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What is International Trade?

If you can walk into a supermarket and find Costa Rican bananas, Brazilian coffee, and a bottle of South African wine, you're experiencing the impacts of international trade.

International trade allows countries to expand their markets and access goods and services that otherwise may not have been available domestically. As a result of international trade, the market is more competitive. This ultimately results in more competitive pricing and brings a cheaper product home to the consumer.

Therefore, international trade is the exchange of capital, goods, and services across international borders or territories because there is a need or want of goods or services. In other words, it refers to the buying and selling of goods and services between countries. It is the so-called importing and exporting operation.

### 1.1. INTERNATIONAL TRADE EXPORT PROCEDURE

Steps to follow:

1. Placing and attending orders.
2. Negotiation and contracts.
3. Processing orders.
4. Shipment of goods. Taking decisions on: the most appropriate means of transport, packing, forwarding agents, the issuance of an insurance policy, and clearing customs in compliance with INCOTERMS\* chosen.
5. Shipments and logistics. Forwarders and forwarding agents.
6. Invoicing, terms of payment, and financing.
7. Attending and answering to claims.

8. Distribution Channels (agents, warehousing, distribution centers).
9. Keeping a close eye on foreign markets through an updated information data system.
10. Financing export operations.

## 1.2. DISTRIBUTION CHANNELS

Distribution channels are generally understood as the general means that allow the producer to make easier the arrival to the final consumer of the product meant to be sold.

They also allow the seller to:

- Maximize reach in the retail marketplace.
- To develop, study and consider channel opportunities and choose among different alternatives to achieve required market coverage at target levels of profitability and growth.
- Identify opportunities and develop strategies for consumer goods companies to "go to market" through additional channels.
- Define the requirements to effectively operate in desired channels and develop responsive marketing programs to maximize the channel's end-market impact and efficiency.

Therefore, it is important for consumer goods companies to:

- Define and measure the size of end-user markets.
- Assess current state and future characteristics of various potential channels of distribution.
- Assess each channel's "fit" with respect to branding and patronage characteristics.

- Assess the strategic significance of product categories to channel members.
- Recommend distribution channels to achieve required market coverage at target levels of profitability.
- Define the goals and success requirements of each distribution channel member and develop responsive marketing programs to maximize the channel's end-market impact and efficiency.
- Monitor and track effectiveness of distribution programs within the channel and in end-user markets.

## ALTERNATIVES IN CHANNEL DISTRIBUTION

### 1.2.1. Direct distribution

- a) By means of your own network. (Companies with a solid structure and a consolidated organization of the export department. This traditional channel of distribution allows sellers to have direct contact with end consumers. However, it should be supported by high investment in human and financial resources.
- b) Trough and agent / distributor. (He should be living abroad and working under control monitored by the exporter. Agent /distributor will develop market strategies and is considered as an intermediary.
- c) Branch / Division (With or without juridical independence from the main house, branches can either depend financially from their head companies in

spite of having their own staff or be independent holding part of the shares. Branches usually also offer selling service.

### 1.2.2. Indirect distribution

In this case, an intermediary is assuming the development of the export activity, being located at the country chosen as target market or even at the export country.

#### 1.2.2.1 Agents at your own country or at the target market country.

a) Independent agent. He/she is an independent trader. He/she purchases and sells goods on his/her own name and at his/her own account. In most of the cases, he/she is either working for import-export companies or for companies exclusively devoted to export operations. These sorts of export trading companies usually act in the same way: they trace and detect demand for products that must comply with certain technical features and also be within a certain price range. If the producer complies with technical requirements and price allows the agent to get his own margin, the distribution channel is finally closed.

b) Foreign agents. The main difference with an independent agent is that he/she does not act on his/her own but in the name of the company he/she is working for. His/her main task is searching for suppliers.

- c) Trading companies. They are not only agents but they also offer back-up to market research and all bureaucratic and administrative aspects of the operation, alongside with payment security, exchange risk insurance, their knowledge of the market, etc. The exporter can also rely on the contacts and corporate image of the trading company as far reputation and seriousness are concerned.
- d) Piggy-back. The main characteristic of the piggy back is that an industrial group offers the export company his own commercial network in foreign countries. An example of it could be companies within the automobile sector, which have their own world-wide distribution network, through which they can sell all products related to cars such as accessories, spares, etc.

#### 1.2.2.2. Intermediaries in foreign countries.

- a. Agents. This channel is mainly used by small companies, for it does not require any previous high investment, once a company has taken the decision to launch its products in a foreign market. Agents contact potential customers to get order for the exporting companies. They usually get their remuneration through commissions on the final selling figures.

- b. Importer - distributor. Importer acts on his/her own name and account whereas the agent does it on behalf of the exporting company. Thus, the importers are assuming their own risks and responsibilities, establishing also their own price policies. They buy the goods in firm so for them margins are determined by the existing difference between import price and final selling price. This type of intermediary is interesting for companies in need of a good post-sale service.

There are also other indirect distribution channels, such as franchising or firms /companies located in foreign countries.

### 1.3. ADMINISTRATIVE PROCEDURES

When dealing with import / export operations in companies, it is highly important to pay attention to these services under a double point of view: placing orders / contracts, and fulfilling all administrative requirements, being therefore able to comply with all legal requirements of the selling terms agreed with the customer.

Basically, we can talk of four different steps when placing orders:

1. Packaging and marking. To certain destinations there is a specific packaging required (even the size of the pallet is different) or some special marks required, - either by the importer or by the authorities at the country of destination - (for instance, clementines shipped to the USA). It is also important to take into consideration the transit time of the shipment in order to avoid

cargo damage and further claims.

2. Means of transport and transport insurance.
3. Documents related to the shipment in order to arrange customs clearance not only at place of origin but also at destination.
4. Payment terms and/or financing.

Upon receipt of a new order, there are a few basic controls and checks to be carried out, among which we could mention the following:

- a) Availability of the goods in our stocks, or if goods are not ready at that moment, we have to check first possible delivery dates.
- b) Customer's statement of account with our firm. (i.e., Invoices due for payment, previous outstanding balances).
- c) Revision of the payment terms according to contract.

Once we have checked such controls are OK, we can proceed with second part of the operation as follows:

- a) Firm confirmation of the operation
- b) Confirmation to the customer of delivery dates/ terms
- c) Firm booking of the available stocks
- d) Application to the condition to the forwarding agents / carrier to prepare the shipment.

Summarizing all above-mentioned, please have a look at this briefing of the process of an export order:

- Reception of an email with the order directly from the export department.
- Stocks Control (Production department and Warehouse)
- Customer Control (due invoices, settlement of unpaid invoices, etc.)
- Decisions on the INCOTERMS

- Confirmation to the customer (via e-mail)
- Booking on the stocks. (Warehouse confirmation availability.
- Placing the internal order.
- Application to the forwarder booking space.
- Export order sent to the warehouse for them to be able to prepare (pallets/packaging, identification of the pallets, etc.).
- Loading of the order.
- Following the order until final destination to avoid and/or assist in case of any possible claims.

Financial and Accounting department should be taking care of:

- Billing and invoicing
- Shipping documents.
- Banks / Accounts/ Budget control

## 2. A BRIEF GUIDE TO EXPORT DOCUMENTATION

We believe it is highly important that not only importers but also exporters should understand the significance of documentation whether it is in its traditional paper form or in its modern automated, e-commerce equivalent. This section tries to explain the significance and purpose of main documents used in overseas trade.

### TYPES OF DOCUMENTS

#### 2.1. COMMERCIAL DOCUMENTS

Commercial documents are all those documents necessary for the negotiation and transmission of the property of the cargo meant to be exported /imported.

- **Pro-forma invoice**. This document is usually made before the order and acts as a quotation. It is also sometimes needed in advance for the shipment, required to open / draw up a Letter of credit or to get foreign exchange to pay for the goods in case of an import operation. It is also sometimes required when applying for an Import License. It looks essentially the same as the invoice except for the "pro-forma" wording included. It is important to emphasize the fact that the pro-forma represents an offer that can be legally binding in many countries, that its acceptance by your customer makes you party to a valid contract. Therefore, it is rather advisable to state that the offer has a defined expiry date and the prices are subject to change without notice. Prices agreed should also be agreed to the terms of shipment, ideally Incoterms 2020\*, and the terms of payment should also be specified.

- **International Commercial Contract.** Compulsory details will be the following: buyer's and seller's full details, full description of the cargo: i.e., quantity, quality, international technical specifications, and also marks, numbers and packaging. It is also important to state whether it will be general cargo or containerized, unit price and total price agreed. The contract should also include: terms and conditions of delivery, terms of payment, - together with INCOTERMS chosen- ; arbitration / law agreed between both parties; force majeure clauses, date and signature. Both importers and exporters will also make sure that commercial contracts stipulate appropriately that they can each reasonably be expected to provide.
- **Notification of the opening of a letter of credit.** Payment under a documentary letter of credit is based on documents, not on the terms of sale or the physical condition of the goods. The letter of credit specifies the documents that are required to be presented by the exporter, such as an ocean Bill of Lading (original and several copies), commercial invoice, packing lists, certificates of origin, etc.. and an insurance policy. The letter of credit also contains an expiration date. Before payment, the bank responsible for making payment, verifies that all documents comply with the letter of credit requirements. If not, the discrepancy must be resolved before payment can be made and before the expiration date.
- **Commercial Invoice.** It is the document used in foreign trade. It is used as a customs declaration provided by the person or corporation that is exporting an item across international borders. Although there is no standard format, the document must include a few specific pieces of information such as: date, the parties involved in the shipping transaction, the goods being transported, the country of manufacture, and the harmonized System Code. (In Spanish Partida Arancelaria) for those goods.

A commercial invoice must also include a statement certifying that the invoice is true, and a signature. A commercial invoice is primarily used to calculate tariffs (duties & taxes= aranceles e iva) and it must also include price, payment terms and delivery terms. (INCOTERMS). Sometimes commercial invoices also include import and/or export license numbers.

- **Packing List**. Itemized list of articles and goods usually included in each shipping package/ shipment, giving the quantity, full and detailed description, and weight of contents. (Gross weight and net weight). It is prepared and issued by the shipper and sent to the consignee (buyer) for accurate tallying of the delivered goods. Sometimes it is also called, bill of parcels, packing slip or unpacking note. It must include the number and date of the related invoice and any references, marks and/or numbers which can help to identify the cargo.
- **Letter of credit** . ( Please see Payment Terms).

## 2.2. IMPORTING AND EXPORTING

### What is an import?

You **import** when you bring goods into Spain from outside the European Community (EC) for business purposes. Items you obtain overseas for your own use or which fall into the category of gifts, are **not** regarded as commercial imports for Customs purposes.

The distinction as to when the word **imports** should be applied is not just semantics - it reflects the differences in the law for the treatment of imports against that for trade within the European Community - called Intra-EC trade.

### **What is an export?**

You **export** when you send goods from Spain to outside the EC for business purposes. Items you send overseas which fall into the category of gifts are **not** regarded as commercial exports for Customs purposes.

Customs use the term “export” to mean the movement of goods to a destination outside of the Customs and/or fiscal territory of the European Community (EC).

### **Countries of the European Community (EC)**

At the time of going to print, the countries of the EC are:

- |                   |                 |
|-------------------|-----------------|
| 1. Austria        | 15. Italy       |
| 2. Belgium        | 16. Latvia      |
| 3. Bulgaria       | 17. Lithuania   |
| 4. Croatia        | 18. Luxembourg  |
| 5. Cyprus         | 19. Malta       |
| 6. Czech Republic | 20. Netherlands |
| 7. Denmark        | 21. Poland      |
| 8. Estonia        | 22. Portugal    |
| 9. Finland        | 23. Romania     |
| 10. France        | 24. Slovakia    |
| 11. Germany       | 25. Slovenia    |
| 12. Greece        | 26. Spain       |
| 13. Hungary       | 27. Sweden      |
| 14. Ireland       |                 |

### **What is Community/Common Transit (CT)?**

CT is a Customs procedure, which allows goods not in free circulation, and those few Community goods for which CT is required, to move within the European Community whilst under the procedure the payment of any customs duty or other charges is duty suspended.

CT is also used to control the movement of such goods to and from Andorra, San Marino and the “special territories” of the Community (such as the Channel Islands). The procedure is extended to cover the movement of goods across the EFTA countries by virtue of a separate customs convention and is then known as “Common Transit”.

Efta Countries - European Free Trade Area (EFTA). The acceding countries will need to apply to join the European Economic Area (EEA), in accordance with Article 128 of the EEA Agreement. With this in view, the Commission keeps the EFTA partners informed of the progress of the accession negotiations.

### **Status of Goods**

Goods are divided into two categories:

- Goods which have Community status (“Community goods”): These are goods which:
  - originate in the Community; or
  - which have been imported from a non-EC country and have been put into free circulation (see below) in the Community; or
  - which have been manufactured in the Community from materials or parts imported from a non-Community country provided the imported materials or parts are in free circulation.

The term “free circulation” is used to describe imported goods on which all import formalities have been complied with and any customs duties or other charges have been paid and not repaid in whole or in part. Goods originating in the Community are also in free circulation unless a CAP exports refund or other refund has been claimed on them.

Generally, Community goods can move within the EC without any Customs controls.

- Goods without Community status (“non-Community goods”).

These are goods, which are:

- from outside the Community on which no duty has been paid and no import formalities have been complied with.

### **Origin of goods**

The Regulation sets out the criteria for conferring on products the origin of the country where they were manufactured. This covers two types of origin for goods:

- non-preferential origin;
- preferential origin.

For goods of **non-preferential origin**, it specifies the working or processing needed to satisfy the criteria set out in the Customs Code. This confers on such products the origin of the country where they were worked or manufactured. The Customs Code lays down that goods whose production involves two or more countries originate in the country where the last substantial processing or working took place.

For **preferential origin**, the Regulation sets out the conditions under which goods may acquire an origin that makes them eligible for preferential tariff measures.

These preferential tariff measures are adopted unilaterally by the Community for certain countries or territories (developing countries, via the generalized system of preferences (GSP), or countries and territories of the Western Balkans). To be granted such a preferential origin, a product must be wholly obtained in the beneficiary country, or result from sufficient processing of goods imported from a third country. The Regulation also sets out the criteria for sufficient processing for the various product categories, and the procedures that must be respected.

### 2.3. DOCUMENTS OF ORIGIN AND SIMILAR DOCS.

There are different documents in respect of the origin of the cargo. This sort of document is extremely important to quantify the duties to be paid when issuing customs clearances. Therefore, it is paramount to know exactly what sort of document is required to comply with customs administrations benefiting at the same time of a reduction of the applicable tariffs.

**A Certificate of Origin** (often abbreviated to CO or COO) is a document used in international trade. It traditionally states from what country the shipped goods originate, but "**originate**" in a CO does not mean the country the goods are shipped from, but the country where definition is the problem in cases where less than 100% of the raw materials and processes and added value are from one country. An often-used practice is that if more than 50% of the sales price of the goods originate from one country, that country is acceptable as the country of origin. In various international agreements, other percentages of national content are acceptable.

The document may be informal, i.e., issued for example by the exporter, but often the importing country may require a formal document, often to be confirmed by an official figure in the exporting country. In many cases specific formal documents are required, such as for shipments under the North American Free Trade

Agreement, or for preferential customs treatment in importing countries for shipments of processed/manufactured goods from less developed countries to developed ones (often referred to as the green CO form "A", or GSP (Generalized System of Preferences) Form A CO).

The Certificate of Origin is primarily important for **classifying** the goods in the **customs regulations** of the importing country, thus defining how much duty shall be paid. But it may also be important for import quota purposes and for statistical purposes, and especially for food shipments, it may also be important for health regulations.

Before concluding a transaction, the exporter and importer should always clarify whether a certificate of origin is required, and if so, agree on exactly the form and content of the CO.

Please, check the link below to find countries that require C.O.O.: [eCertify Countries List](#)

However, we have to take into account that customs regulations of different countries are constantly changing, and so does the list of countries that require this type of document.

## **SPECIAL CERTIFICATES OF ORIGIN**

Some countries ( especially those ones trading with GBP- Great Britain Pound) ask for specific certificates of origin to cover all their import operations. One example of that would be DA 59 FORM FOR the South African Republic.

Another example of a specific certificate of origin would be the Turkish ATR, which is a circulation certificate of goods being moved between Turkey and the European Union.

The **ATR.1 Certificate** is therefore a customs document used in trade between the European Union and Turkey to benefit from cheaper rates of duty. It is important to remember that not all products are included in the customs union. Products not included in the customs union are steel & coal and some agricultural products. It is also worthwhile to note that the ATR.1 certificate is not a certificate of origin, but rather a status certificate. It therefore certifies that the product has been put in free circulation either in the European Union and or in Turkey, which means that the product had gone through the importation procedure in either country.

**CERTIFICATE OF ORIGIN FORM A (GSP FORM A) . CERTIFICADO DE ORIGEN DEL SPG (SISTEMA DE PREFERENCIAS GENERALIZADAS)**

Generalized System of Preference (GSP) was implemented to support developing countries by giving them preferences in trade tariffs from developed countries. It is also defined as the non-contractual instrument by which developed countries extend tariff concessions to goods originating in developing countries and an example of a Unilateral Trade Agreement.

The objective of GSP

- To increase the export earnings of developing countries.
- In promoting their industrialization.
- Accelerating their rates of economic growth.

Its origin can be found in 1963, when the Member States belonging to the EU, suggested a preferential treatment to those industrial products coming from the developing countries within the frame of the General Agreements signed in the GATT regarding Customs Duties and Tariffs (\*General Agreement on Tariffs and Trade). It finally came into force in 1970 and every country defined its own scheme of the preferential system.

On 01<sup>st</sup> July 1.971 first GSP was established, and afterwards other non- member countries were also included, such as Japan, Norway, and USA.

Certificate of Origin Form A is the document which proves the origin and must be required always upon request. This certificate is an import agreement for the developed countries, **therefore it can never be presented as a certificate of origin for exporting goods from a EU country.**

The Regulation on the European Union's Generalized System of Preferences is limited in time: It is revised every ten years. To take advantage of the customs advantages, it is necessary to register in the so-called REX system.

The following 15 countries grant GSP preferences: Armenia, Australia, Belarus, Canada, the European Union, Iceland, Japan, Kazakhstan, New Zealand, Norway, the Russian Federation, Switzerland, Turkey, United Kingdom and the United States of America.

### **European Union Origin**

The European Union is a unique market that is the reason why there is no need to have a certificate of origin for cargo circulating within the EU boundaries.

Cargo circulating within the EU countries do not have to pay any taxes or duties, either because they are of EU origin or because they have already settled the import taxes when entering the EU. They are under a **free circulation regime**.

**EUR-1 FORM. COUNTRIES WITHIN THE PREFERENCE SYSTEM.**

EUR-1 FORM is not a proper certificate of origin. EUR.1 is the name for a form, which is used in international commodity traffic. The application of this form is based on application of various bi- and multilateral agreements within the Preference System (the European Union Association Agreement).

In the free trade agreements goods are defined, which apply to cheaper rates of duty or to be completely duty-free introduced, on the condition that they were completely manufactured in a member country or in such were so far worked on that they become on an equal footing in accordance with the agreements of the origin of the products. In order to profit from the preferential rate during a customs clearance.

A EUR.1 movement certificate, in short EUR.1, must be handed over to the competent authority (usually a customs administration), in which the manufacturer certifies the origin of the goods. In place of a movement certificate also a declaration of origin on the invoice can be provided by the manufacturer or sender of the goods. The creator of such a movement certificate or declaration of origin must be able to prove the origin characteristics of the goods with a possible check on supplier declarations.

The exporter fills in the form / most of the time it is the customs clearance agents who does it on behalf of the exporter, and then hands it over or sends it in to the competent authorities, usually customs, who stamp it and send it back to him, who will forward it himself to his customer for him to be able to present it at customs at its final destination.

The following countries participate in trade agreements where the EUR.1 is used:

- in Africa: Tunisia, South Africa, Algeria. Egypt, Morocco, Kenya
- in the Americas: Chile, Colombia, Peru, Ecuador, Mexico, Republica Dominicana

- in Europe: Albania, Bosnia and Herzegovina, Faroe Islands, Georgia, Iceland, Liechtenstein, Kosovo, North Macedonia, Norway, Serbia, Switzerland, Republic of Moldova, Ukraine
- in the Middle East: Israel, Palestine, Jordan, Lebanon, Syria
- in the African Caribbean Pacific countries, this is regulated through the Cotonou-agreement, which is not a traditional FTA, but rather a non-reciprocal agreement.

The Eur-1 FORM is a document which justifies the existence of a bi-lateral preferential agreement between above-mentioned countries and the European Union so it will be valid both for import and export operations.

Sometimes, but not very often, we could find with some Mediterranean countries that we have to choose between a FORM A Certificate of Origin and a EUR-1 FORM. In such a case, the most favorable one will be chosen.

This document is issued when clearing through customs and is presented together with the customs clearance declaration to be signed by the customs administration.

### 3. CUSTOMS

The source of the legislation on customs valuation is the World Trade Organization (WTO) agreement on customs valuation. This agreement was transposed into the Community Customs Code and its implementing provisions. The main goal of customs evaluation is the application of the **Community customs tariff**. Customs evaluation is used for calculating customs duties, and has an impact on VAT, statistics and the implementation of trade policy. The customs value of imported

goods is their transaction value, i.e., the price actually paid or payable for the goods when sold for export to the customs territory of the Community. When that price cannot be determined, customs value is calculated using an order of precedence.

What are the Customs Procedures?

The Customs procedures are the set of management operations that are carried out related to a specific customs destination, when you want to import or export a certain merchandise. They are established by Regulation (EU) 952/2013 of the European Parliament and of the Council of 9 October 2013.

### **3.1. Customs declaration**

A customs declaration is an official document that lists and gives details of goods that are being imported or exported.

In legal terms, a customs declaration is the act whereby a person indicates the wish to place goods under a given customs procedure.

### **3.2. Customs status of goods**

All goods on Community customs territory are considered Community goods.

The following are not considered to be Community goods:

- non-Community goods brought into the customs territory of the Community which have been subject to customs supervision from the time of their entry;
- goods in temporary storage or in a free zone or free warehouse;

- goods placed under a suspensive procedure.

If goods are not considered to be Community goods, their community status can only be established if they are:

- brought from another Member State without crossing the territory of a third country on the way;
- brought from another Member State through the territory of a third country and carried under cover of a single transport document;
- brought from another Member State and transshipped in a third country on a means of transport other than that onto which they were initially loaded, with a single transport document from the Member State which can be consulted.

If the goods come from an EU country, they are under the regulations of the Regime of Absolute Commercial Freedom, if on the contrary they come from a third country, they must be subject to one of the following regimes:

- **Export.**
- **Dispatch to Free Practice.**
- **Special customs regimes.**

- **Export.**

The export procedure is aimed at those European Union goods that are going to leave the Union's customs territory, and that do not do so temporarily.

Other than goods undergoing outward processing or subject to a transit procedure, all Community goods leaving the customs territory are subject to the export procedure.

The exporter is the person on whose behalf the declaration is made and who, when it is accepted, is the owner of the goods in question or has a similar right of disposal over them. Where ownership or a similar right of disposal over the goods belongs to a person who is established outside the Community, the exporter is considered to be the contracting party established in the Community.

- **Dispatch to Free Practice, or Release into Free Circulation.**

What type of goods are covered by this customs regime? All those goods that do not belong to the European Union but that want to be introduced in the market of the Union, or to be consumed or used in a private way.

The regime of Release into Free Circulation gives the goods the customs status of the European Union after the corresponding duties have been paid. They will then be released for consumption after payment of local taxes (VAT) and other excise duties if necessary.

- **Special Customs Procedures.**

Within this classification we find the following types of customs regimes:

- Transit: external and internal.
- Storage: customs warehouses and free zones.
- Special destinations: temporary importation and final destination.
- Processing: inward and outward processing.

**Transit.** Goods transported from one country to another via the territory of the European Union under the TIR Convention, the ATA Convention-Istanbul Convention, the 302 form or via the postal system. In this way, the customs territory forms a “single territory”.

- External: this is the case when the goods belong to a third country and need to be transported through the Customs Territory of the Union (TAU) to reach another non-EU country without having to pay duties or be subject to trade

control measures.

- Internal: Community goods that are transported to an EU country and need to pass through a non-EU country without their customs status being changed.

**Storage.** The storage or warehousing system allows non-Community goods to be stored on Union territory without being subject to duties, taxes or commercial policy measures for an unlimited period.

- Customs warehouse
- Free zones: goods stored in the free zones of the TAU may be exported and re-exported outside Community territory or transported to another country of the Union. In addition, within these defined areas, any industrial, commercial or service activity is permitted provided that it is authorized by the relevant customs office.

**Special destinations.** Within this type of regime we highlight:

- Final destination: goods released for free circulation duty free or at a reduced rate of duty on account of their end-use, compliance that will be monitored by the customs authorities.
- Temporary import: non-Community goods which are carried by the TAU for re-export with total or partial exemption from import duties (import VAT) and without being subject to commercial policies.

**Transformation .** Within this type of regime we highlight:

- Active refinement or RPA: non-Community goods may be processed within the TAU without payment of duties, taxes or commercial policy measures.
- Passive Refinement or RPP: We speak of RPP when Community goods require temporary movement out of the TAU to be processed. Once the processing

operations have been carried out, the resulting goods may be released for free circulation with total or partial relief from import duties at the request of the holder of the authorisation.

Each of these schemes requires a number of specific formalities and documents, and a great deal of experience and knowledge of them is therefore necessary to ensure that the transport of goods is not inconvenienced or delayed.

### **3.3. Privileged operations**

These provisions concern Community goods that are brought back into the customs territory of the Community after export (returned goods). The aim is to stop import duties being charged when exported Community goods are returned, for example because they could not be sold or were defective. The title also governs cases where the Community has paid export refunds or other such financial benefits, under the common agricultural policy for example.

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## **4 SINGLE ADMINISTRATIVE DOCUMENT (SAD).**

### **4.1. The form.**

The SAD is the customs clearance form to give the goods a customs status when exporting, importing or sending the goods in transit. It also serves a means of information about the goods, their origins, destinations, etc.

The customs clearance agent is responsible for presenting the declaration on behalf of the importer and /or exporter to the Customs Administration.

This document is composed by 9 copies distributed as follows:

- Sheet nº1: retained by the Member State where the export or transit formalities are carried out.
- Sheet nº2: for statistical use of the exporting member state.
- Sheet nº3: returned to the exporter.
- Sheet nº4: for the customs at destination.
- Sheet nº5. return copy for the transit procedure.
- Sheet nº6: retained by the Member State / Country where the destination formalities are carried out.
- Sheet nº7: for statistical use of the destination country/ Member State.
- Sheet nº8: returned to the consignee.
- Sheet nº9: para el resguardo (**levante**). This is the document given to the immigration police to allow cargo to be loaded /unloaded as a prove that all customs formalities have already been carried out and regulations complied with.

Used for export : Sheet nºs : 1,2,3,4,5,7,9.

Used when importing: Sheet nºs: 6,7,8,9.

Transit docs: Sheet nºs: 1,4,5,7,9.

The form is filled in by the customs clearance agent, based on the commercial invoice furnished by the exporter and issuing a EUR-1 DOC in case of need.

To fill in all the boxes of different forms customs clearance agent follow the instructions and prescription appearing in Boletín Oficial del Estado (BOE 22 de diciembre de 2.000), which is presenting ***la Resolución de 4 de diciembre de 2.000, del Departamento de Aduanas e Impuestos Especiales de la Agencia Estatal de la Administración Tributaria.***

The form is rather complex, having 54 different boxes, most of which are filled in by means of different clues, which give us information as follows:

- Export customs code at origin (Castellon 1211/1241)
- Custom Status applied for
- Name of the exporter, vat no. , and full style
- Number of sheets the customs clearance is composed,
- Number of different parcels of the declaration,
- Number of bundles / bulk (0),
- Name of the importer, vat no. And full style at destination,
- Name of customs clearance agent and type of representation
- Country of expedition,
- Country of origin of the exported goods,
- Country of destination of the goods,
- Code of the country of final destination of the cargo ( in case the sale is carried out whilst the vessel is at sea, the country of destination would be either the flag of the vessel or the country of the vessel's owners and/or managers of the vessel).
- Kind of packages bulk, boxes, bundles, containers, etc
- Delivery terms according to INCOTERM chosen
- Means of transport,
- Currency,
- Nature of the transaction

- Means of the internal transport
- Customs code at destination
- Cargo location
- Description of the goods, class & marks and numbers
- Product code no Harmonized system code. (eight first digits of the corresponding TARIC code no. ).
- Country of origin code number
- Gross weight
- Net weight
- Cargo documents
- Supplementary units (whenever they're mentioned in the TARIC),
- Any specific indications, documents presented such as certificates and /or authorizations
- Statistical value
- Customs value (in case the cargo is meant to be exported)
- place, date and signature of the customs agent.

#### 4.2. Community Customs Code

**The Community Customs Code compiles the rules, arrangements and procedures applicable to goods traded between the European Community (EC) and non-member countries. The Code is a single act covering the scope, definitions, basic provisions and content of Community customs law**

#### ACT

**Council Regulation (EEC) No 2913/92 of 12 October 1992 establishing the Community Customs Code.**

## SUMMARY

The Community Customs Code codifies Community customs law. It replaces a great many acts of law, thereby increasing transparency. It lays down the scope of customs provisions and the basic definitions.

### The Code's provisions

The Community Customs Code entered into force in 1992 (it has applied since 1 January 1994) and mainly concerns:

- general provisions on people's rights and obligations with regard to customs legislation (right of representation, information <sup>\*</sup>, etc.);
- the basic provisions governing trade in goods. These include import and export duties, customs value <sup>\*</sup>, the EC's customs tariff, the tariff classification of goods and their origin;
- the provisions governing the introduction of goods into the EC's customs territory. These cover the presentation of goods to customs, the customs
- declaration <sup>\*</sup>, the obligation to assign goods a customs-approved treatment or use, and temporary storage;
- non-Community goods which are moved under a transit procedure;
- customs-approved treatment or use. The Code describes the placing of goods under customs procedures, release for free circulation, transit, customs warehousing <sup>\*</sup>, inward <sup>\*</sup> and outward <sup>\*</sup> processing, processing under customs control <sup>\*</sup>, temporary admission and export;
- introduction of goods into a free zone or free warehouse <sup>\*</sup>, re-export, destruction of goods and their abandonment to the exchequer.

### **Amendments in 1997 and 1999**

Amendments adopted in 1997 simplified the Code to make its implementation in the Member States more efficient. They concern the customs debt and control of free zones, and the simplification of formalities surrounding the customs declaration.

The amendments introduced in 1999 chiefly concern customs transit . They clarify and improve the rules on discharging the transit procedure and the responsibilities of those authorized to use the procedure. They also cover financial guarantees and procedures for recovering debts arising from Community transit operations.

### **Amendments in 2000**

The 2000 amending act introduced measures aimed at:

- introducing procedures for preventing fraud ;
- simplifying and rationalizing customs rules and procedures;
- facilitating the use of electronically submitted declarations;
- facilitating the use of the procedures for inward processing, processing under customs control, temporary admission and free zones;
- defining a new concept of protecting "good faith" for those importing goods under preferential conditions.

### **Customs and security**

The 2005 amendments are aimed at tightening security requirements for movements of goods across international frontiers. Economic operators are now required to provide the customs authorities with details of goods before they are imported into the EU or exported from it. This will entail the setting up of a one-

stop shop for importers and exporters.

The new concept of approved economic operator (AEO) simplifies trade. The Member States may grant AEO status to any economic operator meeting common criteria. These criteria concern control systems, financial solvency and the operator's track record in complying with the rules.

The Member States are required to use risk-analysis methods. Uniform Community criteria have been introduced for identifying risks for control purposes. The machinery is based on computerized systems.

### 4.3. TARIC CHAPTERS

#### Section I: Animal Products

Products	01 +	<a href="#">LIVE ANIMALS</a>
Products	02 +	<a href="#">MEAT AND EDIBLE MEAT OFFAL</a>
Products	03 +	<a href="#">FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES</a>
Products	04 +	<a href="#">DAIRY PRODUCE; BIRDS' EGGS; NATURAL HONEY; EDIBLE PRODUCTS OF ANIMAL ORIGIN, NOT ELSEWHERE SPECIFIED OR INCLUDED</a>
Products	05 +	<a href="#">PRODUCTS OF ANIMAL ORIGIN, NOT ELSEWHERE SPECIFIED OR INCLUDED</a>

#### Section II [Vegetable products](#)

Products	+06	<a href="#">LIVE TREES AND OTHER PLANTS; BULBS, ROOTS AND THE LIKE; CUT FLOWERS AND ORNAMENTAL FOLIAGE</a>
Products	07 +	<a href="#">EDIBLE VEGETABLES AND CERTAIN ROOTS</a>

		<u>AND TUBERS</u>
Products	08 +	<u>EDIBLE FRUIT AND NUTS; PEEL OF CITRUS FRUIT OR MELONS</u>
Products	09 +	<u>COFFEE, TEA, MATÉ AND SPICES</u>
Products	10 +	<u>CEREALS</u>
Products	11 +	<u>PRODUCTS OF THE MILLING INDUSTRY; MALT; STARCHES; INULIN; WHEAT GLUTEN</u>
Products	12 +	<u>OIL SEEDS AND OLEAGINOUS FRUITS; MISCELLANEOUS GRAINS, SEEDS AND FRUIT; INDUSTRIAL OR MEDICINAL PLANTS; STRAW AND FODDER</u>
Products	13 +	<u>LAC; GUMS, RESINS AND OTHER VEGETABLE SAPS AND EXTRACTS</u>
Products	14 +	<u>VEGETABLE PLAITING MATERIALS; VEGETABLE PRODUCTS NOT ELSEWHERE SPECIFIED OR INCLUDED</u>

### Section III

Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes

Products	15 +	<u>ANIMAL OR VEGETABLE FATS AND OILS AND THEIR CLEAVAGE PRODUCTS; PREPARED EDIBLE FATS; ANIMAL OR VEGETABLE WAXES</u>
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### Section IV

Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes

Products	16 +	<u>PREPARATIONS OF MEAT, OF FISH OR OF CRUSTACEANS, MOLLUSCS OR OTHER AQUATIC INVERTEBRATES</u>
Products	17 +	<u>SUGARS AND SUGAR CONFECTIONERY</u>

Products	18 +	<a href="#"><u>COCOA AND COCOA PREPARATIONS</u></a>
Products	19 +	<a href="#"><u>PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK; PASTRYCOOKS' PRODUCTS</u></a>
Products	20 +	<a href="#"><u>PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF PLANTS</u></a>
Products	21 +	<a href="#"><u>MISCELLANEOUS EDIBLE PREPARATIONS</u></a>
Products	22 +	<a href="#"><u>BEVERAGES, SPIRITS AND VINEGAR</u></a>
Products	23 +	<a href="#"><u>RESIDUES AND WASTE FROM THE FOOD INDUSTRIES; PREPARED ANIMAL FODDER</u></a>
Products	24 +	<a href="#"><u>TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES</u></a>

#### [Section VI](#)

[Products of the chemical or allied industries](#)

Products	25 +	<a href="#"><u>SALT; SULPHUR; EARTHS AND STONE; PLASTERING MATERIALS, LIME AND CEMENT</u></a>
Products	26 +	<a href="#"><u>ORES, SLAG AND ASH</u></a>
Products	27 +	<a href="#"><u>MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES</u></a>

#### [Section VII](#)

[Plastics and articles thereof; rubber and articles thereof](#)

Products	28 +	<a href="#"><u>INORGANIC CHEMICALS; ORGANIC OR INORGANIC COMPOUNDS OF PRECIOUS METALS, OF RARE-EARTH METALS, OF RADIOACTIVE ELEMENTS OR OF ISOTOPES</u></a>
Products	29 +	<a href="#"><u>ORGANIC CHEMICALS</u></a>
Products	30 +	<a href="#"><u>PHARMACEUTICAL PRODUCTS</u></a>

Products

<sup>31</sup>+

FERTILISERS

Products	32 +	<a href="#"><u>TANNING OR DYEING EXTRACTS; TANNINS AND THEIR DERIVATIVES; DYES, PIGMENTS AND OTHER COLOURING MATTER; PAINTS AND VARNISHES; PUTTY AND OTHER MASTICS; INKS</u></a>
Products	33 +	<a href="#"><u>ESSENTIAL OILS AND RESINOIDS; PERFUMERY, COSMETIC OR TOILET PREPARATIONS</u></a>
Products	34 +	<a href="#"><u>SOAP, ORGANIC SURFACE-ACTIVE AGENTS, WASHING PREPARATIONS, LUBRICATING PREPARATIONS, ARTIFICIAL WAXES, PREPARED WAXES, POLISHING OR SCOURING PREPARATIONS, CANDLES AND SIMILAR ARTICLES, MODELLING PASTES, 'DENTAL WAXES' AND DENTAL PREPARATIONS WITH A BASIS OF PLASTER</u></a>
Products	35 +	<a href="#"><u>ALBUMINOIDAL SUBSTANCES; MODIFIED STARCHES; GLUES; ENZYMES</u></a>
Products	36 +	<a href="#"><u>EXPLOSIVES; PYROTECHNIC PRODUCTS; MATCHES; PYROPHORIC ALLOYS; CERTAIN COMBUSTIBLE PREPARATIONS</u></a>
Products	37 +	<a href="#"><u>PHOTOGRAPHIC OR CINEMATOGRAPHIC GOODS</u></a>
	+	
<b>Section VIII</b>		
<a href="#"><u>Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silkworm gut)</u></a>		
Products	38	<a href="#"><u>MISCELLANEOUS CHEMICAL PRODUCTS</u></a>

Products 39 + [PLASTICS AND ARTICLES THEREOF](#)

+

[Section IX](#)

[Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw, of esparto or of other plaiting materials; basketware and wickerwork](#)

Products 40 [RUBBER AND ARTICLES THEREOF](#)

Products 41 + [RAW HIDES AND SKINS \(OTHER THAN FURSKINS\) AND LEATHER](#)

Products 42 + [ARTICLES OF LEATHER; SADDLERY AND HARNESS; TRAVEL GOODS, HANDBAGS AND SIMILAR CONTAINERS; ARTICLES OF ANIMAL GUT \(OTHER THAN SILKWORM GUT\)](#)

Products 43 + [FURSKINS AND ARTIFICIAL FUR; MANUFACTURES THEREOF](#)

[Section V](#)

[Mineral products](#)

Products 44 + [WOOD AND ARTICLES OF WOOD; WOOD CHARCOAL](#)

Products 45 + [CORK AND ARTICLES OF CORK](#)

Products 46 + [MANUFACTURES OF STRAW, OF ESPARTO OR OF OTHER PLAITING MATERIALS; BASKETWARE AND WICKERWORK](#)

[Section X](#)

[Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard; paper and paperboard and articles thereof](#)

Products <sup>47</sup> [PULP OF WOOD OR OF OTHER FIBROUS CELLULOSIC MATERIAL; RECOVERED \(WASTE AND SCRAP\) PAPER OR PAPERBOARD](#)

Products 48 + [PAPER AND PAPERBOARD; ARTICLES OF PAPER PULP, OF PAPER OR OF PAPERBOARD](#)

Products

49 +

[PRINTED BOOKS, NEWSPAPERS, PICTURES  
AND OTHER PRODUCTS OF THE PRINTING  
INDUSTRY; MANUSCRIPTS, TYPESCRIPTS AND  
PLAN](#)

**Section XI**  
Textiles and textile articles

Products	50 +	<u>SILK</u>
Products	51 +	<u>WOOL, FINE OR COARSE ANIMAL HAIR; HORSEHAIR YARN AND WOVEN FABRIC</u>
Products	52 +	<u>COTTON</u>
Products	53 +	<u>OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN AND WOVEN FABRICS OF PAPER YARN</u>
Products	54 +	<u>MAN-MADE FILAMENTS; STRIP AND THE LIKE OF MAN-MADE TEXTILE MATERIALS</u>
Products	55 +	<u>MAN-MADE STAPLE FIBRES</u>
Products	56 +	<u>WADDING, FELT AND NONWOVENS; SPECIAL YARNS; TWINE, CORDAGE, ROPES AND CABLES AND ARTICLES THEREOF</u>
Products	57 +	<u>CARPETS AND OTHER TEXTILE FLOOR COVERINGS</u>
Products	58 +	<u>SPECIAL WOVEN FABRICS; TUFTED TEXTILE FABRICS; LACE; TAPESTRIES; TRIMMINGS; EMBROIDERY</u>
Products	59 +	<u>IMPREGNATED, COATED, COVERED OR LAMINATED TEXTILE FABRICS; TEXTILE ARTICLES OF A KIND SUITABLE FOR INDUSTRIAL USE</u>
Products	60 +	<u>KNITTED OR CROCHETED FABRICS</u>
Products	61 +	<u>ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED</u>
Products	62 +	<u>ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED</u>

Products 63 + [OTHER MADE-UP TEXTILE ARTICLES; SETS;  
WORN CLOTHING AND WORN TEXTILE  
ARTICLES; RAGS](#)

**Section XII**

[Footwear, headgear, umbrellas, sun umbrellas, walking sticks,](#)

[seat](#)

[sticks, whips, riding](#)

[crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair](#)

Products + 64 [FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH  
ARTICLES](#)

Products 65 + [HEADGEAR AND PARTS THEREOF](#)

Products 66 + [UMBRELLAS, SUN UMBRELLAS, WALKING STICKS, SEAT-STICKS,  
WHIPS, RIDING-CROPS AND PARTS THEREOF](#)

Products 67 + [PREPARED FEATHERS AND DOWN AND  
ARTICLES MADE OF FEATHERS OR OF DOWN;  
ARTIFICIAL FLOWERS; ARTICLES OF HUMAN  
HAIR](#)

**Section XIII**

[Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware](#)

Products 68 + [ARTICLES OF STONE, PLASTER, CEMENT,  
ASBESTOS, MICA OR SIMILAR MATERIALS](#)

Products 69 + [CERAMIC PRODUCTS](#)

+

**Section XIV**

[Natural or cultured pearls, precious or semi](#)

[precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coins](#)

Products 70 [GLASS AND GLASSWARE](#)

Products 71 + [NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMI-PRECIOUS STONES, PRECIOUS METALS, METALS CLAD WITH PRECIOUS METAL, AND ARTICLES THEREOF; IMITATION JEWELLERY; COIN](#)

**Section XV**

[Base metals and articles of base metal](#)

Products 72 + [IRON AND STEEL](#)

Products 73 + [ARTICLES OF IRON OR STEEL](#)

Products 74 + [COPPER AND ARTICLES THEREOF](#)

Products 75 + [NICKEL AND ARTICLES THEREOF](#)

Products 76 + [ALUMINIUM AND ARTICLES THEREOF](#)

Products 78 + [LEAD AND ARTICLES THEREOF](#)

Products 79 + [ZINC AND ARTICLES THEREOF](#)

Products 80 + [TIN AND ARTICLES THEREOF](#)

Products 81 + [OTHER BASE METALS; CERMETS; ARTICLES THEREOF](#)

Products 82 + [TOOLS, IMPLEMENTS, CUTLERY, SPOONS AND FORKS, OF BASE METAL; PARTS THEREOF OF BASE METAL](#)

+

**Section XVI**

[Machinery and mechanical appliances: electrical equipment: parts thereof: sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles](#)

Products 83 [MISCELLANEOUS ARTICLES OF BASE METAL](#)

Products 84 + [NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF](#)

Products 85 + [ELECTRICAL MACHINERY AND EQUIPMENT AND](#)

PARTS THEREOF; SOUND RECORDERS AND  
REPRODUCERS, TELEVISION IMAGE AND  
SOUND RECORDERS AND REPRODUCERS, AND  
PARTS AND ACCESSORIES OF SUCH ARTICLES

**Section XVII**

Vehicles, aircraft, vessels and associated transport equipment

Products	86 +	<u>RAILWAY OR TRAMWAY LOCOMOTIVES, ROLLING STOCK AND PARTS THEREOF; RAILWAY OR TRAMWAY TRACK FIXTURES AND FITTINGS AND PARTS THEREOF; MECHANICAL (INCLUDING ELECTROMECHANICAL) TRAFFIC SIGNALLING EQUIPMENT OF ALL KINDS</u>
Products	87 +	<u>VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK, AND PARTS AND ACCESSORIES THEREOF</u>
Products	88 +	<u>AIRCRAFT, SPACECRAFT, AND PARTS THEREOF</u>
	+	

**Section XVIII**

Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus;  
clocks and watches; musical instruments; parts and accessories thereof

Products	89	<u>SHIPS, BOATS AND FLOATING STRUCTURES</u>
Products	90 +	<u>OPTICAL, PHOTOGRAPHIC, CINEMATOGRAPHIC, MEASURING, CHECKING, PRECISION, MEDICAL OR SURGICAL INSTRUMENTS AND APPARATUS; PARTS AND ACCESSORIES THEREOF</u>
Products	+91	<u>CLOCKS AND WATCHES AND PARTS THEREOF</u>

Products 92 + [MUSICAL INSTRUMENTS; PARTS AND  
ACCESSORIES OF SUCH ARTICLES](#)

[Section XIX](#)  
[Arms and ammunition, parts and accessories thereof](#)

Products 93 + [ARMS AND AMMUNITION; PARTS AND  
ACCESSORIES THEREOF](#)

[Section XX](#)  
[Miscellaneous manufactured articles](#)

Products 94 + [FURNITURE; BEDDING, MATTRESSES,  
MATTRESS SUPPORTS, CUSHIONS AND  
SIMILAR STUFFED FURNISHINGS; LAMPS AND  
LIGHTING FITTINGS, NOT ELSEWHERE  
SPECIFIED OR INCLUDED; ILLUMINATED SIGNS,  
ILLUMINATED NAMEPLATES AND THE LIKE;  
PREFABRICATED BUILDINGS](#)

Products 95 + [TOYS, GAMES AND SPORTS REQUISITES; PARTS  
AND ACCESSORIES THEREOF](#)

+

[Section XXI](#)  
[Works of art, collectors' pieces and antiques](#)

Products 96 [MISCELLANEOUS MANUFACTURED ARTICLES](#)

Products 97 + [WORKS OF ART, COLLECTORS' PIECES  
AND ANTIQUES](#)

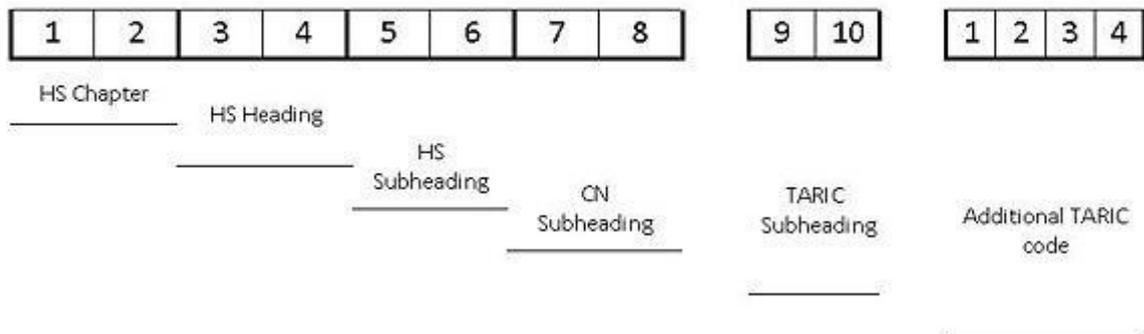
## TARIC CODE

TARIC (Integrated Tariff of the European Communities) is designed to show the various rules applying to specific products when imported into the EU. This includes the provisions of the harmonized system and the combined nomenclature but also additional provisions specified in Community legislation such as tariff suspensions, tariff quotas and tariff preferences, which exist for the majority of the Community's trading partners. In trade with third countries, the 10-digit Taric code must be used in customs and statistical declarations.

TARIC builds upon the international harmonized system

[http://ec.europa.eu/taxation\\_customs/dds/tarhome\\_en.htm](http://ec.europa.eu/taxation_customs/dds/tarhome_en.htm)

Structure of the TARIC codes and of the additional codes



<a href="#">HS</a> Chapter	2 digits	E.g. 18 - Cocoa and Cocoa Preparations
<a href="#">HS</a> Heading	2 digits	E.g. 1806 - Chocolate and other food preparations containing cocoa
<a href="#">HS</a> SubHeading	2 digits	E.g. 1806 10 - Cocoa powder, containing added sugar or other sweetening matter
CN SubHeading	2 digits	E.g. 1806 10 15 - Containing no sucrose or containing less than 5% by weight of sucrose (including invert sugar expressed as sucrose) or isoglucose expressed as sucrose

TARIC Sub Heading	2 digits	E.g. 1806 10 15 00
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## 5. CUSTOMS CLEARANCE AGENTS

They are responsible for presenting to the Customs Administration the SAD documents ( export and/or import ones) on behalf of the exporter or the importer.

They are the legal representatives of the importer or exporter for the Customs Administration and they are the subsidiary responsible to settle any duty, tax, levy and or fine related to the cargo being cleared. He is the one signing for all SAD docs.

## 6. FREIGHT FORWARDERS AND /OR FORWARDING AGENTS

A **freight forwarder and or forwarding agent** (often just **forwarder**) is a third-party logistics provider. As a third-party provider a forwarder dispatches shipments via asset-based carriers and books or otherwise arranges space for those shipments. Carrier types include waterborne vessels, airplanes, trucks or railroads.

Freight forwarders typically arrange cargo movement to an international destination. Also referred to as international freight forwarders, they have the

expertise that allows them to prepare and process the documentation and perform related activities pertaining to international shipments. Some of the typical information reviewed by a freight forwarder is the commercial invoice, shipper's export declaration, bill of lading and other documents required by the carrier or country of export, import, or transshipment. Much of this information is now processed in a paperless environment.

The FIATA -International Federation of Freight Forwarders Associations- shorthand description of the freight forwarder as the 'Architect of Transport' illustrates clearly the commercial position of the forwarder relative to his client. In Europe there are forwarders that specialize in 'niche' areas such as Railfreight and collection and deliveries around a large port. The latter are called Hafen (port) Spediteur (Port Forwarders). A forwarder in some countries may sometimes deal only with domestic traffic and never handle international traffic. Forwarding agents most of the time specialize in concrete destinations to get better freight rates.

Freight forwarders have to be experts in managing the logistics necessary to ensure that goods arrive on time and negotiate tariffs. In terms of shipping across borders, such entities have to know international trade law, customs services and procedures, and import duty.

The freight forwarder's main task is to oversee the entire transportation process.

Freight forwarder not only plans shipping process, but it can also offer customer service like:

- optimizing and managing shipments for the best speed and cost
- assembling and consolidating shipments
- insurance coverage options
- performing or providing for break-bulk and distribution operations of the shipments
- cross-docking
- cargo tracking
- paperwork assistance
- packing and storage

- customs brokerage
- They do have a deep knowledge of the regulations and their scope of application.
- On behalf of their customers, they are responsible for the cargo
- They also give advice to the importer/exporter on the commercial operations.

## 7. CARRIERS

Transport suppliers on any means of transport (road transport, air transport, sea transport and/or rail transport) or any possible combination. (Multimodal transport). MULTIMODAL TRANSPORT OPERATOR. Multimodal transport operator.

Their activity can be considered the main one since they can act on their own responsibility and/or on behalf of other carriers. They issue one single document of transport to cover all the transport responsibility of the goods they are handling.

The Carrier transports goods from point A to point B on a chosen route at set rates. In most cases, it does not own any vessels (Non-Vessel Operating Common Carrier); if it does, it is a Vessel Operating Common Carrier (VOCC). A freight carrier does not manage the shipment; it just moves and secures the cargo.

There are two types of carriers in logistics:

- Common carrier – a transport provider that offers services to any company or person; can work with more shippers
- Contract carrier – a transport provider that offers services to a specified shipper in the long term.

## 8. INCOTERMS\* 2020

### 8.1. INCOTERMS DESCRIPTION

**Incoterms** or **international commercial terms** are a series of international sales terms widely used throughout the world. They are used to divide transaction costs and responsibilities between buyer and seller and reflect state-of-the-art transportation practices. They closely correspond to the U.N. Convention on Contracts for the International Sale of Goods.

Put simply, Incoterms® are the selling terms that the buyer and seller of goods both agree to during international transactions.

The International Chamber of Commerce ICC published the latest version of Incoterms® 2020. These changes came into effect on the 1st of January 2020 and are being used in 2022 and beyond, until the next changes are published sometime in future. The ICC originally published Incoterms® in 1936 and have continually made updates to reflect the changes to the global trade environment. It's important that all parties involved in trade clearly understand the changes and how they apply to global supply chains.

Below is a list of the Incoterms® 2020 that came into effect on the 1st of January 2020.

- **Group E - Departure:**

- EXW. Ex Works (named place): the seller places the goods at the disposal of the buyer at the seller's premises or at another named place (i.e., works, factory, warehouse, etc.).

The seller does not need to load the goods on any collecting vehicle. Nor does it need to clear them for export, where such clearance is applicable.

- **Group F - Main Carriage Unpaid:**

- FCA. Free Carrier (named place): the seller hands over the goods, cleared for export, into the custody of the first carrier (named by the buyer) at the named place. This term is suitable for all modes of transport, including carriage by air, rail, road, and containerized / multi-modal transport.

The parties are well advised to specify as explicitly as possible the point within the named place of delivery, as the risk passes to the buyer at that point.

- FAS. Free Alongside Ship (named loading port): free Alongside Ship: the seller must place the goods alongside the ship at the named port. The seller must clear the goods for export.

The risk of loss of or damage to the goods passes when the products are alongside the ship. The buyer bears all costs from that moment onwards.

Suitable for maritime transport only.

- FOB. Free On Board (named loading port): the classic maritime trade term, Free On Board: seller must load the goods on board the ship nominated by the buyer, cost and risk being divided at ship's rail. The seller must clear the goods for export. Maritime transport only.

The risk of loss of or damage to the goods passes when the products are on board the vessel. The buyer bears all costs from that moment onwards.

- **Group C - Main Carriage Paid:**

- o CFR. Cost and Freight (named destination port): seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods have crossed the ship's rail. Maritime transport only.

The seller must contract for and pay the costs and freight necessary to bring the goods to the named port of destination.

- o CIF. Cost, Insurance and Freight (named destination port): exactly the same as CFR except that the seller must in addition procure and pay for insurance for the buyer. Maritime transport only.

The buyer should note that under CIF the seller is required to obtain insurance only on minimum cover. Should the buyer wish to have more insurance protection, it will need either to agree as much expressly with the seller or to make its own extra insurance arrangements.

- o CPT. Carriage Paid To (named place of destination): the general/containerised/multimodal equivalent of CFR. The seller pays for carriage to the named point of destination, but risk passes when the goods are handed over to the first carrier.

- o CIP. Carriage and Insurance Paid to (named place of destination): the containerised transport/multimodal equivalent of CIF. Seller pays for carriage and insurance to the named destination point, but risk passes when the goods are handed over to the first carrier.

- o Group D - Arrival:

- DAP – Delivered At Place (named destination place): the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport ready for unloading at the named place of destination.

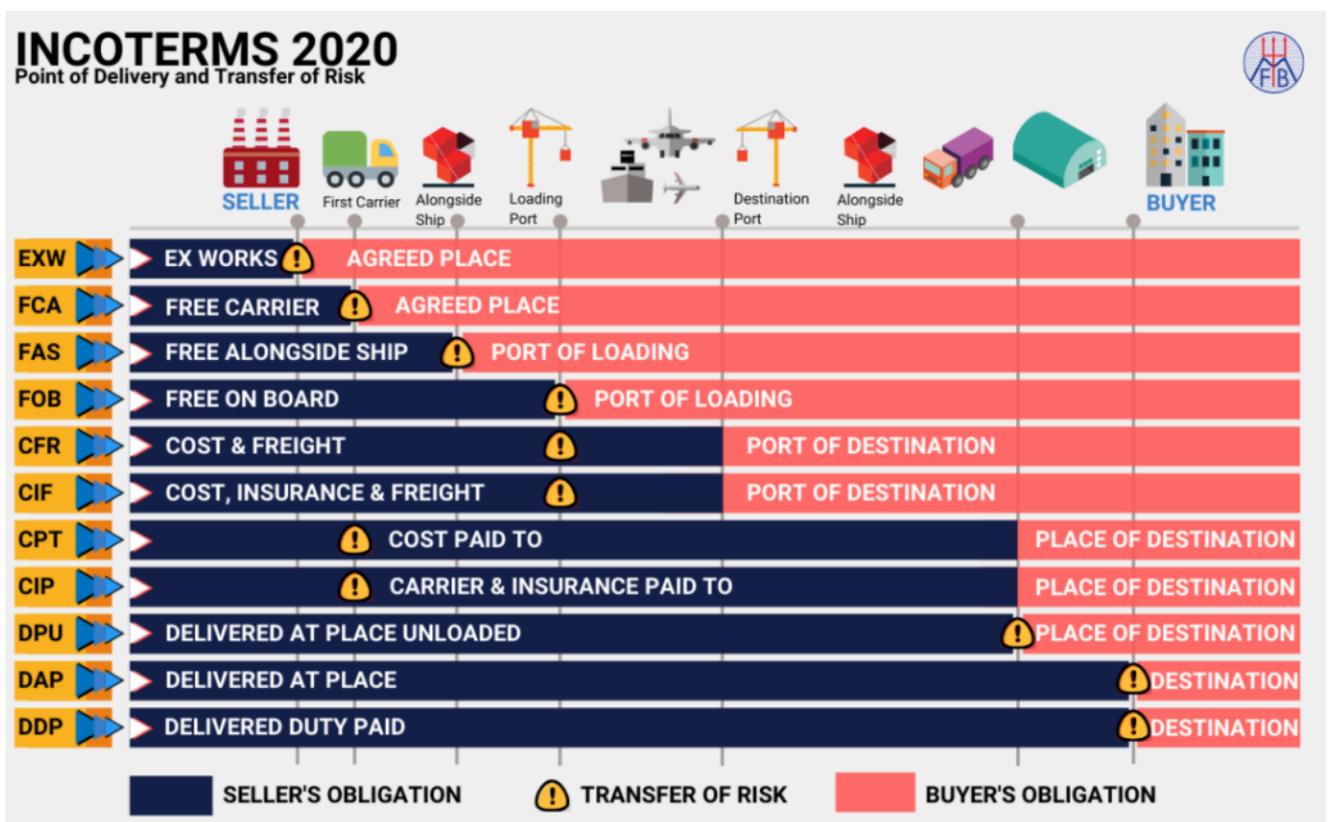
The unloading operation is on behalf of the buyer

The seller bears all risks involved in bringing the goods to the named place.

- DPU – Delivered At Place Unloaded ( (named destination place) - (replaces Incoterm® 2010 DAT - Delivered At Terminal): the seller delivers when the goods, once unloaded, are placed at the disposal of the buyer at a named place of destination.

The seller bears all risks involved in bringing the goods to, and unloading them at the named place of destination.

- DDP. Delivered Duty Paid (named destination place): It means that the seller pays for all transportation costs and bears all risk until the goods have been delivered and pays the duty. Also used interchangeably with the term "Free Domicile"; DOOR TO DOOR.



Others (previous versions):

- o DAT .Delivered At Terminal (named destination place): A common scenario is for delivery to a container yard (CY), in which case there may be Terminal Handling Charges (THC) for the account of the buyer.

If the specified place is an inland clearance depot, a free trade zone or similar, then use of this rule is straightforward – the goods can be delivered uncleared.

However if clearance has to take place before delivery – for example at a border crossing – then this will require close cooperation between the buyer and seller.

Delays in the clearance process can lead to unexpected costs or demurrage.

Nominally these are payable by the buyer, but there can be disputes about the cause of the delay – perhaps the seller was at fault due to documentation errors or omissions?

(Typical issues: buyer needs to present original documents to authorities to obtain clearance.)

What is the difference between DAT and DAP?

The major difference between DAP and DAT is that the unloading of goods on the dock port in DAP is settled by the buyer, and in DAT the responsibility rests with the seller.

- o DDU. Delivered Duty Unpaid (named destination place): It means that the seller delivers the goods to the buyer to the named place of destination in the contract of sale. The goods are not cleared for import or unloaded from any form of transport at the place of destination. The buyer is responsible for the costs and risks for the unloading, duty and any subsequent delivery beyond the place of

destination. However, if the buyer wishes the seller to bear cost and risks associated with the import clearance, duty, unloading and subsequent delivery beyond the place of destination, then this all needs to be explicitly agreed upon in the contract of sale.

## **9. CARGO INSURANCE**

Cargo insurance (also called marine cargo insurance) covers physical damage to, or loss of your goods whilst in transit by land, sea and air and offers considerable opportunities and cost advantages if managed correctly. Sometimes commercial and political risks are also insured.

Some exporters see it as an unnecessary expense involving extra administration, and make the mistake of allowing suppliers or customers to control this vital area of business.

### **Why do traders need cargo insurance?**

Many exporters and trading companies sell on a CIF **basis** which allows them to arrange marine cargo insurance in Spain. This insurance cost is legitimately passed on the customer, who also gets the benefit of the insurance. The foreign buyers see this as an essential service provided by the exporter, given the fact that because of volume handled by the exporter, they can benefit from lower insurance rates. Exporters who do not provide a “package” which includes insurance can lose business to competitors who do.

What types of cargo insurance are available?

Basically, the cargo insurance covers a number of risks derived from the transport of the goods and the delivery terms agreed by both parties.

The insurance contract together with the commercial contract and the

transport one is the legal support of any commercial transaction.

The final aim of an insurance policy is to indemnify for the losses and /or damages to the cargo aroused from and/or as a consequence of the transport.

All the terms and conditions agreed within the contract are included in the insurance policy alongside with the means of transport chosen (maritime, road transport and air transport).

Depending on the insurer's needs, there are two types of policies:

1. Single policy or per shipment (cargo is insurance for a single voyage). This is a specific **voyage policy**.
2. Open cover policy. This is the most usual type of cargo insurance, where a policy is drawn up to cover a number of consignments. The policy can be either for a specific value that requires renewal once the insured amount is exhausted or a permanently open policy that will be drawn up for an agreed period of time allowing a number of shipments during that time.

Here below some of the risks that cargo can face, mainly when we are talking of maritime transport:

- a. Sea protest (Master usually issues corresponding Letter of Sea Protest duly presented at the Court).
- b. Shipped on deck (total or partial loss of the cargo, due to sea condition).
- c. Loss of part of the consignment (Following requirements must be complied with: packaging must be new and conditioned to the means of transport, marked and /or numbered accurately. Cargo which packages do not present any external sign of violation cannot be subject of claim; the insurer of the

receiver must insert in the bill of lading the corresponding remark and issue a letter of protest to the carrier.

- d. Robbery at the storing facilities according to the period of time established in the terms and conditions signed and agreed in the policy.
- e. Fire at the storing facilities (also within the limit of time and period agreed in the insurance policy).
- f. Damages.
- g. Fall of the cargo during loading and unloading operations.
- h. Cargo damage due to the stoppage and of breakdown of reefer equipment.

Etc..

Some additional risks could be added to the above-mentioned ordinary one, mainly derived from the political situation (strikes) and war risks of the country itself.

Risk estimation mainly depends on **OBJECTIVE** cargo nature and circumstances of the transaction.

- Nature of the cargo: solids, liquids, bulk, dry cargo, powdered, etc.
- Condition of the transport. (dry, container, bulk cargo, etc).
- Type of the cargo. IMO (Dangerous cargo, fresh food, etc).
- Type of packaging (fragile, non fragile cargo.. )
- Means of transport. Truck, train, vessel, etc.

Sometimes there are also some subjective aspects to be taken into account, such as : financial situation, and/or commercial responsibility of the buyer, etc.

## **TRANSPORT INSURANCE**

Transport insurance provides coverage against the risks to which transported goods and – as an exception – the vehicles of transportation are exposed during transportation. Sometimes this term is also used to refer to carrier liability insurance.

### **Freight/cargo insurance**

Freight/cargo insurance is a type of indemnity insurance. It can be subdivided into property insurance (insurance of movables) and asset insurance (insurance of the purchaser's anticipated profit and any associated costs). The key function of the freight or cargo insurer consists of transforming the unknown extent of the risk of loss or damage to which transported goods are exposed into a known value, the premium. The transport insurer provides coverage against such loss or damage in exchange for the payment of a certain premium.

One typical feature of transport insurance is all-risks coverage, i.e., comprehensive coverage of risks. While being transported or otherwise in transit, the goods are not only protected against an individual risk (i.e., fire or theft), but also against other physical damage insofar as it is not attributable to the intrinsic characteristics of the items being transported (i.e., rotting or decay in connection with perishables like fruit and vegetables.) (i.e., failing of the cold treatment).

The standard freight/cargo insurance lines are: merchandise insurance, valuables insurance, insurance for samples collections, and luggage/baggage insurance (also referred to as personal effects insurance or tourist floating policy).

### **Hull/collision insurance**

Transport insurance also provides protection for some of the vehicles or other means of transportation used, i.e., via policies for ocean-going and inland vessels, new and refurbished vessels, oil rigs/offshore oil platforms (offshore risks), rolling stock and containers.

An exception to this is the collision insurance of road vehicles which is offered as a separate insurance line (fully comprehensive insurance) along with motor liability insurance in all known markets. The hull and collision insurance of aircraft also does not usually fall under transport insurance. For the most part, the underwriting of aircraft is done via special pools as extremely high risks and values are involved. Hull and collision insurance for sports boats is offered by individual companies in the transportation sector, however it is also frequently offered in other sectors as well. (i.e., motor insurance).

### **Carrier liability insurance**

In Switzerland and in some other markets (i.e., Germany) transport insurance offerings also include carrier liability insurance for shipping and logistics companies, freight forwarders and warehousemen. These companies assume liability towards their customers for the goods entrusted to them.

## **ADDITIONAL CARGO DOCUMENTS**

Documents needed to clear customs, accompanying the goods during the trading import-export operation, needed to clear customs and necessary to be presented to the authorities for their approval, either for a documentary inspection, physical and/or fiscal one.

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### **SOME DOCUMENTS REQUIRED AFTER INSPECTION.**

PHYTO-SANITARY APPLICATION TO EXPORT SOME GOODS. It is applied by the customs clearance agent on behalf of the exporter. The Phytosanitary Certificate is compulsory to clear customs.

PHYTOSANITARY CERTIFICATE. It certifies sanitary conditions of the cargo to be exported.

### CEE CERTIFICATE SOIVRE FRUITS AND VEGETABLES.

Exporters do have to be authorized by SOIVRE and registered by means of an identification number. Customs will ask for the presentation of such a certificate whenever an export operation is meant to be carried out.

### WEIGHT /QUALITY CERTIFICATES

These documents are usually required by the importer /buyer to ensure the cargo sent complies with all the terms and conditions described in and incorporated within the commercial contact and/or agreement.

They are a means to guarantee and certify that the product fully complies with all the technical requirements, mainly described within specific international regulations.

Sometimes these certificates are issued by the exporters themselves, but in other occasions, - mainly depending on the nature of the cargo -, private entities, or public ones do it, i.e. (SGS, INTERTEK, COMISMAR, AENOR, ENAC etc.).

There is not a concrete form for such certificates.

## **10 TRANSPORT DOCUMENTS.**

### **10.1. CMR.**

The CMR note is a consignment note that confirms the carrier has received the goods and that a contract of carriage exists between the trader and the carrier. Unlike the BILL OF LADING is not a document of title nor a declaration, although some states regard it as such. It does not necessarily give its holder and/or the carrier rights of ownership or possession of the goods.

A name of information needs to be covered in the CMR note including:

- a-. The date and place where the CMR note has been completed.
- b-. The name and address of the sender, carrier and consignee, (the person to whom the goods are going).
- c.- Description of the goods and method of packing.
- d-. The weight of the goods.

e-. Any charges related to the goods, such as customs duties or carriage charges.

f-. Instructions for customs and any other formalities.

Generally, there will be three copies of the CMR note. One will be kept by the trader and another one by the carrier, while the third will travel with the goods all the way to the final destination.

While the carrier is liable for any loss, damage or delay to a consignment till it is delivered, the trader is responsible for any loss or damage the carrier suffers from incorrect details having been provided by the CMR note.

You can fill in the CMR yourself, or you can have a forwarding agent or the carrier to do it for you. However, the trader will always be responsible for the accuracy of its contents.

## 10.2. **CIM.**

CIM CONSIGNMENT note confirms that the carrier has received the goods and that a contract of carriage exists between the trader and the carrier.

Again, unlike the BILL OF LADING, and like the CMR note-, is not a document of title nor a declaration, although some states regard it as such. It does not necessarily give its holder and/or the carrier rights of ownership or possession of the goods.

Key details to be provided by the CIM note:

- Description of the goods
- Number of packages and weight

- Names and addresses of the sender and the consignee.

Again, the sender is responsible for the information provided.

### 10.3. **AWB.**

Transport document which confirms the carrier has received the goods and that a contract of carriage exists between the trader and the carrier.

Same characteristics as the CMR note and CIM note but used for moving cargo by air (airlines, express carriers, air freight forwarders, and customs brokers).

Packaging, insurance, aviation security screening, are also involved in this type of transport so these types of contracts do have some slight differences to be taken into account.

### 10.4. **BILL OF LADING.**

Different types of ships are summarized below:

- Container ships or box ships. These ships carry their cargo on standard 20' or 40' containers that are stacked both below or on deck. Smaller feeder vessels carry containers on coastal and inland waters.
- Roll on roll off ships both road haulage and passenger vehicles.
- General cargo ships carry loose packaged cargo of all types (bins, pallets, boxes, coils, etc.).

- Bulk carriers carry unpacked goods, usually large volumes of single commodity goods, such as grain, coal, fertilizers, etc.
- Tankers carry liquids (oil, gas) in bulk.

Merchant ships primarily do business in these ways:

- Liner vessels operate on fixed routes, to fixed schedules and usually at a fixed tariff. Liner trades are dominated by container ships, roll on roll off carriers and general cargo vessels.
- Charter (tramp) vessels operate entirely according to the demand of the charterer. Their port of loading and discharge are set by the charterer, - who is the one paying for the freight-. Most tankers and bulk carriers operate under these conditions.

The key document for transporting goods at the sea is the BILL OF LADING.

It is issued by the CARRIER and it served three main purposes:

- a) provides evidence of the contract of the carriage
- b) shows that the carrier has received the goods
- c) serves a document of title of the goods.

The Sea Way Bill of Lading fulfills the same practical functions as the Bill of Lading but it does not confer title to the goods so therefore it is quicker and easier to use. It is often used when there is a long lasting and reliable business trading relationship between the seller (supplier) and the buyer or in a transaction where the cargo does not change ownership.(i.e. between the same company).

## **11 BANKS**

Banks sometimes do handle the export documentation on behalf of the exporter, since they are the ones in charge of sending the shipping documents to the importer through their bank and receiving the funds relating the operation as counterpart according to the terms and conditions agreed between both parties.

It is also interesting to point out that banks also provide reliable information about foreign companies and are also able to provide exporters with economical studies and developing sectors within a country which may help the exporter to start with his business in a foreign country.

## **12 LETTER OF CREDIT**

Definition: A letter of credit is an irrevocable payment undertaking of an issuing bank issued to a beneficiary upon request of an applicant for supply of goods, services or performance with documents stated in the letter of credit presented to the issuing bank, a nominated bank or confirming bank, if any, within the expiry date of the letter of credit or within a stated number of days after shipment, where applicable, in full compliance with the terms and conditions of the letter of credit.

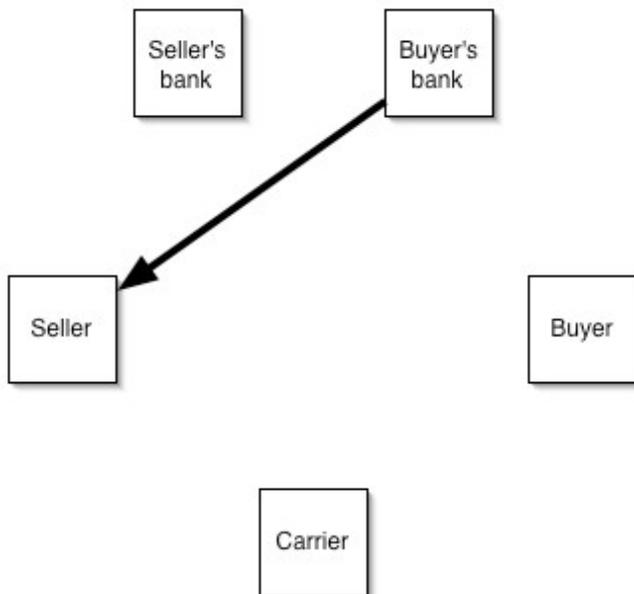
A letter of credit, often abbreviated as an LOC ,LC or L/C, and also referred to as a documentary credit, often abbreviated as DC or D/C,documentary letter of credit, is a document issued mostly by a financial institution which provides an irrevocable payment undertaking to a beneficiary against complying documents as stated in the credit. This means that once the beneficiary or a presenting bank acting on its behalf, makes a presentation to the issuing bank or confirming bank, if any, within the expiry date of the LC, comprising of documents complying with the terms and conditions of the LC, the applicable international standard banking practice, the issuing bank or confirming bank, if any, is obliged to pay irrespective of any instructions from the applicant to the contrary. **In other words, the obligation to pay is shifted from the applicant to the LC issuing bank or confirming bank, if any.**

The LC can also be the source of payment for a transaction, meaning that an exporter will get paid by redeeming the letter of credit. Letters of credit are used nowadays primarily in international trade transactions of significant value, for deals between a supplier in one country and a wholesale customer in another.

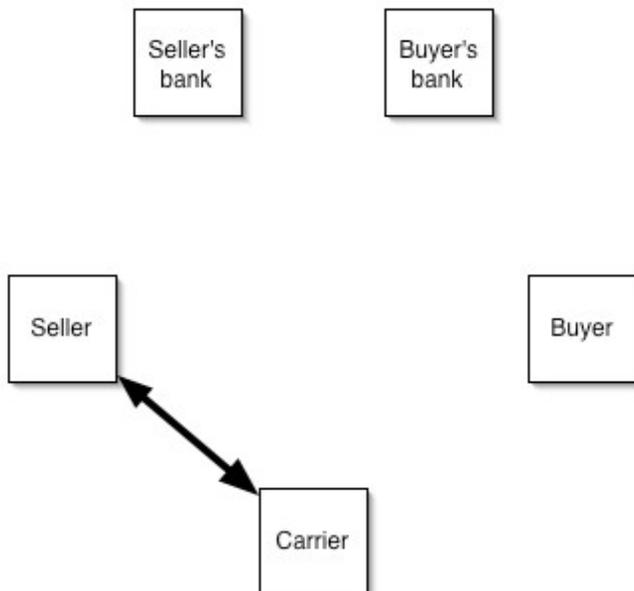
The parties to a letter of credit are usually a **beneficiary** who is to receive the money, the **issuing bank** of whom the applicant is a client, and the **advising bank** of whom the beneficiary is a client. Since nowadays almost all letters of credit are irrevocable, (i.e. cannot be amended or canceled without prior agreement of the beneficiary, the issuing bank and the confirming bank, if any).

HOW IT WORKS

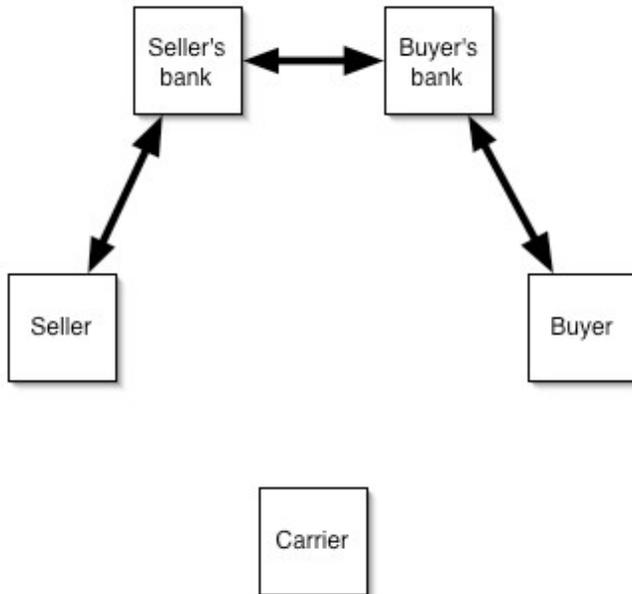
**STEP 1. After a contract is concluded between buyer and seller, buyer's bank supplies a letter of credit to seller.**



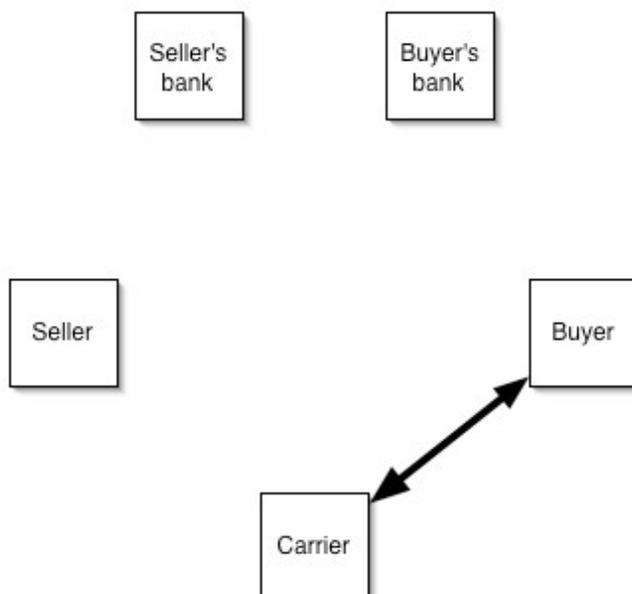
**STEP 2. Seller consigns the goods to a carrier in exchange for a bill of lading.**



**STEP 3. Seller provides bill of lading to bank in exchange for payment. Seller's bank exchanges bill of lading for payment from buyer's bank. Buyer's bank exchanges bill of lading for payment from buyer.**



**STEP 4 Buyer provides bill of lading to carrier and takes delivery of goods.**



### **13 OTHER METHODS OF PAYMENT**

SEE EXAMPLES IN CLASS

### **14 TRIANGULAR OPERATIONS**

The triangular operations (cross trade), or also known as intermediation, are distinguished by the existence of at least three companies located in three different countries. The exporting company A (Manufacturer / Supplier) sells to company B (Intermediary) and it in turn sells to company C (final buyer). The goods must be transported directly from country A (manufacturer / supplier) to country C (final buyer).

Company B (intermediary) is the owner of the operation, being a sale for company A (manufacturer / supplier) and a purchase for company C (final buyer). The intermediary acts on its own behalf (acquires the goods in firm), since otherwise it would act under an International Commercial Intermediation Contract and would not have responsibilities for the purposes of VAT assessment, beyond declaring the VAT corresponding to its intermediation management, that in the event that its client (normally the seller) was not established in the European Union, it would be an exempt operation, since it is considered an export of services.

The following types are defined:

- Intra-community triangular operations: Between countries that are part of the European Union.
- Triangular (Extra-Community) Operations Mixed: the manufacturer or buyer is not part of the EU, but the rest of the involved in the triangular foreign trade operation does.
- Pure (Extra-Community) Triangular Operations: the manufacturer and buyer do not belong to the EU, but the intermediary company is of common territory.

See scheme:

