to pay? What if the country of importation suddenly imposes a political or economic policy that forbids the transfer of payments from the buyer's country to the seller's country?
- LEGAL RISK The seller faces legal risks unknown in most domestic deals. What if the transaction, normal and harmless by all accounts, is suddenly found to be against the law in the country of import, and the buyer is unable to make payment because the goods have been confiscated? What if the goods do not conform to an obscure legal requirement in the country of importation and cannot be sold?
- TRANSPORTATION The cost and particulars of transportation will be of concern to the seller, especially when the terms of the contract specify that the seller is responsible for transportation costs to the buyer's door or to the port of entry of the buyer's country. What if the goods are lost or damaged in transit? What if the goods are stolen by the ship's crew or pirates on the high seas? (It does happen!) What if the goods are perishable, and the seller is concerned that if he ships them without advance or guaranteed payment the buyer will "hold him hostage" demanding a lower price for the goods, knowing they will spoil on the docks?
- INSURANCE The cost of insurance for goods in transit is a concern for the seller, especially when the terms of the contract specify that the seller is responsible for their insurance up until they are received by the buyer or delivered to the port of destination.

  What if something happens to the goods in between the seller's insurance coverage and the buyer's insurance coverage? What if the buyer has neglected to secure proper insurance, the goods are damaged or lost in transit, and the buyer is unable to pay?
- DISTANCES What if the buyer and seller are separated by huge distances requiring several modes of transport? What if the lag time means an extra sixty days before payment can be made? Who will pay for the financing costs?
- CURRENCY RISK The currency specified for payment in a contract can have a significant effect upon the ultimate profitability for the seller. If the specified currency depreciates between the contract date and payment date it has the effect of decreasing the payment value of the goods or services sold.

Information Link
知识链接

1980年3月10日至4月11日，联合国国际货物销售合同会议在奥地利维也纳举行，共62个国家的代表出席。这次会议通过了《联合国国际货物销售合同公约》(the United Nations Convention on Contracts for the International Sale of Goods)。1988年公约在达到法定批准国家数额后正式生效。我国于1986年12月向联合国秘书长递交了该公约的批准书，成为该公约的缔约国。

《联合国国际货物销售合同公约》中规定了买方和卖方的权利义务。第一，卖方责任主要表现为三项义务：交付货物；移交一切与货物有关的单据；移转货物的所有权。第二，买方的责任主要表现为两项义务：支付货物价款；收取货物。第三，详细规定卖方和买方违反合同时的补救办法。第四，规定了风险转移的几种情况。第五，明确了根本违反合同和预期违反合同的含义以及当这种情况发生时，当事人双方所应履行的义务。第六，对免责根据的条件作了明确的规定。

Running Workshops
巩固练习

I Workbook

A. Choose a word listed below to complete each sentence of the following and make changes if necessary.

appreciate	prepay	determine	compromise	obtain
expose	delay	transship	conform	contemplate

1) Both the seller and the buyer want to profit from the transaction and to ___________ themselves to the least risk possible.

2) We will ___________ 50% of total amount as deposit, and the balance would be paid in 3–7 days before delivery.

3) Don't you think it's troublesome to ___________ the goods at Sydney?

4) China has in the past protested when the US put it under pressure to allow its currency to ___________.

5) We have received your claim for compensation for the ___________ of shipment.

6) When they ___________ their portfolios in a few years' time, such investors may regret their decisions.

7) In almost all business transactions the buyer would prefer to ___________ easy and free long-term credit.

8) The regulations clearly ___________ the maximum number of people allowed in.

9) All new buildings must ___________ with the regional development plan.

10) We were unhappy about the ownership structure of the new company, but in the end we were able to find a ___________.

B. Fill in the following blanks according to the text.

1) The seller is in the business of manufacturing, selling, or __________ raw materials, component parts, finished goods, or services to the buyer for eventual manufacture, assembly, or resale to others.

2) The cost of transportation is usually __________ especially with heavy, perishable, or high-risk goods requiring special handling.

3) If the specified currency appreciates between the contract date and payment date, it has the effect of increasing the cost of the goods or services purchased by the __________.

4) The seller wants to make certain that goods arrive in good condition. If the goods arrive in an unusable condition it may affect the ability of the buyer to make __________.

5) The seller should take political risks into consideration. Political __________ can lead to changes in trade policy, restrictions on foreign transfers and restrictions on the importation of certain goods.

6) In many instances the buyer will not possess sufficient working capital to make an __________ cash purchase of goods.

II Discussion

In this chapter, we have discussed issues and concerns from the perspective of both the buyer and the seller. We can see the two parties have different problems to solve during the process of international payment. Try to fill in the following table with the problems each party may face and discuss the points you are interested in.

Issues and Concerns	The Buyer	The Seller
Assurance of delivery and correct count		
Quality and condition of goods		
Timeliness of receipt of goods		
Financing the transaction		
Buyer/seller as broker		
Transportation		
Insurance		
Distances		
Currency of the transaction		

Case Study
案例学习

Case Story

Global economic integration is an inevitable trend. The interaction and inter-reliance of the world economy have been greatly strengthened. The founding of the World Trade Organization has sped up economic globalization. A core element of globalization is the expansion of world trade through the elimination or reduction of trade barriers, such as import tariffs. Greater imports offer consumers a wider variety of goods at lower prices, while providing strong incentives for domestic industries to remain competitive. Exports, often a source of economic growth for developing nations, stimulate job creation as industries sell beyond their borders. Though many developing countries have been and still are important world exporters of certain primary products and manufactured goods, the mainstream view is that trade is an important vehicle of economic growth and development for countries.

Exports (% of GDP)

	1970	1980	2001
USA	6.0	10.0	7.2
Japan	11.0	14.0	9.5
UK	21.0	27.0	19.4
Australia	14.0	16.0	17.2
Singapore	102.0	207.0	132.0
Indonesia	13.0	23.0	39.0
Malaysia	42.0	58.0	101.0
Thailand	—	24.0	56.0
Philippines	22.0	24.0	47.0
South Korea	14.0	34.0	35.7
China	3.0	6.0	23.0

Case Analysis

International trade is the exchange of goods and services across national boundaries. It is the most traditional form of international business activity and has played a major role in shaping world history. All countries engage in international trade in goods and services to some extent. It is observed from the table above that world trade has grown dramatically over the last decades.

However, the problems always accompany the development of the international trade. International payments and settlements are financial activities conducted among different countries in which payments are effected or funds are transferred from one country to another in order to settle accounts, debts, claim, etc. The international trade involves tangible trades, intangible trades, and foreign investments, funds borrowed from or lent to other countries and so on. Depending on the creditability of financial institutions, both buyers and sellers are usually willing to complete their settlements through banks respectively and a financial arrangement could be reached then.

Discuss with your partners and answer the following questions according to the case and analysis.

- Who are involved in international transactions?
- What problems will each party encounter in international transactions?

Case Summary

在全球经济一体化的背景下，不同国家和地区的贸易往来和非贸易往来日益频繁；与此同时，伴随着国与国之间的经济往来，以经济往来为目的的资金划拨和资金流动也日益增加。因此，国际支付在当今全球经济中发挥的作用也日益显著，银行等金融中介机构能否为各类贸易企业提供方便、快捷、安全的跨国资金结算将成为他们在未来竞争中能否取胜的一个重要因素。

从案例中表的数据可以看出，国际贸易所占一国的国内生产总值比例逐年增加，体现了国际贸易的重要性。同时，在国际贸易发展的过程中，也产生了各种各样的问题。买方、卖方等相关国际贸易参与者都努力使自己在交易过程中利益最大化，因此对买方和卖方所面临的问题进行详尽的分析具有重要意义，既可以实现利益最大化，又能避免可能产生的贸易摩擦。

Expanding Input
拓展阅读

New Reforms of Foreign Exchange and the Effect on Buyer and Seller

Foreign exchange receipts of domestic entities for current account transactions shall be repatriated home and shall not be deposited abroad. Foreign exchange receipts for current account transactions shall be sold to the designated foreign exchange banks, in accordance with the regulations issued by the State Council on the sale, purchase, and payment of foreign exchange, or be deposited in the foreign exchange account upon approval. Foreign exchange for current account payment and transfers may be purchased from designated foreign exchange banks upon the presentation of valid documents and commercial bills.

After the foreign exchange restrictions on current account transactions were lifted in 1996, cases of fraud of foreign exchange have increased significantly. To address such problems, the SAFE has taken enforcement actions. To enforce the surrender of export proceeds, the SAFE and its local branches undertake to verify collection of export earnings. When exporting goods abroad, domestic exporting entities are required to undergo the verification procedures. The customs offices shall accept and handle declaration for export based on verification certificate within validity period. Only after no mistakes are found in the examination can customs permit entrance and clearance. After goods have been shipped out of Chinese territory, the customs shall write their opinion and stamp with "proof seal" on the verification certificate, with which the exporter goes through verification procedures. The exporter must send the stub of verification certificate together with commercial invoices and declaration form to the SAFE within 60 days of the date of customs declaration. The export earnings are then surrendered to designated banks or entered the exporter's foreign exchange account.

SAFE: The generic term for exchange rate agreements (ERA) and forward exchange agreements (FXA). Originally a type of foreign exchange forward developed by Barclays Bank and Midland Montagu in response to the requirements imposed by capital adequacy guidelines. SAFEs are notional principal contracts and are treated as interest rate products from a Bank for International Settlements standpoint and therefore require a lower level of committed capital.

Questions for discussion

1) Try to find and explain the verification procedure of Chinese exporting institutions on export approval.

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2) Think about the effect and consequences of the removal of the foreign exchange restrictions on current account transactions in China.

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3) What kind of changes has taken place on the concerns of the exporters and importers after the removal of the foreign exchange restrictions on current account transactions in China?

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4) Suppose that you are a manufacture exporter in China, will you deposit your exporting earnings in the home bank or abroad? Why? What are the most important concerns for you?

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5) Based on different views of importer (buyer) and exporter (seller), what are their opinions on foreign exchange restrictions?

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6) Will the foreign exchange restrictions exert some influence on Chinese Balance-of-Payment, and how?

Introducing the Basic Terms of Payment

基本支付方式

CHAPTER 3

学习指南

通过本章的学习，学生将掌握国际支付方式中的基本术语，对国际支付中的四种基本支付方式（预付货款、跟单信用证、跟单托收、赊销）有所了解，并掌握选择何种国际支付方式的标准及考虑因素。

TO A LARGE EXTENT, payment methods in international trade are similar to those in domestic business. However, due to the added risks and complexities involved in cross-border transactions, certain terms are more often seen in international trade. In international trade, the means of payment are frequently known as the "terms of payment." There are four commonly used terms of payment, each of which offers different levels of risk and stability for buyers and sellers.

Key Factors in Determining the Payment Method

The terms of payment used in an international transaction will depend on the relationship between the seller and the buyer, the nature of the merchandise, industry norms, the distance between buyer and seller, the potential for currency fluctuation, and political and economic stability in either or both countries. All of these factors must be considered before deciding on a method of payment that is acceptable to both parties.

The single most important factor, however, is the nature and length of the business relationship between buyer and seller. Trust and confidence in the other party go a long way in both parties' willingness to accept payment terms bearing a higher degree of risk.

Relative Security of Payment Terms

It is, of course, the desire of all parties for a transaction to have absolute security. The seller wants to make absolutely certain he gets paid, while the buyer wants to make absolutely certain he gets the merchandise as ordered. In fact, there can't be absolutes of certainty for both parties to a transaction. If one has absolute security (seller gets prepayment or the buyer gets the goods before making payment) the other party correspondingly loses a degree of security. Also, a buyer or seller who is insistent about having the transaction work only for themselves will find that they are losing a great deal of business. International transactions, therefore, often require a compromise on the part of the seller and the buyer that leads to relative security for both.

Four Basic Terms of Payment

There are four basic terms of payment used in international trade. All have variations and permutations that are the subject of this book. These four are described briefly below, in greater detail on the pages that immediately follow, and exhaustively in the chapters of this book. Ranked in order from most beneficial to the seller to most beneficial to the buyer, they are

CASH IN ADVANCE

- Provides greatest security for seller and greatest risk for buyer

The buyer simply prepays the seller prior to shipment of the goods. This term of payment requires that the buyer have a high level of confidence in the ability and willingness of the seller to deliver the goods as ordered.

DOCUMENTARY (LETTER OF) CREDIT

- Security and almost equal risk for both buyer and seller
- Added costs (for the handling of the documentary credit) to buyer

A letter of credit is a bank's commitment to pay the seller a specified sum on behalf of the buyer under precisely defined conditions. The buyer specifies certain documents (including a title document) from the seller before the bank is to make payment, and the seller is assured that payment will be received after the goods are shipped so long as the specified documents are provided.

DOCUMENTARY COLLECTIONS

- Security and almost equal risk for both buyer and seller
- Less costly and easier to use than a documentary letter of credit

Word Study

letter of credit (L/C)—**信用证：**指开证银行应申请人的要求并按其指示向第三方开立的载有一定金额的、在一定的期限内凭符合规定的单据付款的书面保证文件。

documentary collection—**跟单托收：**是托收的一种，指银行受出口商委托，凭汇票、发票、提单、保险单等商业单据向进口商收取货款的结算方式。

A documentary collection is similar to an international cash on delivery (COD). The seller ships goods to the buyer but sends the documents, including the bill of lading (title document), through the banks with instructions to release them to the buyer only upon payment. When the buyer obtains the title documents, he has the right to take ownership of the shipment.

OPEN ACCOUNT

- Provides the least risk for the buyer, and the greatest risk for the seller

  The buyer agrees to pay for the goods within a designated time after the shipment, usually in 30, 60, or 90 days. The seller is thus totally reliant on the buyer's ability and willingness to pay for goods already shipped.

Cash in Advance

Payment by cash in advance requires that the buyer pay the seller prior to shipment of the goods ordered. Cash in advance provides the seller with the most security but leaves the buyer at great risk that the seller will not comply with all the terms of the contract. The cash payment is received before, and independently of, shipment of the goods. If the goods are delayed or of inferior quality, the buyer's last resort is to take legal action on the basis of the sales contract, unless the seller makes a satisfactory adjustment. Due to the high degree of risk, the buyer should always consider whether any alternatives are available before agreeing to cash in advance terms.

Cash in advance payments are made either by bank draft or check or through a wire payment to the bank account specified by the seller/exporter. If receiving payment by check, the seller should verify that it has been cleared by the buyer's bank before proceeding with shipment.

Generally, only two categories of sellers can require cash in advance terms: those fortunate to have unique or high-demand products, and sellers receiving orders from unknown buyers in unstable countries.

Cash terms can sometimes be asked when shipping a small sample order to a buyer. Also, in some cases involving a large buyer, a small seller, and a large order, the buyer may be willing to make an advance payment to help the smaller company carry out the manufacturing process. In addition, in some situations, such as when the relationship is new, the transaction is small, and the buyer is unwilling to pay the costs of documentary payments, cash in advance terms may be called for.

Overall, cash in advance payment terms cannot be required from buyers and this type of payment constitutes a small proportion of payments made in international transactions.

Word Study

bills of lading (B/L)—**提单**：指由船长或承运人或承运人的代理人签发，证明收到特定货物，允许将货物运至特定目的地并交付于收货人的凭证。

open account (O/A)—**赊销**：指货物输出后，出口商将货运单据直接寄交进口商提货，等约定付款期限到期后，再向进口商收款。

bank draft—**银行汇票**：指汇款人将款项交存当地出票银行，由出票银行签发并由其在见票时按照实际结算金额无条件支付给收款人或持票人的票据。

QUESTIONS FOR THE BUYER

- Are cash in advance terms the only option available?
- Will the seller comply with the terms and ship the goods as promised?
- What recourse is available if the goods are not shipped as ordered?
- Are there economic, political, or social instabilities in the seller's country that may increase the likelihood that the seller cannot ship as promised?

QUESTIONS FOR THE SELLER

- Is the product unique enough or in high enough demand to "get away with" requiring cash in advance terms?
- Is the buyer willing to pay at least some proportion in advance?

Documentary Letter of Credit

A documentary letter of credit is a bank's promise to pay a seller on behalf of the buyer so long as the seller complies with precisely defined terms and conditions specified in the credit. A documentary letter of credit provides almost equal security to both the buyer and the seller and is second only to cash in advance in terms of security to the seller.

When a letter of credit is issued by the buyer's bank, the bank assumes the payment responsibility for the buyer, thereby placing the credit standing of the bank between the seller and the buyer. With use of a letter of credit, buyer and seller do not communicate directly. The bank(s) act as intermediary(ies) between the two. The bank, however, deals only with the documents regarding the goods rather than the goods themselves. This latter point is critical and will be discussed later in detail.

Letters of credit are the most common form of international payment because they provide a high degree of protection for both the buyer and the seller. The buyer specifies the documentation required from the seller before the bank is to make payment, and the seller is given assurance that payment will be made after shipping the goods so long as the documentation is in order. The key document is the bill of lading or title document that authorizes its holder to take possession of the shipment. If the buyer and seller have a subsequent disagreement regarding the order, however, it is handled between them, independently of the banks or of payment.

Consistency and accuracy are paramount in preparing and submitting documents for payment under a letter of credit. The documents presented for payment by a seller must conform precisely with the wordings specified in the letter of credit or the bank will not make payment. Many documents presented under letters of credit carry some sort of error (small or large) that can delay or prevent fulfillment of the credit.

QUESTIONS FOR THE BUYER

- Is my bank experienced in documentary credit transactions?
- Am I prepared to amend or renegotiate terms of the credit with the seller?
- Am I certain of all the documents required for customs clearance?

QUESTIONS FOR THE SELLER

- Will I take care to confirm the good standing of the buyer and the buyer's bank?
- Will we carefully review the credit to make sure its conditions can be met?
- Am I committed to properly prepare documentation for the credit?
- Can we comply with every detail of the credit?
- Am I prepared to amend or renegotiate terms of the credit with the buyer?

Documentary Collections

A documentary collection is an order by the seller to his bank to collect payment from the buyer in exchange for the transfer of documents that enable the holder to take possession of the goods.

Under a documentary collection, the seller ships goods to the buyer but forwards shipping documents (including title document) to the forwarding bank for transmission to the buyer's bank. The buyer's bank is instructed not to transfer the documents to the buyer until payment is made (documents against payment, D/P) or upon guarantee that payment will be made within a specified period of time (documents against acceptance, D/A). Once in possession of the documentation, the buyer may take possession of the shipment.

Like letters of credit, documentary collections focus on the transfer of title documents to goods rather than on immediate transfer of the goods themselves. However, unlike letters of credit, banks involved in the transaction do not guarantee payment but act only as collectors of payment.

Documentary collections are excellent for buyers who wish to purchase goods without risking prepayment and without having to go through the more cumbersome letter of credit procedures. Documentary collections are easier to use than letters of credit, and bank charges are usually lower.

Documentary collection procedures, however, entail some risk for both sellers and buyers. For sellers, risk is incurred because payment is not made until after the goods are shipped; also, the seller assumes risk while the goods are in transit or in storage until payment or acceptance takes place. Also, banks involved in the transaction do not guarantee payments. For buyers, risk is incurred when the goods shipped by the seller are not the quality or quantity ordered. Therefore, from the seller's standpoint, documentary collection falls somewhere in between a letter of credit and open account in its desirability. This term of payment is generally utilized when the buyer and seller have an established and ongoing business relationship, and when the transaction does not require the additional protection and expense of a documentary credit.

QUESTIONS FOR THE BUYER

- Do I trust that the seller will ship the quality and quantities of goods as promised?

QUESTIONS FOR THE SELLER

- Do I know the buyer well enough to trust that he/she will pay for the documents?
- If the buyer refuses to pay for the documents, are the goods we are shipping easily marketable to another client?
- Is our company committed to prepare documents correctly?

Open Account

Purchase on open account means that the buyer agrees to pay for goods ordered within a designated time after their shipment. Common terms are 30, 60, or 90 days although longer terms of 180 days are not unheard of.

Open account provides the buyer with the greatest security and flexibility but leaves the seller at greatest risk that the buyer will not comply with the terms of the contract and pay as promised. If the buyer does not pay, the seller's last resort is to take legal action on the basis of the sales contract. Due to the high degree of risk, the seller should always consider whether any other alternatives are available before agreeing to open account terms.

Open account terms give the buyer time to receive the goods, market them in his domestic market, receive payment, and make payment to the seller without direct investment of his own funds. Open account payments are made either by bank draft or check or through a wire payment to the bank account specified by the seller/exporter.

Although open account terms are common in domestic trade, where the legal system provides ready recourse against defaulting buyers, these terms are much less common in international trade. Winning and collecting a judgment abroad is at least several times more difficult than the same procedure domestically.

Generally, open account terms are utilized only when goods are shipped to a foreign branch or subsidiary of a multinational company or when there is a high degree of trust between seller and buyer, and the seller has significant faith in the buyer's ability and willingness to pay. If the transaction is with an unknown buyer, the seller is advised to find a different payment method.

Overall, open account payment terms cannot be expected from sellers early in the relationship.

QUESTIONS FOR THE BUYER

- Can I convince the seller of my ability and willingness to pay on open account terms?
- Is my marketing or distribution strength and reputation in my domestic market attractive enough to the seller to justify open account terms?

QUESTIONS FOR THE SELLER

- Are open account terms the only option available?
- Does the buyer have the ability and willingness to make payment?
- Will economic, political, and social instability in the buyer's country hinder the buyer's ability to pay?

Information Link 知识链接

当前国际贸易发展迅速，数量、品种、金额等都在不断扩大，传统“银货两讫”的结算方式早已不能适应现代国际贸易的需求，多数外贸结汇都是经由银行，通过票据、单据等结算工具的转移和传递来清偿国际债权、债务，从而实现买卖的最终完成。

目前，国际贸易的结算方式主要有汇款、信用证、托收、保函和保理等。要解决如何选择国际结算品种的问题就必须分析不同国际支付方式的异同以及优缺点。整体而言选择贸易结算方式主要取决于国际经贸活动的内容、融资需求、风险保障程度以及银行服务范围等因素。

汇款是一种古老的结算方式，今天在外贸活动中仍得到广泛的运用。跟单托收是由出口商开立跟单汇票，连同一整套货运单据交给出口地银行，委托银行通过其在国外的代理行，向进口商收取货款的一种结算方式。托收结算方式较信用证而言程序较为简便，但是其中的风险也是不言而喻的。为解决“汇款”和“托收”结算方式存在的诸多弊病，同时解决买卖双方的互不信任问题，信用证结算方式也就应运而生了。信用证结算是当前国际贸易中使用得最为广泛的一种结汇方式。它的主要特点是：把原来由进口商履行的“凭单付款”责任转由银行来承担，即通常所说的“以银行信用取代商业信用”。

Running Workshops
巩固练习

I Workbook

A. Translate the terms into Chinese and then find their corresponding definitions.

Terms	Chinese Translation		Definitions
1) Bill of lading			A. It means an importer must pay the exporter in cash before a shipment is made. This term can be used in a variety of businesses, but it is most common in the import/export business.
2) Bank draft			B. It is a method of electronic funds transfer from one person or institution (entity) to another. It can be made from one bank account to another bank account or through a transfer of cash at a cash office.
3) Cash in advance			C. It is a document issued by a carrier to a shipper, acknowledging that nonspecified goods have been received on board as cargo for conveyance to a named place for delivery to the consignee who is usually identified.
4) Credit standing			D. It is a process, in which the seller instructs his bank to forward documents related to the export of goods to the buyer's bank with a request to present these documents to the buyer for payment, indicating when and on what conditions these documents can be released to the buyer.
5) Documentary letter of credit			E. It is a type of check where the payment is guaranteed to be available by issuing bank.
6) Documentary collections			F. This method can be used by business partners who trust each other. The buyer agrees to pay for the goods within a designated time after the shipment.
7) Open account			G. It is a document issued mostly by a financial institution. It usually means the bank's commitment to pay the seller a specified sum on behalf of the buyer under precisely defined conditions.
8) Wire payment			H. It is the reputation for discharging financial obligations.

B. Decide whether each of the following statements is true or false. Put a T at the end of the statement if you think it is true and put an F if you think it is false.

1) In international transactions, if one has absolute security, the other loses a degree of security. So it often requires a compromise on the part of the seller and the buyer that leads to relative security for both. (   )

2) Cash in advance provides the buyer with the most security but leaves the seller at great risk. (   )

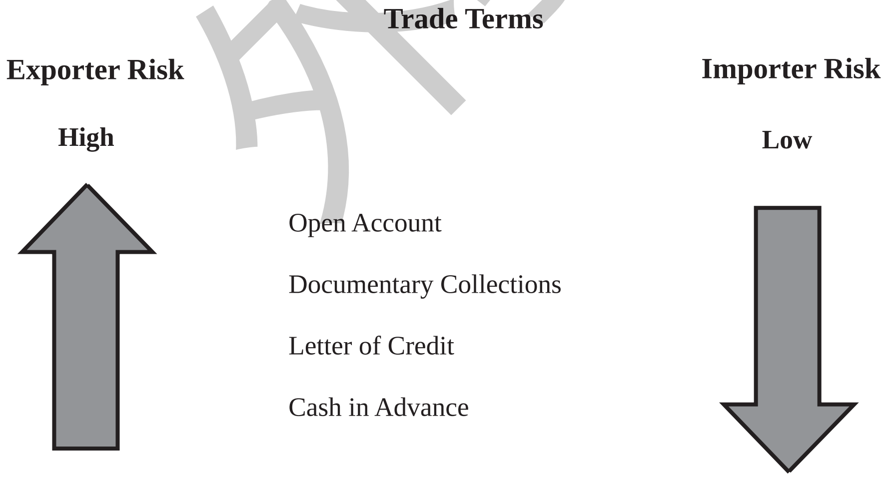
3) With the use of a letter of credit, the banks act as intermediaries between the two parties. (   )

4) Unlike letters of credit, documentary collections focus on the transfer of title documents to goods rather than on immediate transfer of the goods themselves. (   )

5) Open account payments cannot be made by bank draft, check, or through a wire payment to the bank account specified by the seller. (   )

II Discussion

In this chapter, we have a general picture of the international payment methods. The following is a picture of the risk comparison of four basic payment methods. Try to understand the picture and then discuss it with your partners to list some questions to ask before selecting the payment method.



Case Story

You should understand the following terms before going through the case story.

SWIFT (Society for Worldwide Interbank Financial Telecommunications): It is a service organization established to meet a number of specialized service needs relating to interbank financial communications through a dedicated data processing and telecommunication system. Through the use of SWIFT network, banks can communicate information pertaining to all major aspects of the financial services in a structured, secure and timely manner.

Telegraphic transfer (T/T): It refers to remittance by SWIFT. It is exactly the same as a mail transfer, except that instruction from the remitting bank to the paying bank is transmitted by SWIFT instead of by mail. Therefore, it is faster, but more expensive than the mail transfer. It is often used when the remittance amount is large and the transfer of funds is subject to a time limit.

A Chinese company X exported handcrafts to an American company Y. Company X and Company Y had very good relationship during the past contacts. After the first deal, the buyer, Company Y insisted on paying via T/T, claiming that it was economical and beneficial to each party. Company X accepted the requirements of Company Y because of the previous successful negotiations. Company X sent the B/L (bill of lading) to Company Y via fax after all the goods had been loaded. After that, Company Y remitted $28,000 to Company X. The first deal was successful.

After one month, Company Y needed delivery again and insisted on paying via T/T. Company X accepted the requirements. In the following three months, Company X dispatched a total amount of FOB TIANJIN USD 162,000. After the shipment of all the goods, Company X claimed for all the payments of the goods from Company Y, but they only found Company Y just disappeared.

Case Analysis

When the exporter is well acquainted with the financial status of the buyer and entertains no doubt about his solvency, or when the exporter sells goods to his overseas branches or subsidiaries, he may be prepared to ship his goods on open account. Under this device, the exporter sends his shipping documents to the buyer who remits in due course or at agreed intervals the agreed price either by T/T, or by M/T, or by D/D through a bank. The exporter makes no precise date for payment of the goods shipped. Instead, he is prepared to rely on his past experience of the buyer's integrity to effect settlement at the proper time.

Open account provides the buyer with the greatest security and flexibility but leaves the seller at the greatest risk that the buyer will not comply with the terms of the contract and pay as promised. If the buyer does not pay, the seller's last resort is to take legal action on the basis of the sales contract. Due to the high degree of risk, the seller should always consider whether any other alternatives are available before agreeing to open account terms.

Case Summary

在赊销中，出口商本来就面临着很大的收款风险，加上案例中出口商的失误，导致最后钱货两空。

出口商的失误具体如下：

第一，对进口商并不了解，第一次交易就接受了O/A方式。

第二，没有及时催收货款，连续多次发货以后才开始索款。

第三，应急措施不及时，在进口商不付款的情况下，没有进一步采取有效措施，如仲裁、起诉等。

由于赊销通常是无担保的信用，回收货款一般较难，因此买方一旦违约，就会给信用提供方造成巨大的损失。事实上，无论是逾期应收账款还是坏账，其损失都并不限于实际已发生的该笔损失，更重要的是由此而带来的恶性连锁反应。逾期账款会影响企业资金周转，增加企业的融资成本，进而影响企业的盈利水平。因此出口商选择赊销方式时要十分谨慎。

Expanding Input
拓展阅读

Forfaiting: A New Kind of Payment about the International Trade Finance

Forfaiting is a method of providing non-recourse short- and medium-term finance, usually at a fixed interest rate, to facilitate the trade around the world.

Non-recourse trade finance used to be a free-market, medium-term trade credit, for capital goods, arranged by a western manufacturer to an importer in an industrializing country with limited access to hard currency. The trade credit is of non-recourse and fixed rate, usually bank-guaranteed and often evidenced by a series of negotiable bills of exchange or promissory notes repayable semi-annually.

In trade finance, forfaiting involves the purchase of receivables from exporters. The forfaiter takes on all risks involved with the receivables. The forfaiting operation is a transaction-based operation (involving exporters) involving the sale of one of the firm's transactions. Factoring is also a financial transaction involving the purchase of financial assets, but factoring involves the sale of any portion of a firm's receivables.

Forfaiting normally operates like this:

The importer finds a bank or other first-class institution which is willing to guarantee his liabilities. The institution is not resident in the exporter's country (and in fact would normally be resident in the importer's country).

The method of guarantee can take the following forms: an aval (or endorsement), whereby the guarantor endorses bills of exchange drawn on the importer, thus becoming liable on them; a separate form of guarantee of the importer's liabilities. This usually applies when promissory notes are signed by the importer, as opposed to bills of exchange being used; when the guarantor is a bank from the United States, the guarantee takes the form of a standby letter of credit whereby the American bank undertakes to honor bills of exchange drawn in the prescribed way.

The form of the guarantee is unimportant, provided the guarantee is legally binding.

Provided the guarantor is undoubted, the exporter's bank, known as the forfaiter, will discount the bills or promissory notes, i.e. will pay the exporter the face value less the discount charges. If the importer is undoubted, then the forfait facility could be provided without the need of a guarantee from another institution.

The characteristics of a forfaiting transaction are:

- Credit is extended to the exporter for a period ranging between 180 days to seven years.
- Minimum bill size is normally US$250,000, although $500,000 is preferred.
- The payment is normally receivable in any major convertible currency.
- A letter of credit or a guarantee is made by a bank, usually in the importer's country.
- The contract can be for either goods or for services.

Three elements relate to the pricing of a forfaiting transaction:

- Discount rate, the interest element, usually quoted as a margin over LIBOR.
- Days of grace, added to the actual number of days until maturity for the purpose of covering the number of days normally experienced in the transfer of payment, applicable to the country of risk.
- Commitment fee, applied from the date the forfaiter is committed to undertake the financing, until the date of discounting.

Questions for discussion

1) What are the advantage and disadvantage of forfaiting?

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2) Compare the difference between forfaiting and other international trade payments.

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3) What is the main cause of the introduction of forfaiting?

4) Find some recent cases about forfaiting applied in international payment and try to analyze the reason of its success or failure.

5) What is your opinion about the developing trend of forfaiting in the future?

6) If you are an exporter in international trade, what kind of international payment will you choose, why?