

Appendix

Appendix A: List of Figures and Tables

ACH, automated clearinghouse: An electronic funds transfer system linking banks with one another, and often with non-financial institutions as well.

affiliate: As defined by the U.S. Government, 10 percent or more equity interest suffices to make one firm an affiliate of another (other countries may use different percentages). The U.S. Government does not distinguish between minority (10 to 50 percent) and majority ownership. [See FDI.]

AI, artificial intelligence: Computer systems with the ability to learn and improve in performance as a result of experience. More broadly, systems that mimic aspects of human reasoning are sometimes termed AI even if no learning is involved. (See expert system.)

AID, Agency for International Development: Principle U.S. Government organization for channeling economic aid to less developed countries.

back-to-back loans: Two parties in different countries make loans to one another, of equal value, each loan denominated in the currency of the lender and maturing on the same date.

banker's acceptance: A negotiable instrument drawn on and accepted [i. e., guaranteed] by a bank—e.g., for financing the export, import, shipment, or storage of goods.

Basel Committee: The Committee on Banking Regulations and Supervisory Practices, also known as the Cooke Committee, an advisory group of representatives of central banks and bank supervisory authorities from 11 countries. The Committee meets at the Bank for International Settlements in Basel, Switzerland.

BOCs, Bell Operating Companies: Local telephone companies grouped into regional holding companies (RHCs) since the AT&T divestiture.

CAD/CAM, computer-aided design/computer-aided manufacturing: CAD refers to computer automation of architectural and engineering design, primarily in the sense of geometry, CAM refers to automated manufacturing, with applications of numerically controlled machine tools the most common case,

CADD, computer-aided design and drafting: Automated processes for generating drawings (and auxiliary information such as parts lists), with the emphasis on automation of the drafting function rather than on engineering.

capital ratio: A bank's ratio of capital on hand to total liabilities. Regulatory authorities impose minimum capital ratios on banks.

CCITT: The Consultative Committee for International Telephone and Telegraph of the international Telecommunication Union (ITU).

CHIPS, Clearing House Interbank Payments System: A computerized network for arranging transfers of U.S. dollar payments among 140 depository institutions with offices in New York City.

CO (central office) switch: A large telephone exchange, today typically computerized.

commercial bank: Sometimes called full-service banks, the traditional basis for commercial banking has been the acceptance of short-term funds, mostly demand deposits, and the financing of term loans. (See investment bank and universal bank.)

commercial paper: A company's short-term unsecured promise to repay a fixed amount (equal to the borrowed funds plus interest). Some commercial paper is also backed by a third party (e. g., a bank that agrees to repay the loan if the original borrower defaults).

Comsat, Communications Satellite Corp.: A private company, U.S. signatory to and part owner of Intelsat (International Telecommunications Satellite Organization).

COS, Corporation for Open Systems: A nonprofit organization of American and some foreign computer and telecommunications firms, established to work toward technical standards for computer networks.

cross-licensing agreement: An arrangement whereby two firms agree to share technologies of specified types, including those as yet undeveloped.

currency swap: A financial transaction in which the parties exchange specified sums in two different currencies.

design-bid-build: Contracting arrangements in the engineering and construction industry in which separate contracts are let for design (which may include architectural design) and construction. Specifications developed in the design phase become the basis of a request for bidding on construction.

design-construct: Contracting arrangements covering an entire project; the contractor carries out the design and engineering work, construction,

and may also handle installation of equipment (resulting in a turn-key project).

DP: Data processing.

E&C: Engineering and construction.

EC, European Community; EEC, European Economic Community: Belgium, Denmark, France, the Federal Republic of Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Spain, Portugal, and the United Kingdom. The EEC provides a common market; the EC comprises the EEC, the European Coal and Steel Community, and the European Atomic Energy Community.

EMP, Engineering Multiplier Program: Extends U.S. Export-Import Bank loans to foreign parties for the purchase of architectural and engineering services from U.S. firms.

Eurobond, Euronote: A bond or note sold in a market outside national regulatory frameworks for financial transactions; Euronotes are short-term bonds. Originally, the major offshore or external markets were located in Europe (specifically, London); now they also exist in other world financial centers. (See offshore market.)

Eurodollar: Dollar deposits, bond holdings, and other dollar-denominated financial instruments not subject to the normal regulatory control of the United States.

Euroyen: Yen deposits, bonds, and other yen-denominated financial instruments not subject to the normal regulatory control of Japan.

Eximbank: Export-Import Bank of the United States, a federally chartered institution with responsibilities centering on the financing of U.S. exports.

expert system: A computer system exhibiting a form of artificial intelligence (AI) in which the system's software embodies the knowledge of one or more human experts. The system can then act as a decision aid or automate a process that would otherwise require active participation by a human expert. In practice, expert systems have much more limited capabilities than the name might seem to imply, typically performing at rather rudimentary levels of competence.

FDI, foreign direct investment: Assets wholly or partially owned by foreign residents (individual or corporate), and including real estate or other property as well as equity holdings in corporations. Under U.S. Government definitions, ownership levels of 10 percent or more qualify as FDI, less than 10 percent as portfolio investment.

fiber-optics: Refers to systems using thin glass fibers to transmit communications signals via light (rather than electricity).

fourth-generation computer language: One in which the programmer specifies the desired outputs, but need not define the coding on a line-by-line basis.

FRA, forward rate agreement: To protect against future movements in interest rates, two parties agree on an interest rate for a future financial transaction. No commitment is made by either party to lend or borrow the principal amount of the transaction; exposure is limited to the interest difference between the agreed and actual rate at the time of settlement.

FRN, floating-rate note: A medium-term security carrying a variable or floating rate of interest, adjusted at regular intervals (typically every 3 or 6 months) with respect to a reference rate (commonly the London Inter-Bank Offered Rate).

futures: Contracts, traded on exchanges, generally calling for delivery of commodities or financial instruments at some future date.

GATT, General Agreement on Tariffs and Trade: An organization and set of rules under which 92 nations negotiate trade agreements and seek to resolve trade-related disputes.

Generalized System of Preferences: By international agreement, industrial nations—including the United States, Japan, and the members of the European Community—grant preferential tariff treatment to goods from specified developing countries.

Giro payment, Giro system: A system for financial payments based on standardized forms that authorize transfers of funds from the payer's account to the payee's, widely used in some European countries for transactions such as consumer billings.

Glass-Steagall Act, the Banking Act of 1933: Its best known provisions require a separation of commercial and investment banking activities.

IBF, International Banking Facility: Permits U.S. financial institutions to legally provide deposit and loan services from their domestic offices to foreign customers free of reserve requirements and other regulations that apply to their business with U.S. customers.

Intelsat, International Telecommunications Satellite Organization: Created in 1964 by international treaty, and jointly owned, Intelsat supplies nearly all cross-border satellite communications services.

interest rate swap: A transaction in which two parties exchange interest payment obligations of differing character. Examples include: coupon swaps—fixed rate to floating rate in the same cur-

- rency; basis swaps—one floating rate index to another floating rate index in the same currency; and cross-currency interest rate swaps—fixed rate in one currency to floating rate in another.
- investment bank:** An intermediary between those seeking capital by issuing securities (government bodies as well as private firms) and those with money to invest. In recent years, investment banking has expanded rapidly into such related activities as leasing, mergers and acquisitions, and financial advisory services.
- ISAC, Industry Sector Advisory Committee:** Set up under the Trade Act of 1974 to convey the views of particular industry sectors on trade negotiations and related matters to the Office of the United States Trades Representative and the Department of Commerce.
- ISDN, Integrated Services Digital Network:** Telecommunications systems able to handle voice, data, facsimile, and video signals over common channels.
- ISO, International Organization for Standardization:** Membership includes some 75 countries, represented through their national standards bodies. Countries without a standards association participate as correspondent members.
- IT services:** Information technology services, including telecommunications, data processing, and computer software.
- ITA:** International Trade Administration, part of the U.S. Department of Commerce.
- ITC, International Trade Commission:** An independent government agency, the U.S. International Trade Commission has responsibilities that center on the investigation and disposition of complaints alleging violations of the Nation's trade laws.
- ITU, International Telecommunication Union:** Membership of about 160 countries; has the status of a treaty organization. (See CCITT and WATTC.)
- JTPA, the job Training Partnership Act:** Enacted in 1982, Title 111 of JTPA offers services to displaced workers, including counseling, job search and placement assistance, and vocational training. The Federal Government provides JTPA funds to be administered at the State and local level.
- junk bonds:** High-yielding bonds, generally rated below Baa by Moody's or BBB by Standard & Poor's. Sometimes used in corporate takeovers or buy-outs.
- LANs, local area networks:** A computer network linking machines in a single building or similarly limited setting.
- LDC:** Less developed country.
- letter of credit:** Most commonly, a guarantee by a bank to make payment on behalf of its client, usually an importer.
- MAP, Manufacturing Automation Protocol:** A set of technical standards for linking computerized manufacturing equipment.
- MITI:** Japan's Ministry of International Trade and Industry.
- mixed credits:** Financing that mixes export credits in the form of loans with grants for development assistance, the latter usually taking the form of tied aid credits.
- MNC:** Multinational corporation.
- MTN:** Multilateral trade negotiation.
- national treatment:** Equal treatment by government of foreign-owned and domestic firms.
- NIC, newly industrializing country:** NICs have higher levels of national income than LDCs.
- NTB, non-tariff barrier:** Examples include import quotas and subsidies for domestic firms.
- NTT, Nippon Telegraph a Telephone Corp.:** Japan's largest telecommunications company, formerly a public corporation and monopoly supplier of services. Forty-nine percent of NTT's stock is now being sold to the public.
- OECD, Organization for Economic Cooperation and Development:** A group of 24 industrialized countries, including the United States, Japan, and the major European economies.
- off-balance-sheet activities:** That part of a bank's business, typically fee-based, that does not involve taking deposits and booking assets. Examples include arranging swaps and providing letters of credit.
- offshore market, also external market and Euro-market:** A market for bonds, deposits, credits, and other financial instruments not under the normal regulatory control of any country.
- onshore market:** That part of a financial services market in which foreign-owned firms participate alongside domestic firms (and under the regulatory and supervisory control of the national government).
- OSI, Open Systems Interconnection:** A reference model for computer network architectures.
- proprietary technology:** Unique knowledge and expertise under the control of a particular firm.
- PTT:** Post, telegraph, and telephone authority, in most countries, the monopoly provider of services.
- repatriated earnings:** Income from foreign investments that a firm returns to its headquarters location.
- reserve requirements:** U.S. commercial banks must keep a portion of their funds in a reserve account

- at a Federal Reserve Bank (or other designated institution), Other countries follow similar practices.
- retail bank:** Financial institution that supplies a wide range of services to individuals (as compared to a wholesale bank that specializes in services for, say, corporations).
- RHC, regional holding company:** One of the seven regional telephone companies formed with the breakup of AT&T, each consisting of several Bell Operating Companies (BOCs).
- securitization:** Refers to the development of markets for negotiable instruments, such as commercial paper and floating rate notes, as a means of borrowing (e.g., as an alternative to bank loans). Used more narrowly, securitization refers to the conversion of bank assets such as mortgages and other loans into negotiable securities for purchase by other financial institutions or by non-bank investors.
- software:** Computer program(s), the instructions that tell a computer (or any system embodying a digital processing unit) what to do.
- standby letter of credit, SLC:** An agreement by a bank to extend credit should other prospective lenders decline to do so.
- Strategic Computing Program:** Managed by the Defense Advanced Research Projects Agency of the U.S. Department of Defense, the program aims at developing AI-related technologies with applications to military systems. Examples include pilot's aids and automated land vehicles.
- swap:** See currency swap, interest rate swap.
- SWIFT, Society of Worldwide Interbank Financial Telecommunications:** An international network for communications among banks, jointly owned by the members.
- TBDF:** Transborder data flow.
- TDP, Trade and Development Program:** U.S. Government program that finances planning and feasibility studies undertaken by American firms in Third World countries offering U.S. export opportunities.
- Teletel/Minitel:** French videotex system operated by the government and making use of the telephone system to supply services, most of them originating with private firms, via small specialized terminals,
- tertiary services:** As used in this assessment, refers to a subset of traditional service industries (e.g., shipping, retailing) that depend less heavily on technology and know-how than knowledge-based services (including banking and information technology services, among others).
- tied aid:** Development assistance restricted (or tied), typically by requirements that goods and services be procured in the donor country. See mixed credits.
- universal bank:** A financial institution active in both commercial and investment banking (permitted in many parts of the world, but not in the United States).
- U.S. International Trade Commission:** See ITC.
- US&FCS:** United States and Foreign Commercial Service, trade promotion arm of the Department of Commerce.
- VAN, value-added network:** A computer/telecommunications network that provides enhanced services—i. e., services over and above the provision of a communications channel. The added value comes through provision of some further service, such as electronic funds transfers or access to a database.
- videotex; videotext/teletext:** Information services provided over communications networks that range from news reports and teleconferencing to on-line shopping. Typical videotext services combine text and graphics interactively, usually over the telephone network to a computer or a terminal. Teletext consists of one-way transmission of text. Collectively, videotext and teletext are called videotex.
- WATTC, World Administrative Telephone and Telegraph Conference:** Meetings of the International Telecommunication Union (ITU) called to consider changes in that body's regulations.
- WIPO:** World Intellectual Property Organization, administers the Berne Convention for the Protection of Literary and Artistic Works.
- zero coupon bonds:** Long-term securities calling for a single lump-sum payment at maturity, rather than periodic interest payments.