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**Terminological close up Programs in the logistics
– foreign trade vocational training**

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**TERMINOLOGICAL CLOSE UP PROGRAMS
IN THE LOGISTICS – FOREIGN TRADE
VOCATIONAL TRAINING**

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1. THE GOAL OF THE DEVELOPMENT OF THIS TEXTBOOK, ACTUALITY, DETERMINATION OF THE TARGET GROUP

The aim of the development of the present textbook was to help students of logistics-foreign trade vocational training courses to answer the complex professional – foreign language questions occurring in the practice.

Our institute – as one of the most important participant in the vocational training area in Hungary – has a lot of valuable experience, and is ready to share its good practice. This textbook can also be considered as the summary of this successful practice.

The present textbook is mainly developed for the students of the University of Szeged, Faculty of Education, Centre for Vocational Training, Further Education and Distance Learning in the specialization of foreign exchange and small- and medium enterprise management.

Our secondary target groups are the students of adult education of the institute (students of training courses according to National Qualification Register /OKJ/), mainly students in the logistics area. These students usually have working experience, and their vocational training is generally two semesters long, most of them already have their diploma (in other specialization), so their general language knowledge is well based, but their knowledge in professional language needs to be developed.

2. FREQUENT TERMINOLOGICAL PROBLEMS AND THEIR SOLUTION IN VOCATIONAL TRAINING IN THE INTERNATIONAL TRADE/LOGISTICS SPECIALIZATION

The international logistics and trading activities need complex, trans border business relations. In these cases the professional activity takes place in different language and cultural environments.

Business activities in different countries are frequently fulfilled in significantly different legal environment, where the same definitions, categories can be differently understood.

There are cases where some words have no meaning in the other language, or the only one version is used both countries.

Let's take for example the expressions of "FOB" Rotterdam or the letter of credit (L/C) both terms are generally used without translation in the Hungarian terminology.

3. SUCCESSES AND GOOD PRACTICE IN THE VOCATIONAL TRAINING OF LOGISTICS AND FOREIGN TRADE SPECIALIZATION

Our students in the logistics and foreign trade specialization equally need excellent professional knowledge and operational command of language, as their future partners probably do not speak Hungarian.

Because of the above detailed reasons our institute intends to give a correct professional and language knowledge for our students.

We can state on the basis of the final exam's results and the feedback of the labour market that this good practice is successful.

We have organized study tours several times to overview how a logistic provider firm is working. Some students wrote their thesis for the degree on the basis of the information they received from these companies. These meetings can be also used for finding professional partners for their summer practice, and maybe for the possible job. Several former students also found their job by this opportunity.

These factors confirm for us that our method is a good practice, and we intend to continue it. Being in continuous touch with the major professional organizations remains one of our main goals.

In order to improve the efficiency of the training programs we have exploited multiple opportunities, and the final exam's results reconfirm them as a good practice:

- The students have elevated number of language course school hours, the participants are divided into groups of similar knowledge level.



Picture 1.: Study tour with students at the headquarter of Budapest Intermodal Logistics Centre (BILK)
Source: my own pictures



Picture2.: Study tour with students at the headquarter of Budapest Intermodal Logistics Centre (BILK). View from the main crane of the centre
Source: my own pictures

- The language courses are professional content integrate.
- Several courses are offered in foreign language, where all activities of the teachers and students (lectures, papers, essay, and exams) are done in foreign language.
- We support and encourage our student's studies and summer practice in foreign countries (Erasmus exchanges, field-work practice abroad).
- We intend to introduce the various languages, countries and cultures by the fact that the proportion of foreign students in our groups is continuously significant (approx. 20%). This multicultural environment helps them to prepare the international professional activity.
- A considerable proportion of our students paralelly study applied linguistics or already graduated in such field.
- Our professional courses in foreign languages are offered for the students of various faculties of the University of Szeged. By this way we can organize heterogeneous groups from professional, language and cultural point of view.

The content and the chapters of the present textbook has been composed by taking into consideration the mentioned good practice of the institute. The chosen chapters refer to those subjects where students may particularly need the knowledge of the question in foreign language.

I also intended to present those information which are not available in the most frequently used university textbooks, as the latest changes came into force after their publications. For example, one of the most important publication regarding the division of costs and risks arising from international transportation (INCOTERMS) has changed after the publication of the most frequently used textbooks, and is valid from 2011. For this subject, see Chapter 4.

The international practice is very diversified and different from the national practice regarding the documents used in foreign trade and logistics. That is why I consider important the presentation of those documents in foreign language what the students will use

during their professional activity.

It is very substantial even more so, because some of them does not exist in Hungarian at all, consequently the use of their foreign language versions is not only possible, but unavoidable. This subject is detailed in Chapter 5.

The payment instruments and methods used in international practice are usually completely different from the national practice. Some of them are exclusively used in the international relations (L/C). That is why the Chapter 6 is focusing to the international payment terms. The business success of market based, profit oriented companies is mostly influenced by the money income at a due time.

International business is always a risky activity, and the actual changes will even increase these risks. That is why the knowledge and evaluation of the risks, together with the risk management strategies will be very important in the future. For this subject, see Chapter 7.

Hungary as a member state of the EU, takes part in the customs union, and uses the integrated customs legislation and tariff. This area has changed a lot after the joining, it is important to know its details in foreign language. We should know the EU's customs rules in foreign language, so that we can explain them for our foreign partners. For details, see Chapter 8.

The European Union reconsiders from time to time its transport policy and adjusts it to the actual goals. The transformation of the transportation and the changes in the distribution have a significant impact on the trade relations and logistics process. It is important that our students know the substantial elements and priorities of the EU's White Paper on transport policy. For more details, see Chapter 9.

Logistics centres offer an important opportunity for our students and the economic development of our region. The knowledge of their activities and relations in a foreign language is necessary for the logistics experts, and it can improve their possibilities on the labour market. The last chapter contains the related details (see Chapter 10).

4. THE IMPORTANCE OF THE INCOTERMS FROM FOREIGN TRADE/LOGISTICS POINT OF VIEW, THE LATEST MODIFICATION

Incoterms 2010

ICC rules for the use of domestic and international trade terms: entry into force 1 January 2011

It contains a series of defined commercial terms published by the International Chamber of Commerce (ICC).

The Incoterms 2010 rules are an internationally recognized standard and are used worldwide in both international and domestic trade of goods. Its rules provide internationally accepted definitions and interpretation for most common commercial terms.

First published in 1936, the Incoterms has been periodically updated, and the latest Incoterms 2010 (published on January 1, 2011) is its eighth version.

Incoterms 2010 came into effect on 1st of January 2011. Its rules and terms help the contractual parties to avoid misunderstandings, by describing the tasks, costs and risks occurred in the delivery of goods.

So, its terms are mainly intended to reduce uncertainties arising from different interpretation of the rules in different countries.

INCOTERMS rules are not a law or international convention, and particularly do not

- protect parties from their own risk or loss,
- determine ownership or transfer title to the goods,

- apply to service contracts,
- define other/additional contractual rights or obligations (except for delivery),
- determine payment terms of the contract,
- specify details of the delivery of the goods,
- cover the goods before or after delivery.

Of course, all agreements made under any previous version (e.g. INCOTERMS 2000 or 1990) remain valid after 2011.

Parties have to agree on the chosen Incoterm at the start of their negotiation or quotation, as it will affect all the costs and responsibilities during the delivery.

Parties of a contract for the sale of goods can also agree to choose any version of the Incoterms rules, but it is important to clearly specify any chosen earlier version.

The Incoterms rules are widely used in international commercial transactions. These three-letter trade terms are related to sales practices, and their role is especially to clearly define the tasks, costs and risks in connection with the delivery of goods.

The Incoterms rules are accepted by governments, legal authorities and contractual parties worldwide and are also recognized by UNCITRAL as the global standard for the interpretation of the most common terms in foreign trade.

International Commercial Terms, known as "Incoterms", are internationally accepted terms defining the responsibilities of both parties in the arrangement of shipments and the transfer of liability.

Incoterms do not cover ownership or the transfer of title of goods and are not valid for the sale of services and transferable rights.

The main modifications in the latest publication are as follows

- In the new version (Incoterms 2010) four terms were eliminated (DAF, DEQ, DES, DDU)
- and two new terms were added: Delivered at Place (DAP) and Delivered at Terminal (DAT).

- So, the new version contains only 11 terms, while INCOTERMS 2000 contains 13. As DAF (Delivered at Frontier), DES (Delivered Ex-ship), DEQ (Delivered Ex-Quay) and DDU (Delivered Duty Unpaid) are covered under DAP, DAT, above four terms are removed from the latest version.

There are some changes in the latest version (2010), and these refer to "ship's rail" in FOB, CFR, CIF: according to the new version, the place of the transfer of risks is the board of the ship in the port of departure, instead of the ship's rail (as it was described in INCOTERMS 2000). So, all costs and risks of loading have to be covered by the seller.

Shortly: "Ship's Rail" terminology is no longer used for FOB, CFR, CIF the reference is now "loaded on board the vessel".

INCOTERMS 2010 terms can be multimodal or maritime.

Rules for any modes of transportation (multimodal terms)

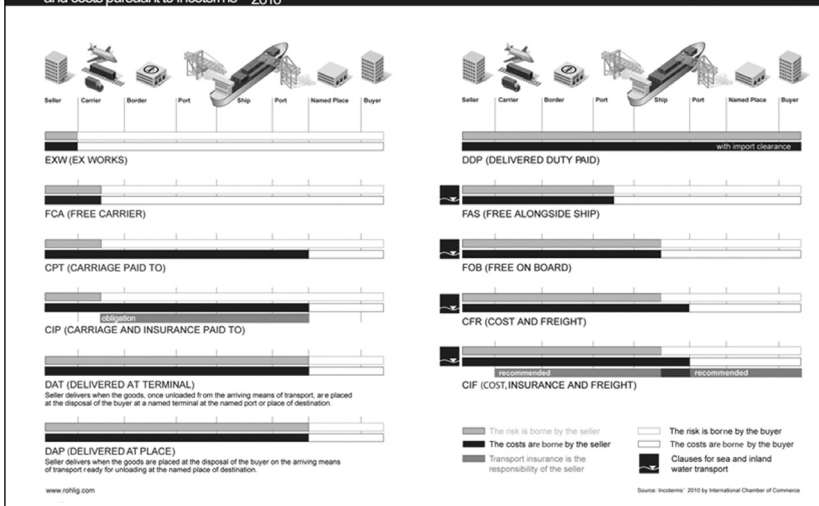
- **EXW: EX-Works:** Seller should deliver the goods at disposal of buyer at seller's premises. (without loading). Works can mean factory, mill, headquarter or warehouse, which is the seller's premises. EXW applies to goods available only at the seller's premises. Buyer is responsible for loading the goods on truck or container at the seller's premises; and for all subsequent costs and risks.
- **FCA: Free Carrier:** Seller delivers the goods to the main carrier and may be responsible for clearing the goods for export. The seller delivers to goods on truck, rail car or combined way usually to a named cargo terminal, airport or rail station. The point of departure is often a customs clearance center. Buyer is responsible for the main carriage/freight, cargo insurance and other costs and risks.
- **CPT: Carriage Paid to** (+the named place of destination): The delivery of goods to the named place of destination is at seller's expense. Seller delivers goods at an agreed place, shifting risk to the buyer, but seller must pay cost of carriage to the named place of destination. Buyer bears the cargo insurance, import customs clearance, payment of customs duties, VAT and taxes, and other related costs and risks.

- **CIP: Carriage and Insurance Paid to** (+the named place of destination): The seller is responsible for the delivery of goods and the cargo insurance to the named place of destination at his own expense. Buyer bears the import customs clearance, payment of customs duties VAT and taxes, and other related costs and risks. Seller delivers goods at an agreed place, shifting risk to the buyer, but seller pays carriage and insurance to the named place of destination.
- **DAT: Delivered at Terminal** (+the named place of destination): The seller meets the obligations when the goods are unloaded from the arriving means of transportation and are placed at the disposal of the buyer at a named terminal at the named port or place of the destination. The expression of terminal means any place, such as quay, warehouse, container yard or road, rail or air cargo terminal. The seller bears all risks involved in transporting the goods to and unloading them at the terminal at the named port or place of destination. In case of DAT term, the seller has to clear the goods for export, but has no obligation to clear the goods for import or pay any duties and/or VAT taxes. DAT is a new term in the latest publication (2010) and replaces the DEQ, DES terms from INCOTERMS 2000.
- **DAP: Delivered at Place** (+the named place of destination): The seller meets the obligations when the goods are placed at the disposal of the buyer on the arriving means of transport (road, rail, air), ready for unloading at the named place of destination. Seller bears costs, risks and responsibility for goods until made available to buyer. The seller bears all risks involved with transporting the goods to the named place. In case of DAP term, the seller has to clear the goods for export, but has no obligation to clear the goods for import or pay any duties and/or VAT taxes. DAP is a new term in the latest publication (2010), this term does not exist in INCOTERMS 2000.
- **DDP: Delivered Duty Paid** (+the named place of destination): The seller is responsible for most of the expenses, which include the the delivery of goods to the final destination, or buyer's premises, cargo insurance, import customs clearance, and payment of customs

duties and taxes in the buyer's country. Seller bears cost, risk and responsibility for cleared goods at named place of destination, buyer is responsible for unloading.

Rules for sea transport

- **FAS: Free Alongside Ship:** Risk passes to buyer, including payment of all transportation and insurance costs, once delivered alongside the ship at named port terminal by the seller. The export clearance is the seller's obligation. Goods should be placed at the side of the ship, on the dock or lighter, , at the seller's costs, so that they can be loaded on board the ship. Buyer is responsible for the loading expenses, main marine carriage, freight, cargo insurance, and other costs and risks.
- **FOB: Free On Board:** Risk passes to buyer, including all transportation and insurance costs, when the goods are delivered on board the ship by the seller. "Ship's Rail" terminology is no longer used for FOB, CFR, CIF the meaning is now "loaded on board the vessel". The delivery of goods on board the vessel at the named port of loading is at seller's costs and risks, furthermore the buyer is responsible for the main carriage, cargo insurance and other costs and risks. FOB is no longer recommended for containerized shipments.
- **CFR: Cost and Freight:** The delivery of goods to the named port of destination is at the seller's expense. Buyer is responsible for the cargo insurance and other costs and risks. Seller should deliver the goods and the related risk passes to buyer when the cargo is on board the vessel. Seller should cover cost and freight to the named destination port.
- **CIF: Cost, Insurance & Freight** (+ the named port of destination): The cargo insurance and delivery of goods to the named port of destination should be paid by the seller. Risk passes to buyer when goods are delivered on board the ship. Seller pays cost, freight and at least FPA insurance to destination port. Buyer is responsible for the import customs clearance and other costs and risks from the port of departure.



Picture 3.: The content of INCOTERMS trade terms

Source: WWW.ROHLIG.COM

5. LOGISTICS AND FOREIGN TRADE DOCUMENTS AND THEIR TERMINOLOGY

International market needs various types of trade documents. Depending on these necessary documents, a seller can assure a buyer that he has fulfilled his responsibility whilst the buyer is assured of his request being carried out by the seller.

The following is a list of documents often used in international trade:

1. Air Waybill,
2. Bill of Lading,
3. Certificate of Origin,
4. Combined Transport Document,
5. Bill of Exchange, draft,
6. Insurance Policy (or Certificate),
7. Packing List/Specification,
8. Inspection Certificate.

5.1. Air Waybill

Air Waybills certify that goods have been received for shipment by air. A typical air waybill sample consists of three originals and nine copies.

It is a type of transport document that serves as a receipt of goods by an airline (carrier) and as a contract of carriage between the shipper and the carrier. It includes conditions of carriage that define the carrier's limits of liability and claims procedures, a description of the goods, and applicable charges.

The IATA member airlines has accepted a standard format for AWB which is used throughout the world for both domestic and international traffic. Unlike a bill of lading, an AWB is a non-negotiable instrument, does not specify on which flight the shipment will be sent, or when it will reach its destination.

Air Waybills serves as

- proof of receipt of the goods for shipment,
- an invoice for the freight,
- a certificate of insurance,
- a guide to airline staff for the handling, dispatch and delivery of the consignment.

The principal content of an air waybill includes

- the name and address of the shipper and consignee,
- the routing: airport of departure and destination,
- the description of goods,
- weight, measure or shipping marks and numbers, packaging,
- date and signature of the carrier or its agent,
- freight charges, fees, taxes.

5.2. Bill of Lading (B/L)

Bill of Lading is a document issued by the shipping company or his agent which certifies the receipt of cargo on board. This is an undertaking to deliver the goods in the same order and condition as received to the consignee on receipt of freight, the shipping company is entitled to.

It is a very important document for both contractual parties, as it constitutes document of title to the goods.

The goods can be consigned to order of the exporter, which means the exporter can authorize someone else to receive the goods on his behalf. In such a case, the exporter would discharge the bill of lading on its reverse

Bill of Lading is issued usually in a set of 3 originals, any one of which can give title to the goods. The shipping company also issues non-negotiable copies which are not documents of title to goods.

The reverse side of Bill of Lading contains the terms and conditions of the contract of carriage (shipping terms).

The B/L serves three main purposes as




- a document of title to the goods,
- va receipt from the shipping company and
- a contract of transportation of goods.

Importance of B/L in the international trade

- It is an acknowledgment from the shipping company that the goods have been received for the purpose of shipment. If any damage occurs to the cargo during transit, the shipper can hold the shipping company responsible, if clean bill of lading has been issued.
- It is a contract of carriage between the exporter (shipper) and the shipping company.
- It is a document of title to the goods, which enables the shipper to transfer the tittle by endorsement and delivery.

Various types of Bills of Lading

- **Clean-B/L:** It indicates a clean receipt, stating that there has been no defect in the apparent order or condition of goods at the time of receipt of goods by the shipping company.
- **Dirty-B/L (Claused B/L):** It shows that the B/L is qualified which expressly declares a defective condition of goods (broken, damaged, fractured, contaminated, etc). By using this type of clause, the shipping company is limiting its responsibility. If L/C is agreed as method of payment, the opening bank accepts only a clean B/L, any claused B/L will be refused.
- **Recieved for Shipment B/L:** A shipping company issues it when goods have been given to the custody of the shipping company, but they have not been loaded on board (temporarily stored in the warehouse of the port of departure).

BILL OF LADING				
Shipper SHIPPER NAME AND ADDRESSES TEL & FAX			Bill of Lading No.:	
Consignee (if "To Order" so indicate) SENDERS NAME AND ADDRESS TEL				
Notify Party (No claim shall attach for failure to notify) SAME AS CONSIGNEE OR AGENTS NAME & ADDRESS.				
Place of Receipt BANGKOK, THAILAND				
Port of Loading BANGKOK, THAILAND			Cargo Delivery, please Contact:	
Vessel HEUNG -A ASIA V. 817 N			Port of Discharge POINT LISAS, TRINIDAD	
Place of Delivery POINT LISAS, TRINIDAD			THIS IS THE RECEIVER OF THE GOODS ONCE IN PORT. TRY TO CHANGE WITH YOUR AGENTS NAME ADDRESS SO YOU DO NOT INCUR EXTRA FEES	
Mark & Numbers Container No.	No. of Pkgs. or Shipping Units	Description of Goods & Pkgs.	Gross Weight	Measurement
AZIM POINT LISAS TRINIDAD	2 CARTONS	CFS/CFS MENS T-SHIRT 100% COTTON KNITTED LADIE'S BLOUSE 100% COTTON WOVEN AS PER INV. NO. 0-397-08 *LOCAL DESTINATION CHARGE ARE FOR CNEE ACCOUNT* CTNR No.:GLDU7246240 FREIGHT PREPAID TWO CARTONS ONLY	120.000 KGS	1.000 CBM
			 	
PARTICULARS FURNISHED BY SHIPPER				
Freight Details, Charges etc.:	PREPAID	COLLECT	Excess Value Declaration: Refer to Clause 6 (4) (B) + (C) on reverse side December 28, 2008	
			RECEIVED by the Carrier the Goods as specified above in apparent good order and condition unless otherwise stated, to be transported to such place as agreed, authorised or permitted herein and subject to all the terms and conditions appearing on the front and reverse of this Bill of Lading to which the Merchant agrees by accepting this Bill of Lading, any local privileges and customs notwithstanding. The particulars given above as stated by the shipper and the weight, measure, quantity, condition, contents and value of the Goods are unknown to the Carrier, IN WITNESS where of THREE(3) original Bills of Lading have been signed: one of which being accomplished, the other(s) to be void.	
JURISDICTION AND LAW CLAUSE			December 28, 2008 Place and date of issue. Signed on behalf of the Carrier: GATEWAY CONTAINER LINE CO., LTD. by _____	

Picture 4.: Bill of Lading
Source: WWW.PATTAYASHIPPING.COM

- **On Board Shipped B/L:** The shipping company certifies that the cargo has been received and loaded on board the ship. This document is generally issued on the basis of the Mate' Receipt.
- **On Deck B/L:** It refers to a bill of lading which contains the note that the goods have been loaded on the deck of the vessel. This type of Bill of lading indicates that the cargo is carried on the deck of the ship (exposed to water and other weather factors) and not in its protected holds.
- **Trans-shipment B/L (Through B/L):** Transshipment B/L is issued if the whole transportation includes several modes of transport from the place of departure to the place of destination. It indicates that transshipment would be en route (ship, road, rail and air).
- **Stale B/L:** According to international commercial practice, B/L must be presented to the bank not later than 21 days of the date of shipment as given in the B/L. Otherwise, the B/L becomes stale and such a document will not be accepted by the bank for payment.
- **To Order B/L:** In this case, the B/L is issued to the order of a specified person/firm.
- **Freight Prepaid B/L:** When the shipper pays the freight, this type of B/L is issued with the remark "Freight prepaid".
- **Freight Collect B/L:** When the freight is not paid and to be collected at the port of destination, it is marked "Freight Collect". Generally, the importer insists on the "clean on-board shipped" bill of lading with the prohibition of transshipment of goods.

B/L is the only evidence to file claim against the shipping company in the event of non-delivery, defective delivery or short delivery.

A bill of lading is a transferable document. Transferability enables the exporter to claim payment from the bank even before the goods reach the destination. B/L enables the importer to sell the goods even before they reach the destination.

There are three main parties in B/L: the shipper (consignor), the consignee or order of and the notify party. Notifying party is party to whom notice is to be sent on the arrival of goods at the place of destination. When the B/L is made to the order of, the person, in whose name it is made to the order of, has the right to endorse it.

Main content of B/L

- name and address of the shipper, consignee and notify party,
- name and address of the shipping company,
- a unique number of the B/L,
- name of the vessel,
- name of port of loading,
- date of loading of goods,
- port of discharge and place of delivery,
- quantity, quality, marks and other description of goods,
- number of packages,
- freight paid or payable,
- number of originals issued,
- name of the agent of the shipping company,
- voyage number and date,
- signature of the issuing party.

B/L as document of title: This is a transport document where the carrier undertakes not to release the goods other than against this original document.

Possession of a document of title is symbolic of ownership of the goods that are described within it.

Documents of title facilitate commercial transactions by serving as security for loans.

A person who possesses a document of title can legally transfer ownership of the goods covered by it by delivering or endorsing it over to another without physically moving the goods. In such a situation, a document of title is a negotiable instrument because it transfers legal rights of ownership from one person to another.

Bill of lading is issued in the set of three or more. The number in the set will be indicated on each bill of lading and all must be accounted for.

Only one original is sufficient to take possession of goods at port of discharge so, a bank which finances a trade transaction will need to control the complete set. The bill of lading must be signed

by the shipping company or its agent, and must show how many signed originals were issued.

Mate's Receipt

A mate's receipt is issued by the mate (assistant of the captain of the vessel) after the cargo is loaded on board. It is an acknowledgment stating that the goods have been received on board the ship.

Mate's receipt contains the details about

- name of the vessel,
- date of shipment,
- marks and numbers,
- description and condition of goods at the time they are shipped, port of loading,
- name and address of the shipper,
- name and address of the consignee and,
- other details.

Types of mate's receipt

- **Clean Mate's Receipt:** Mate of the ship issues a clean mate's receipt if the condition, quality of the goods and their packing are correct and free from any defects, damages.
- **Qualified Mate's Receipt:** This kind of document contains adverse remarks as to the quality or condition of the goods/packing. If the goods are not packed properly and the mate's receipt contains negative remarks about the packing, the shipping company does not assume any responsibility in respect of the goods during the transport.

5.3. Certificate of Origin

In the foreign trade of EU countries various certificates of origin may be used depending on the exporter country. It can be EUR 1, EUR MED, FORM-A, invoice declaration. For detailed information, see EU customs legislation rules.

The Certificate of Origin is required by the custom authority of the importing country for the purpose of imposing import duty. It is usually issued by the Chamber of Commerce and contains information details of the good to be transported.

The certificate must provide that the information required by the credit and be consistent with all other document, It would normally include :

- the name of the company and address as exporter,
- the name of the importer,
- package numbers, shipping marks and description of goods,
- any weight or measurements.

5.4. Various types of invoices used in foreign trade relations

Commercial Invoice

The invoice is an important and basic export document. Commercial Invoice document is provided by the seller to the buyer. Also known as export invoice or import invoice. Commercial invoice is also used by the custom authorities of the importer's country to evaluate the good for the purpose of taxation.

A commercial invoice is the seller's bill for the delivered goods. Invoices contain all the particulars and details in respect of name and address of seller (exporter), name and address of buyer (importer), date, exporter's reference number, importer's reference number, description of goods.

It also contains the price quantity, total value, packing specifications, terms of sale (FOB, CIF etc), identification marks of the package, total number of packages, name and number of the vessel or flight, bill of lading number, place and country of destination, country of origin of goods, reference to letter of credit, terms of payment, and the signature of the exporter etc.

This document is also required by customs authorities to determine true value of the imported goods, for assessment of duties and taxes.

The commercial invoice is used for accounting purposes, both by the exporter and importer.

SELLER		INVOICE DATE AND NO		CUSTOMER'S ORDER NO	
		OTHER REFERENCES			
CONSIGNEE		BUYER			
		PRESENTING BANK			
PORT OF LOADING		COUNTRY OF ORIGIN OF GOODS			
COUNTRY OF FINAL DESTINATION / SHIP / AIR / ETC		TERMS AND CONDITIONS OF DELIVERY AND PAYMENT			
OTHER TRANSPORT INFORMATION		CURRENCY OF SALE			
MARKS AND NUMBERS		DESCRIPTION OF GOODS		GROSS WEIGHT	CUBIC METERS
NO. AND KIND OF PACKAGES	SPECIFICATION OF COMMODITIES (IN CODE AND/OR IN FULL)	NET WEIGHT(S)	QUANTITY	UNIT PRICE	AMOUNT
<p>It is hereby certified that this invoice shows the actual price of the goods described, that no other invoice has been or will be issued, and that all particulars are true and correct.</p> <p>By _____ Title _____ Date _____ Signature _____ Place _____</p>		PACKING			
		FREIGHT			
		OTHER COSTS (SPECIFY)			
		INSURANCE			
		TOTAL INVOICE AMOUNT			

Picture 5.: Commercial invoice
Source: WWW.DOCUMENTSFOREXPORT.COM

It is an evidence of the contract of sale and purchase of goods. On the basis of the invoice, all the other documents are prepared as it is the basic document.

Invoice constitutes the main document for various export formalities such as pre-shipment inspection, quality, excise and customs procedures.

This document is required in collection of documents through the bank.

Consular Invoice

Some importing countries insist that the invoice is to be signed by the importing country's consular located in the exporter's country. The main purpose to obtain consular invoice is to secure true and valid information in the invoice. If issued, the importer gets confidence in respect of accuracy of information. The exporter has to pay a certain fee to obtain the certificate/invoice.

Proforma Invoice

The Proforma invoice may be considered as an offer of the supplier, and it contains all important details regarding the possible shipment.

Proforma invoice is the starting point of an export contract: when an exporter receives inquiry from the importer, exporter submits the Proforma invoice to the importer.

Usually the proforma invoice contains: name and address of the exporter, name and address of the intending importer, nature of goods, mode of transportation, unit price in terms of internationally accepted quotation, name of the country of origin of goods, name of the country of final destination, period required for executing contract after receipt of confirmed order, etc.

Customs Invoice

It may be considered as an extended form of commercial invoice required by customs (often in a specified format) in which the exporter states the the main details of the contract. (description, quantity and selling price, freight, insurance, and packing costs, terms of delivery and payment, weight and/or volume of the goods for the purpose of determining customs import value at the port of destination)

Usually, the exporter has to declare that all details written in the document are true and correct, and sometimes the value of the goods in the exporter country has to be stated.

When the commercial invoice is prepared on the format prescribed by the customs authorities of the importing country, it is called "Customs Invoice". This is the requirement of USA, Canada and Australia.

5.5. Bill of Exchange

A Bill of Exchange is a special type of written document: an instrument in writing containing an unconditional undertaking, signed by the maker, directing a certain person to pay a certain sum of money only to, or to the order of, a certain person or to the bearer of the instrument.

It contain an obligation to pay an certain amount of money on or before the future date. This type of document has special importance in wholesale trade.

The following parties are involved in a bill of exchange

- **Drawer:** The person who writes or prepares the bill.
- **Drawee:** The person who pays the bill.
- **Payee:** The person to whom the payment is to be made.
- **Holder:** The person who is in possession of the bill.

<i>Exchange for</i> <u>US\$25,000.00</u>	No. CI-00888
	<u>March 15</u> 20 <u>01</u>
----- AT SIGHT -----	<i>of this First of Exchange (Second Unpaid)</i>
<i>pay to the order of</i> <u>UVW Exports</u>	
<i>the sum of</i> <u>Twenty Five Thousand U.S. Dollars</u>	
Drawn under documentary credit No. SB-87654 of The Sun Bank, Sunlight City, Import-Country, dated January 26, 2001	
<i>To</i> <u>The Moon Bank</u>	UVW Exports
<u>5 Moonlight Blvd.,</u>	
<u>Export-City and Postal Code, Export-Country</u>	

Picture 7.: English sample of a Bill of exchange

Source: WWW.HICHEM.COM

- **The Endorser:** The endorser is the person who has placed his signature on the back of the bill signifying that he has obtained the title for the bill on his own account or on account of the original payee.
- **The Endorsee:** The endorsee is the person to whom the bill is endorsed. The endorsee can obtain the payment from the drawer.

Types

- **Sight Bill of Exchange:** In this case the drawee has to make the payment on presentation.
- **Usance Bill of Exchange:** In case of Usance or Time Bill of Exchange, payment is to be made on the maturity date, after a certain period of time.

5.6. Insurance Certificate, Insurance Policy

It is a formal contract-document issued by an insurance company. It puts an indemnity cover into effect, serves as a legal evidence of the insurance agreement, sets out the exact terms on which the indemnity cover has been provided, and states associated information (such as the specific risks covered, duration of coverage, etc.).

Insurance can be considered as a risk-transfer mechanism that ensures full or partial financial compensation for the loss or damage caused by event(s) beyond the control of the insured party.

Under an insurance contract, the insurer indemnifies the insured against a specified amount of loss, occurring from specified eventualities within a specified period, provided a fee called premium is paid.

Some types of insurance (such as product liability insurance) are an essential component of risk management, and are mandatory in several countries. Insurance only provides protection against tangible losses. It cannot ensure goodwill, continuity of business, market share, or customer confidence, etc. So, the insurance policy can not refer to these losses.

The requirements for completion of an insurance policy are as follows

- the name of the party in the favor which the documents has been issued,
- the name of the vessel, other means of transport or flight details,
- the place from where insurance valid,
- insurance value that specified in the credit,
- marks and numbers,
- the description of the goods,
- the name and address of the claims settling agent,
- date of issue.

5.7. Packing list

It is an itemized list of articles usually included in each shipping package, giving the quantity, description, and weight of the contents. It is prepared by the shipper and sent to the consignee.

Packing list often accompanies the shipment together with other commercial and transport documents.

The packing list must: have a description of the goods consistent with the other documents. It also contains the details of shipping marks and numbers consistent with other documents

5.8. Certificate of Measurement

Usually, freight is charged either on the basis of weight or measurement. When weight is the basis of calculation, the shipping company for the purpose of calculation of freight may accept the weight declared by the exporter. When measurement is the basis for calculation of freight, the shipping company may insist on a certificate of measurement, which contains the details in respect of description of goods, quantity, length, breadth and depth of the packages, name of the vessel and port of destination of the cargo etc.

5.9. CMR waybill

It is a standardized document for cross-border transport of cargo by road, based on UN recommendations for uniform international rules and in force in the European Union and other countries.

CMR waybill is used when a road transport is effected through countries which signed the CMR Convention. The CMR Convention (full title Convention on the Contract for the International Carriage of Goods by Road) is a United Nations convention that was signed in Geneva in 1956. It relates to various legal issues concerning transportation of cargo by road. It has been ratified by the majority of European states.

6. INTERNATIONAL PAYMENT TERMS. TEACHING, PRESENTATION AND ANALYSIS

Payment terms include the conditions under which a seller will complete a sale. Usually, these terms specify the period to pay off the amount due.

In international trade, the growing competition is not limited to quality, price and delivery time but also extends to terms of payment.

There are several ways in which the seller can receive payment when selling your products abroad. These are depending on how trustworthy the buyer is considered.

Typically, as in domestic sales, if the buyer seems reliable, sales can be agreed on open account; if not, cash in advance is a must. For export supply, these ways are not the only common methods.

Listed in order from most secure for the exporter to the least secure, the basic methods of payment are as below

1. Cash in advance (advance payment or pre-payment);
2. L/C or Documentary letter of credit;
3. Documentary collection (D/P or D/A method), draft;
4. Open account;
5. other payment mechanisms, such as consignment sales.

Regarding any supply on deferred payment a careful exporter grants credit cautiously. Suppliers evaluate new customers with care and continuously monitor buyer's accounts.

A careful firm may decide to decline a customer's request for open account credit if the risk is too high. Exporter may propose irrevocable confirmed letter of credit or even pre-payment.

The exporter on the basis of a long term relation, may allow 30-180 days to pay, perhaps even on open account for a fully reliable customer,

The terms of payment play an important role in export business. How and when the exporter has to receive payment are decided during early negotiations between the contractual parties.

There are more methods of receiving payment and different methods of payment include varying degrees of risk to the exporter.

The following factors are usually taken into consideration, while deciding the terms of payment

- exporter's knowledge of the Buyer;
- buyer's financial ability;
- degree of security of payment, if advance payment is not considered;
- speed and cost of Remittance;
- competition on the market, usual terms of sale of competitors;
- exchange restrictions in both the exporter's and importer's country.

6.1. Payment in advance

Pay for something before it is received or delivered.

Any type of payment that is made ahead of its normal schedule, such as paying for a goods or service before the buyer receives the good or service. Advance payments are sometimes required by sellers as protection against non-payment or bankruptcy of the buyer.

Suppliers may not have enough capital to buy the materials needed to produce a large order, so they use part of the advance payment to pay for the product.

It is most favoured method of payment from the viewpoint of the exporter, as very secure, it does not have any credit or transfer risk to the exporter. When the conditions in the importer's country

are unstable and there is no guarantee of receipt of payment, prepayment may be also required by the exporter.

Payment may be received by different means (draft, transfer or in cash) in the currency specified in the contract of sale.

Importer usually does not accept this mode unless there is heavy demand for those goods in his country or the goods are made to the specific requirements of the importer.

The importer must send payment to the supplier prior to shipment of goods. The importer must trust that the supplier will ship the product on time and that the goods will be according to the agreement. Cash-in-advance terms place all of the risk with the importer/buyer.

Main reasons of its use

- The Importer is a new company.
- The Importer's credit status is doubtful, and/or the country political and economic risks are very high.
- Monopol position.
- There is an increasing demand and the seller does not have strong competitors on the market.

There are advantages and disadvantages with pre-payment terms. This method of payment involves direct Buyer/Seller contact without commercial bank involvement and is therefore inexpensive.

The Buyer faces a very high degree of payment risk while retaining little recourse against the Seller for poor quality goods or incorrect or incomplete documentation. In addition there is a possibility that the seller may never deliver the goods even though the buyer has made full payment.

The exporter can dictate the advance payment, when the importer is unknown or his creditworthiness is doubtful and not acceptable to the exporter and the importer requires those goods, there is no alternative to the importer, other than the advance payment.

This methods works out to be the cheapest mode of contract to the exporter as there would be no commission charges as banks do not charge the account of the exporter.

6.2. Letter of Credit

This method of payment has become very frequent in recent times as the greatest attraction to the exporter is the total elimination of credit and payment risks.

A letter of credit is a bank's promise to pay the exporter provided that the exporter has complied with all the terms and conditions of the letter of credit. The buyer applies for issuance of a letter of credit from the buyer's bank to the exporter's bank and therefore is called the applicant; while the exporter is called the beneficiary.

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, commercial invoice, certificate of origin, draft, insurance policy, veterinary certificate, etc (depending on the actual contract details).

The letter of credit always contains an expiration date. The bank responsible for making payment, verifies that all document conform to the letter of credit requirements. If not, the discrepancy must be resolved before payment can be made and before the expiration date.

Shortly, L/C is a written commitment to pay, by a buyer's or importer's bank (called the issuing bank) to the seller's or exporter's bank (called the accepting bank, negotiating bank, or paying bank).

A letter of credit guarantees payment of a specified sum in a specified currency, provided the seller meets the defined conditions and submits the prescribed documents within a fixed timeframe.

Letters of credit are formal trade instruments and are used usually where the seller is not ready to grant credit to the buyer.

Hereby, a letter of credit substitutes the creditworthiness of a bank for the creditworthiness of the buyer. The bank does not take on any responsibility for the existence or the quality of goods, authenticity of documents, or any other provision of the contract of sale.

According to Article 3 of Uniform Customs and Practices relating to Documentary credits, Documentary Letter of Credit has been defined as "any arrangement whereby a bank acting at the request

and in accordance with the instructions of a customer (the importer) undertakes to make payment to or to the order of a third party (the exporter) against stipulated documents and compliance with stipulated terms and conditions”.

Parties involved in letter of credit payments

- The importer (applicant) initiates the process of opening documentary credit in favour of the exporter. He requests the bank to open the documentary credit, defining the documents required to be presented by exporter.
- The banker who issues the letter of credit at the request of the applicant is referred to as the opening or issuing banker who undertakes to make the payment to the exporter on presentation of the required documents, in proper condition.
- The bank, which adds the confirmation, is known as “Confirming Bank”. The confirming bank undertakes the same responsibility as the opening bank. The confirming bank gives its commitment to make the payment if conditions stipulated in the credit are complied with even if the advising bank is unable to pay or refuses to make the payment.
- When the exporter draws a bill of exchange on importer, issuing bank of documentary credit becomes the Paying Bank. Alternatively, when draft is drawn on the importer’s bank, that bank becomes the Paying Bank.
- When the paying bank is not located in the exporter’s place, credit permits any bank to make the negotiation of documents and effect payment to the exporter.

Different Types of Letter of Credit

1. **Revocable and Irrevocable Credit:** In case of revocable letter of credit, the opening bank reserves the right to cancel or modify the credit, at any time, without the consent of the beneficiary. Contrary, in case of irrevocable letter of credit, the opening bank has no right to change the terms of credit, without the consent of the beneficiary.

2. **Confirmed and Unconfirmed Letter of Credit:** A confirmed L/C provides the highest level of protection to the seller because not only the L/C cannot be canceled (or its terms changed) unilaterally by the buyer, but also both banks involved in the transaction guarantee its payment on its due date. Exporter may not have enough confidence in the issuing bank. In such cases, exporter may insist that his own local bank should add confirmation to the credit opened. The importer is not interested in adding a confirmation to the credit as it involves additional commission of the confirming bank.
3. **Transferable and Non-Transferable Letter of Credit:** Under transferable letter of credit, exporter can transfer the credit fully or partly to one or more parties. This is possible when the credit clearly states it is "transferable".
4. **Fixed amount and revolving credit:** A fixed amount letter of credit is for a fixed period and amount. Letter of credit expires if the credit is exhausted or period is over, whichever is earlier. In case of revolving letter of credit, the letter of credit would be revived automatically for the same amount and period, once it is exhausted. Such letter of credit is beneficial when the exporter and importer have frequent exchange of the same goods. In case of Revolving Letter of Credit, single L/C that covers multiple-shipments over a long period. Instead of arranging a new L/C for each separate shipment, the buyer establishes a L/C that revolves either in value or in time. L/Cs revolving in time are of two types: in the cumulative type, the sum unutilized in a period is carried over to be utilized in the next period; whereas in the non-cumulative type, it is not carried over.
5. **Deferred payment credit:** In this period of credit, the supplier provides credit to the buyer after supply of goods.
6. **Stand by Credit:** This is similar to a performance bond or guarantee, but in the nature of letter of credit. The credit assures the beneficiary that in the event of non-performance or non-payment of any obligation, the beneficiary may request the issuing bank to make the payment.

This type of letter of credit is mainly used in the US, where banks are legally barred from issuing certain types of guaranties.

It serves as a parallel (collateral) payment source in case the primary source fails to meet its obligations in part or in full and is a substitute for a performance bond or payment guaranty.

7. Back to Back credit: Arrangement in which one irrevocable letter of credit serves as guarantee for the other collateral L/C, the advising bank of the first letter of credit becomes the issuing bank of the second letter of credit.

It is used mainly in re-export trade by resellers to finance their import and hide the identity of the actual supplier or manufacturer. It is also called counter letter of credit.

This letter of credit provides pre-shipment finance to the beneficiary. When the beneficiary wants to purchase raw materials from a third party for the purpose of executing export order, or is not the actual supplier of goods, he can ask the bank to open a new letter of credit.

8. Red Close Credit: L/C that carries a provision (traditionally in red ink) which allows a seller to draw up to a fixed sum from the advising or paying bank, in advance of the shipment or before presenting the prescribed documents. This is a pre-shipment finance provided to the beneficiary by the importer.

6.3. Documentary Collection

It is an international trade procedure in which a bank in the importer's country acts on behalf of an exporter for collecting and remitting payment for a shipment.

The exporter presents the shipping and collection documents to his bank which sends them to its correspondent bank in the importer's country, then the foreign bank (called the presenting bank) hands over shipping and title documents (required for taking delivery of the shipment) to the importer in exchange for payment (in case of 'documents against payment' instructions) or a firm commitment to pay on a fixed date (in case of 'documents against acceptance' instructions).

The banks involved in the transaction try to collect the payment but (unlike in documentary credit) make no guaranties. They are liable only for correctly carrying out the exporter's collection instructions.

6.3.1. Documents against Payment (D/P)

An arrangement under which an exporter instructs the presenting bank to hand over shipping and title documents to the importer only if the importer fully pays the invoice and/or accompanying bill of exchange or draft. This method of payment is also called cash against documents.

Under this method, exporter draws a sight bill on the importer and hands over the relative documents specified in the contract to his banker with the instructions to deliver the documents only on payment. The documents are sent to the correspondent's bank, in the importer's country, with the instructions of the exporter. As the importer makes the payment, he can get title to the goods and possession.



Picture 8.: D/P type documentary collection

Source: WWW.ALFONSOAREA.COM

1. Exporter fills out form at his bank.
2. Exporter sends goods and documents to freight forwarder.
3. Freight forwarder sends merchandise and gets bill of lading signed by carrier.
4. Freight forwarder sends documents to exporter's bank.
5. Bank sends them to importer's bank.
6. Importer pays or accepts; gets documents.
7. Importer gives documents to carrier; gets merchandise.
8. Importer's bank transmits funds.
9. Exporter's bank credits his account.

6.3.2. Documents against Acceptance (D/A)

An arrangement in which an exporter instructs a bank to hand over shipping and title documents to an importer only if the importer accepts the accompanying bill of exchange or draft by signing it.

Under this method, exporter draws usance bill on the importer. Usance period may be 30 to 180 days.

Consequences of Non-Payment in Case of D/P

When importer fails to make the payment, on presentation by the correspondent's bank, exporter may have to pay additional charges for warehouse and insurance charges at the port of destination.

If the importer refuses to take delivery of goods, alternative buyer may have to be found. If no alternative buyer can be found, the goods may have to be carried back to the exporter.

Consequences of Non-Payment in Case of D/A

The risks are higher in case of D/A, compared to D/P. In case of D/A, importer makes payment only on the due date. From the date of delivery of goods till date of payment, exporter has to bear credit risk as importer has already taken the goods.

If the importer fails to make the payment, exporter has to start a civil suit, with high costs and a lot of difficulties.

Since Documentary Collections transactions need trust in the buyer, it is only advisable when the following conditions apply:

- the exporter and importer have a well established relationship,
- there is little or no threat of a total loss resulting from the buyer's inability or refusal to pay,
- foreign political and economic situation is stable,
- a letter of credit is too expensive or not allowed.

6.4. Open Account

It is a credit relationship in which the buyer pays upon the receipt of goods, or periodically on deferred payment basis.

In this case, such a method of payment is used where the exporter sends the goods, directly, to the partner. This form of payment is

particularly often when the exporter and importer are inter-connected companies like holding company or where the relationship between them is long standing, and absolute trust exists between the parties.

This method of payment is simple and involves no additional costs. This form of payment is possible only when the exporter is financially strong as he is meeting the credit requirements of the buyer. It presupposes that there are no exchange control restrictions in the importer's country.

6.5. Consignment sales

Trading arrangement in which a seller sends goods to a buyer or reseller who pays the seller only as and when the goods are sold. The seller remains the owner (title holder) of the goods until they are paid for in full and, after a certain period, takes back the unsold goods.

Very frequently, only the short abbreviation of payment terms is used during the negotiations, consequently it is useful to be informed about.

Below listed, some commonly used abbreviations are mentioned

- **Net monthly account:** Payment due on last day of the month following the one in which the invoice is dated.
- **PIA:** Payment in advance.
- **Net 30 Payment:** 30 days after invoice date.
- **Net 60 Payment:** 60 days after invoice date.
- **Net 90 Payment:** 90 days after invoice date.
- **EOM:** End of month.
- **1% 10 Net 30:** 1% discount if payment received within ten days otherwise payment 30 days after invoice date.
- **COD:** Cash on delivery.
- **L/C:** A documentary letter of credit opened by a bank, often used for export.
- **Bill of exchange:** A promise to pay at a later date.
- **CBS:** Cash before shipment.
- **CIA:** Cash in advance.
- **D/P:** Documents against payment (Collection).
- **D/A:** Documents against acceptance (Collection).

7. RISK MANAGEMENT AND INSURANCE IN LOGISTICS AND INTERNATIONAL TRADE

Risk is unavoidable in commercial relations, particularly in international trade. The risks have been changing a lot during the past 10 years, complexities in business, probability of financial difficulties have been growing, and risks have been increasing.

Success in international trade depends largely on the careful evaluation of risks. Risks can be reduced, if not ruled out, by covering the risks to the extent possible.

Attempting to minimise or eliminate the risks to the greatest possible extent is the appropriate way to improve the profitability of the company.

The various types of risks that an international trader faces are divided into the following categories:

1. Commercial risks,
2. Political risks,
3. Risks arising out of foreign laws,
4. Cargo Risks,
5. Credit risks,
6. Foreign exchange fluctuations risks.

7.1. Commercial Risks

Commercial risks also exist in domestic market, but their impact in international trade is greater. The changes in international market are frequent and difficult to anticipate. Acceptability of the product

in international market is difficult to gauge, changes in demand and supply conditions are not forecastable.

Commercial risks are caused due to the following factors

- changes in the financial situation of the buyer (bankruptcy),
- not enough information about the foreign markets,
- not appropriate export product to the foreign market requirements,
- longer transport time,
- varying situations.

Usually the commercial risks are to be borne by the exporters, they can not shift these risks to the professional risk bearers by paying an extra insurance fee. If goods are not sold due to changes in demand or supply or any other reason, the exporter has to return back the goods, incurring additional freight cost or may sell the goods at a loss.

Commercial risk is due to the partner or markets. It mainly arises from the longer distances between the partners, different cultural, political and economical environment as well as national and international regulations.

Up to date information about the changes in the trends of the world economy can be very useful (even vital) for the exporter.

The presence of huge number of competitors in international market influences the demand and supply conditions. Local production may decrease the prices, substitutes also may cause loss of the exporter's share in the market.

The profitability of the product in export market is also influenced by

- 1. Changes in customs legislation, import duties or non tariff barriers** Changes in import duties and implementation of new non-tariff barriers (administrative protectionism) may cause risks and considerable losses.
- 2. Transport costs:** Transport costs may constitute an important part of the invoice value, any change in transport costs affects the profit of the exporter. Change in transport costs does not affect EXW or Incoterms F-grop (FCA, FAS, FOB) prices, but affect seriously the C and D terms of INCOTERMS clauses. There is no risk if contracts are provided with escalation clause.

3. **Change in foreign market characteristics:** Change in fashion, styles may also cause losses.
4. **Exchange rates:** Changes in domestic or foreign currency affects the income. If the contractual foreign currency is depreciated, there will be a considerable reduction in the exporter's competitiveness. But, if the home currency loses a part of its value (devalued), the competitiveness of the exporter will improve.

Commercial risk situations

- The partners do not deliver or pay as agreed,
- the trading partner is not willing to fulfil the agreement,
- different interpretations of the agreement.

The usage of appropriate payment terms such as D/P collection or L/C may reduce or even eliminate various risks including cancellation of orders, late delivery or late payment.

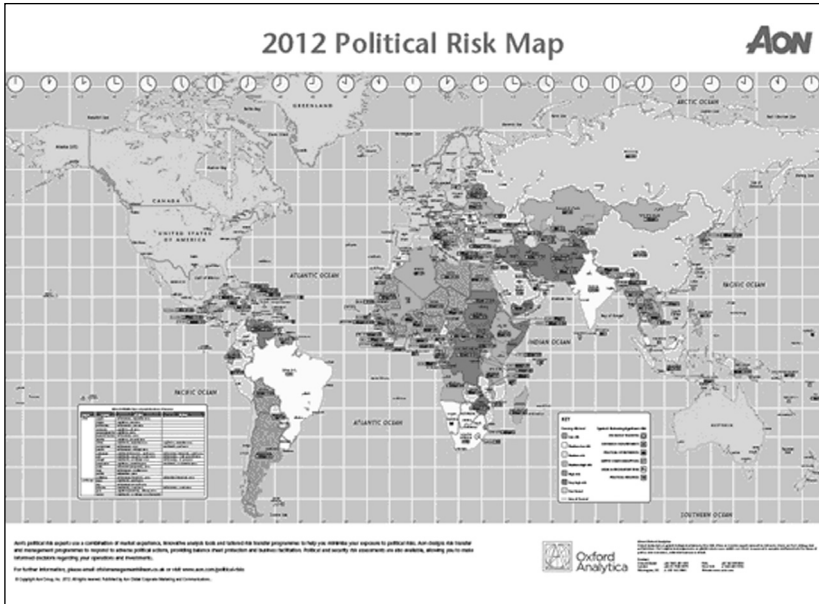
Commercial risks can be decreased by forecasting techniques and being informed about the changing business conditions.

7.2. Political Risks

The risk that an investment's returns could suffer as a result of political changes or instability in a country. Instability affecting investment returns may arise from a change in government, legislation, other foreign policy makers, or military control.

Examples of losses suffered due to political risks

- Capture of the shipment during a war,
- terrorism, kidnapping,
- coups, civil wars and rebellions,
- civil commotion,
- property seizure, nationalization,
- wars between countries,
- other forms of conflict and violence.



Picture 9.: Political risk map

Source: [HTTP://WWW.OXAN.COM/ABOUT/MEDIA/News/AONPOLITICALRISKMAP2012.ASPX](http://www.oxan.com/ABOUT/MEDIA/News/AONPOLITICALRISKMAP2012.ASPX)

Political risks are usually hard to quantify because there are only limited sample sizes or case studies. Acts of war, terrorism, and military coups also result considerable political risk. Some political risks can be insured against through international agencies or other government bodies.

For investors, political risk can simply be defined as the risk of losing money due to changes that occur in a country's government or regulatory environment.

Political risk may come in some other forms: a change in the country's ruling party, a new president or prime minister. These changes can influence the country's economic environment, and the market possibilities.

The Political Risk Map provides an indication of overall levels and types of political risk, taking into account six different types of risk in order to produce an overall political risk rating for each country based on a six-point scale.

These risks arise due to change in political situations in the concerned importing and exporting countries.

The main causes are as follows

- Unstable political systems,
- bad cross-nation relations,
- religious, ethnic group conflicts,
- corrupt Leadership,
- fluent changes in the form of government.

Political risks can be avoided, to a certain extent, by the selection of the countries to which goods are exported. Insurance companies may also provide cover for some of these risks, state export credit insurance organisations (e.g.: MEHIB in Hungary) also cover partly some of these risks. Unlike economic or financial variables, political risk is more difficult to quantify and it is more difficult to be protected against.

7.3. Legal risks

Considerable risks are arising from different foreign laws. In every relationship, however cordial and long-standing may be, disputes and differences are possible to arise. Legal risks may be reduced by incorporating an arbitrator.

Legal risk is risk from uncertainty due to legal actions or uncertainty in the applicability or interpretation of contracts, laws or regulations.

Every country has its own commercial law, so different laws exist in the same time, paralelly both in exporter and importer countries. Legal procedures are complex and very expensive

Legal risk can be a particular problem for traders across borders. They exposed to uncertainty relating to the laws of multiple jurisdictions, but they also face uncertainty as to which jurisdiction will have authority over any particular legal issue.

The proper definition of both the law applicable and the jurisdiction in the sale contract is very much advised.

7.4. Cargo risks

Cargo insurance provides coverage against physical damage or loss of goods during shipping, whether by land, sea or air. Many dangers occurs in shipping, so most exporters choose to insure their goods, and many different types of cargo insurance are available.

Transportation of cargos has improved significantly over a period. Most of the goods are transported by sea. Transit risks are a common hazard for those engaged in export/import business. The list of possible hazardous risks in transit is long: storms, collisions, theft, leakage, explosion, spoilage, fire, piracy and robbery.

Every exporter should have working knowledge of marine insurance so that he knows whether he is getting the required risk protection at the minimum cost. It is also possible to transfer the financial losses to professional risk bearers.

7.5. Credit Risks

Credit risk is most simply defined as the potential that a partner will fail to meet its obligations in accordance with agreed terms.

Credit risk also arises when a supplier delivers the goods to the buyer without receiving its value.

Exporters granting supplier's credit, need to be informed of the following risks

- unilateral termination of the contract by the buyer before delivery of the goods or services,
- non payment of delivered goods or services,
- unexpected force majeure situations: government actions such as an import or export embargo, natural disasters, transfer risk: the local currency can not be converted to foreign currency, war, revolution, riots and strikes.

Vis Major

Standard clause found in construction and supply contracts, it exempts the contracting parties from fulfilling their contractual obligations for causes that could not be anticipated and/or are beyond their control.

Risks are frequently present in credit transactions particularly in international business. International business is riskier than the domestic trade, credit risk is not the same if a firm sells the goods in domestic market or in foreign market.

Offering credit has become unavoidable to the exporters to face competition. Sale on credit is an factor of competitiveness, in many cases, credit is one of the most important condition of the purchase. We can say: credit is frequently a must in foreign trade relations. Success in international business also depends on the ability of the exporters to give credit to importers on the most competitive and favourable terms.

Export trade is very risky when selling on credit Importers dictate terms of delivery as there are many exporters competing on the same market. Insolvency rate increased a lot since the financial crises of autumn 2008.

The exporter must have sufficient funds to offer credit to the buyers abroad and they should be prepared to take credit risks.

Once goods are sold on credit, risks may arise due to inability of the buyers to pay on the due date. It is also possible that the buyer makes the payment, but situations may change in the buyer's country that the money does not arrive to the exporter (see banking closure in Cyprus on the 16th of March 2013.).

Whatever the reason may be, if funds are not received, the exporter is facing to losses.

In such a high risky situation, credit risk insurance may be useful to the exporters and to the banks financing the exporters.

There are a lot of organisations covering the credit risk all over the world.

Credit risk insurers provide coverage against

- insolvency of the buyer,
- default in payment,
- buyer's failure to accept the goods without acceptable reason.

Insurance policies do not cover the following risks

- commercial disputes about the quality of the delivered goods,
- causes inherent in the nature of the goods,

- buyer's failure to obtain import licence,
- insolvency or default of an agent of the exporter or the collecting banks,
- losses or damages which can be covered by commercial insurers.

7.6. Foreign Exchange Fluctuations Risks

If the exporter has invoiced in foreign currency (in the buyer's currency), he will be subjected to risk of foreign exchange fluctuations. If the foreign currency depreciates in terms of domestic currency (HUF), exporter will have losses.

This risk usually affects companies that export and/or import, but it can also affect investors making international investments. For example, if money must be converted to another currency to make a certain investment, then any changes in the currency exchange rate will cause that investment's value to either decrease or increase when the investment is sold and converted back into the original currency.

There will be no foreign exchange risk in case the invoice is issued in domestic currency (Hungarian Forint). In such a case, the partner will be subjected to foreign exchange fluctuation risk.

Transferring Risk to Third Parties

The Hungarian exporter can manage to transfer the risks to the following third parties that specialise in managing the risks of exports.

- **Credit Risk:** MEHIB (Hungarian Export Insurer Co.)
- **Physical Risk:** General Insurance Company
- **Product Liability Risk:** General Insurance Company
- **Exchange Fluctuation Risk:** Commercial Bank

7.7. Cargo insurance

It is an insurance agreement to pay for freight that has been lost or damaged in transit, whether by land, air, or sea. The insurer pays to the beneficiary of the policy if freight covered by the policy is damaged or lost during transit.

Buyers, sellers, agents, contractors and banks may need cargo insurance, so in fact any one who is engaged in movement of goods. Cargo insurance is offered through insurance companies, some freight forwarders and trade service intermediaries.

There is a relation between the insurance and the Terms of Sale (Incoterms 2000 or 2010). In case of CIF and CIP terms there is a contractual obligation to insure. For other terms such as EXW, FOB, DDP, etc. there is only a commercial need or interest to insure.

Based on when risk (of loss or damage to goods) passes from the seller to the buyer, one or both the parties would arrange insurance for that part of the transport where they bear the risk of loss or damage.

A cargo insurance is designed to protect the insured against items damaged, destroyed or lost.

Exporter may suffer financial loss if goods are damaged during transportation from the place of dispatch to the point of destination. To avoid these losses, exporter may have to take insurance policy to protect him from physical damage to the goods. This is Cargo Insurance, if the goods are shipped by sea, the name of the insurance is marine insurance. In practice both the terms are used and their regulations are also common.

The need for insurance is for two reasons, legal and commercial. Legal liability of the intermediaries is limited. Intermediaries include forwarding agents, carriers, port and customs authorities etc. that handle the goods at various stages. They do not incur any liability, if the damage is due to circumstances beyond their control or if the loss is caused despite their reasonable care taken by them.

In case of sea shipments, their legal liability is limited to such amount of compensation which usually does not cover the total loss of the exporter. When post-shipment finance is provided, banks also insist for insurance coverage to protect their financial interests.

Insurance is also required on commercial considerations. Once goods are damaged, importer may not pay according to the agreement. When loss occurs, loss may not be just shipment of goods, but also loss of profits.

There are seven main principles of insurance

1. Principle of Uberrimae fidei (Utmost Good Faith),
2. Principle of Insurable Interest,
3. Principle of Indemnity,
4. Principle of Contribution,
5. Principle of Subrogation,
6. Principle of Loss Minimization, and
7. Principle of Causa Proxima (Nearest Cause).

The **principle of utmost good faith**, is a very basic and first primary principle of insurance. According to this principle, the insurance contract must be signed by both parties (i.e insurer and insured) in an absolute good faith or belief or trust.

The **principle of insurable interest** states that the person getting insured must have insurable interest in the object of insurance. A person has an insurable interest when the physical existence of the insured object gives him some gain but its non-existence will give him a loss. In simple words, the insured person must suffer some financial loss by the damage of the insured object. For example: The owner of a factory has insurable interest in the factory because he is getting income from it. The ownership plays a very crucial role in evaluating insurable interest.

According to the **principle of indemnity**, an insurance contract is signed only for getting protection against unpredicted financial losses arising due to future uncertainties. Insurance contract is not made for making profit else its sole purpose is to give compensation in case of any damage or loss.

Principle of contribution is a corollary of the principle of indemnity. It applies to all contracts of indemnity, if the insured has taken out more than one policy on the same subject matter. According to this principle, the insured can claim the compensation only to the extent of actual loss either from all insurers or from any one insurer. If one insurer pays full compensation then that insurer can claim proportionate claim from the other insurers.

According to the **principle of subrogation**, when the insured is compensated for the losses due to damage to his insured property, then the ownership right of such property shifts to the insurer. This principle is applicable only when the damaged property has any value after the event causing the damage.

According to the **principle of loss minimization**, insured must always try to minimize the loss of his insured property. The insured must take all possible measures and necessary steps to control and reduce the losses in such a scenario. The insured must not neglect and behave irresponsibly during such events just because the property is insured. Hence it is a responsibility of the insured to protect his insured property and avoid further losses.

Principle of Causa Proxima (a Latin phrase), or the Principle of nearest cause, means when a loss is caused by more than one causes, the proximate or the nearest cause should be taken into consideration to decide the liability of the insurer.

Insurance Documents

- **Insurance proposal:** Insurance proposal form is the basis of the insurance contract to be signed.
- **Insurance Policy:** The insurance policy sets out all the terms and conditions of the contract between the insurer and insured.
- **Certificate of insurance:** It is an evidence of insurance but does not set out the terms and conditions of insurance.

Different marine insurance policies with different risk coverage are

- **Institute Cargo Clause A:** This policy covers all the risks of loss or damage to goods. This is the widest cover.
- **Institute Cargo Clause B:** This policy covers risks less than under clause 'A'.
- **Institute Cargo Clause C:** This policy covers lowest risks.

War and Strikes, Riots and Civil Commotion (SRCC) clause is excluded in all the above policies. These risks can be covered by specifically asking for, paying additional premium.

RISKS 'A' clause	'A' clause	'B' clause	'C' clause
Overturning or derailment of land conv	+	+	+
Collision or contact of vessel, craft or conveyance with external object	+	+	+
Fire or Explosion	+	+	+
Vessel/Craft being stranded, grounded, sunk or capsized	+	+	+
Discharge of cargo at a port of distress	+	+	+
Earthquake. Volcanic eruption or Lightning	+	+	-
General average	+	+	+
Jettison	+	+	+
Washing Overboard	+	+	-
Entry of sea, lake or river water Into vessel, craft hold, conveyance, container, or place of storage	+	+	-
Total loss of any package lost overboard or dropped whilst loading on to or unloading from vessel or craft	+	+	-
Salvage Charges	+	+	+
Piracy, Thieves and Non-delivery	+	-	-
Rough Handling	+	-	-
Contamination	+	-	-

Chart 1.: Includes of different marine clauses
Key: (+): covered, (-): not covered or excluded

Risks not covered by marine insurance

- **Delayed Arrival:** Loss of profit, market loss due to delayed arrival or deterioration arising due to delay is excluded.
- **Ordinary and unavoidable trade losses:** Loss of weight of fruits, vegetables due to drying.
- **Violence:** Certain perils such as wars, strikes, riot and civil wars are excluded, unless specifically endorsed.

Total Loss

- **Total loss** can be further classified into actual loss or constructive loss. Actual total loss may occur when the insured cargo is physically destroyed such that there is no possibility of salvage or recovery of the goods. The insured cargo is damaged that it ceases to be a thing or description insured. E.g. Cement bag turns into concrete due to sea-water contact. The cargo is irretrievably lost. For example, when the ship sinks, the cargo can be retrieved only after a long time and the salvaged goods cannot be of any value to the insured.
- **Constructive total loss** can take place when the cargo is damaged to such an extent that the cost of saving and repairing or re-conditioning of the goods is more than the value of the goods.

General Average Loss

This may occur whether the goods are insured or not. It results from an intentional sacrifice or expenditure incurred by the master of the vessel to save the ship or goods from danger for the common benefit of the owners of the ship and goods. It needs to be emphasised that the sacrifice or expenditure should be made knowingly, but prudently, and in a reasonable manner.

General average loss would arise in the following circumstances:

- Some goods are thrown to lighten the ship when the ship is caught in a rough weather.
- Make payment to the nearby agency to tow the ship in danger of sinking to the nearby safe port or
- Pour water to extinguish fire.

When general average loss occurs, captain of the ship reports the loss to the port authorities. The port authorities appoint an Average Adjuster for preparing the statement of general average adjustment and fixing the contribution to be made by the owner of the vessel and various shippers. After cargo owners make payment of their contribution, the shipping company gives delivery of goods to the concerned owners.

Documents Required

The following documents are to be submitted by the insured to enable the insurance company to settle the claims expeditiously:

- Original Insurance Policy or Certificate,
- Copy of Bill of Lading,
- Survey report/Missing certificate,
- Original Invoice and Packing List together with shipping specification or weight notes,
- Copies of Correspondence,
- Claim Bill.

8. CUSTOMS LEGISLATION IN THE EU, THE COMMON CUSTOMS TARIFF, TERMINOLOGY

The 1957 Treaty of Rome establishing the European Communities (EC), guarantees the free movement of capital, people, and goods.

In order to assure the free movement of goods and to act uniformly regarding goods imported from third countries required the establishment of a customs union, which was attained in 1968.

Since this date, commercial transactions amongst member countries are no longer subject to customs duties. Goods imported from third countries are subject to the same customs duties in every member state. The harmonization of value-added taxes and excise taxes began as well, but this area falls within the national competence of each member state.

As of 1 January 1994, customs controls no longer take place at the EC's internal borders; they are performed only at the external borders of the Community. Goods produced in any one of the member countries, or goods released for free circulation ("customs cleared") following importation from a third country may be transported into any other member country without customs control.

However, there are goods (e.g., products subject to excise duty) that -without taxes having been paid- can be transported from one member country to another member country only under the supervision of the authorities. Supervision by authorities of these goods follows from excise (or possibly other) regulations and covers the monitoring of tax-free transport between tax warehouses.

One of the essential elements of the customs union is that each member country enforces the same customs regulations. The EC has had its single-structure customs legislation since 1994.

The other essential element of the customs union is that goods imported from third countries are subject to the same customs duties in every member country. The duty payable (and other trade policy measures) is laid down in the Common Customs Tariff (CCT).

If duties are paid in one member country, the goods are released for free circulation and can be transported within the territory of the EU- without customs control (value-added taxes must be paid at the point of use).

8.1. Basic Definitions regarding EU customs

Territorial scope

The territorial scope of the Community customs legislation is the customs territory of the Community.

Customs debt

The obligation of a person to pay export duties (export customs debt) or import duties (import customs debt) imposed on a given good.

Community goods

- Goods produced or manufactured in their entirety within the Community's customs territory, and those not containing goods imported from countries or territories that do not form part of the Community's customs territory.
- Goods imported from countries or territories that do not form part of the Community's customs territory; one that has been put into free circulation (customs debt has been paid for the goods; for example, sports clothings imported from China are considered Community goods after they have been released for free circulation).

Inside the Community's customs territory, goods produced or manufactured exclusively from goods described in paragraph one, or goods produced or manufactured from goods described in paragraphs one and two.

Non-Community good

Goods different from those described in previous section.

Commercial policy measures

Non-tariff measures established within the framework of the common commercial policy related to the importation and exportation of goods. Examples of these measures include surveillance and safeguard measures, quantitative restrictions and contingents, and import and export prohibitions.

Customs administration procedure

All activities performed by customs authorities with a view to ensuring adherence to customs regulations and other provisions. Of all these procedures, the customs clearance (i.e., placing goods under customs procedure) has increased significance.

Customs corridor

A geographical location or area through which goods can be transported across a customs border without special authorisation.

The customs duty payable on non-Community goods can be established based on knowing the customs value and the rate(s) of duty. The multiplier of these two factors is the amount that the client must pay as duty for the given transaction. While the customs value of non-Community goods can be determined relatively easily (because here the matter is essentially the actual transaction value calculated with the factors affecting the customs value), establishing the rate of duty is only possible by collectively taking into consideration various legislations related to a given non-Community good.

The basic information is the TARIC code, based on the Common Customs Tariff. This is the reason why it is imperative to know non-Community goods precisely because an exact classification of goods can be performed based only on this knowledge.

The third necessary element is determining the place of origin because the European Union may order a different treatment method (relaxing or tightening rules) for the same good, depending on where it originates.

8.2. GSP

This system has been in effect since 1971 and can be applied to imports coming from developing countries. The conditions for the application of preferential rates of duties guaranteed within the GSP are unilaterally established by the EU because reciprocity is not a basic principle here. Although this system allows for giving preferences to all preferential countries and conferring duty-free status on most goods of the least-developed countries, it precludes countries that produce or trade in narcotics or violate workers' rights. The rate of duty preferences guaranteed within the GSP can vary depending on how sensitive non-Community goods are considered to be for the EU's economy.

8.3. Rules of Origin

Preferential treatment (whether unilateral or contractual) may be given only to goods from countries that comply with all requirements established within the preferential rules of origin.

Similar to duties, these customs legislation measures supporting the enforcement of regulations related to international trade can be preferential and non-preferential.

The terms and conditions for non-preferential rules of origin are defined in the customs legislation.

Areas of application

- Enforcement of anti-dumping and countervailing duties,
- retaliatory duties,
- quantitative restrictions and import prohibitions,
- import supervision system,
- export-refund statistics,
- foreign trade statistics.

The goal of applying preferential rules of origin is to further closer economic cooperation among the contracting countries, or to advance cooperation and the economic progress of developing countries.

DUPLICATE APPLICATION FOR A MOVEMENT CERTIFICATE EUR1 No. S			
1. Exporter (Name, full address, country)		See notes overleaf before completing this form.	
3. Consignee (Name, full address, country) (Optional)		THE EUROPEAN COMMUNITY and (Insert appropriate countries or groups of countries or territories)	
6. Transport details (Optional)		4. Country, group of countries or territory in which the products are considered as originating EC	5. Country, group of countries or territory of destination
7. Remarks			
(1) If goods are not packed indicate number of articles or state "in bulk" as appropriate.	8. Item number: marks and numbers	Number and kind of packages (1): description of goods	9. Gross weight (kg) or other measure (litres, cu. m., etc)
			10. Invoices (Optional)
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 0 auto;"> Duplicate Application Form for retention by Chamber of Commerce (if not required, detach before presentation to Customs). </div>			

Picture 10.: EUR-1
 Source: My own pictures

A significant part of foreign trade by the member states of the EU is conducted under preferential conditions.

Several documents may be provided to verify the point of origin; depending on what kind of verification the regulations allow to accept, they can be either a "FORM A" or "EUR.1", or invoice declaration.

8.4. Customs value of goods

The second basic element of determining the duty payable is establishing the customs value, which is based on the regulations established within the so-called General Agreement on Tariffs and Trade (GATT). These regulations have been incorporated into the customs legislation of the Union as well.

According to the GATT, the customs value of imported goods is the transaction value, or the price (adjusted for other factors that influence customs value) that has actually been paid (or will be paid) for the goods in the importing country.

The customs value is declared by the importer. In the majority of cases its authenticity must be certified by providing a purchase receipt. If the customs authority orders a customs value investigation, a customs guarantee must be provided for the difference between the value declared by the client and the value listed in the customs authority's database. This customs guarantee is held until the customs authority concludes its investigation.

8.5. The Common Customs Tariff (TARIC)

When customs debt accrues, the payable duty as set forth by the law is based on the Customs Tariff of the European Community, which also comprises the so-called Combined Nomenclature (CN).

To speed up customs procedures, to increase transparency of related regulations, and to facilitate a simpler application, an online database was created in the Union. The so-called Integrated Community Tariff (henceforth: TARIC) contains all commercial policy measures of the Union related to tariffs (rate of duty, tariff

preferences, market-protection measures). The TARIC system is available on the Internet in every member country's language.

Customs Union Treaties

The EU currently has customs union treaties with three countries: the Republic of Turkey, the Principality of Andorra, and the Principality of San Marino. The customs union treaties do not apply to all goods; for example, they do not apply to agricultural products imported from Turkey.

TARIC measure information [\[Show all information\]](#) The reference date is 08-02-2010
Last update: 29-10-0012

Goods nomenclature code: 1001909100

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Section II Vegetable products

Chapter 10 CEREALS

1001 Wheat and meslin

1001 10 - Durum wheat

1001 90 - Other

1001 90 10 - - Spelt for sowing

- - Other spelt, common wheat and meslin

1001 90 91 - - - Common wheat and meslin seed

1001 90 91 10 ▼ - - - - Meslin seed

Erga.Omnes.en (TOUT)

-| Third country duty (01-07-2000 -) : **95.00 EUR / 1000 kg** R2008/97

-| Tariff preference (01-01-2009 -) : **0 %** R2008/97

Chile (cCL)

-| Tariff preference (02-12-2001 -) : **0 %** R2008/97

Cyprus (cCY)

-| Airworthiness tariff suspension (31-12-2000 -) R2506/01

-| Airworthiness tariff suspension (30-12-2000 -) R2506/01

Top

1001 90 91 20 ▼ - - - - Common wheat seed

1 - 2 / 2

Picture 11.: TARIC database

Source: WWW.EC.EUROPA.EU

8.6. Customs procedures

8.6.1. Transit

During the transit process, surveillance of goods is transferred from one customs office to another customs office. There are two kinds of processes within the EU:

- external transit procedure,
- internal transit procedure.

The external transit procedure is used to transport non-Community goods from one customs office to another.

The internal transit procedure is used to transport Community goods between two points of the Community through a third country (e.g., transport from Hungary through Serbia to Greece).

Transit According to the TIR Convention

The currently applicable TIR Convention was signed in 1975 under the auspices of the UN. Its purpose is to speed up the border crossing of goods in international road transport.

ATA / Istanbul Convention

As their main goal, the ATA and Istanbul Conventions facilitate the temporary exportation and subsequent importation of goods. In practice, it is applied for the customs clearance of goods exported temporarily to exhibitions, trade fairs, and sporting events. Media companies as well as private individuals use it when transporting highly valuable goods.

The documents of the ATA and Istanbul Conventions are nearly identical. The only difference between the two is the scope of goods available for customs inspection during temporary importation and the duty-free status as laid down in the Istanbul Convention (these regulations have no effect on the transit procedure).

The ATA carnet is an international customs document used for the following customs procedures

- temporary exportation,
- release for free circulation following temporary exportation of Community goods,
- temporary importation,
- transit.



Union Internationale
des Transports Routiers (IRU)

CARNET TIR *

4 volets

1. Valable pour prise en charge par le bureau de douane de départ jusqu'au _____ inclus
Valid for the acceptance of goods by the Customs office of departure up to and including;

2. Délivré par _____
Issued by

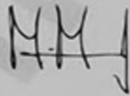
_____ (nom de l'association) (name of issuing association)

3. Titulaire
Holder

_____ (nom, adresse, pays / name, address, country)

4. Signature du délégué de l'association émettrice et cachet de cette association:
Signature of an authorized official of the issuing association and stamp of the association:

5. Signature du secrétaire de l'organisation internationale:
Signature of the secretary of the international organisation:



(A remplir avant l'utilisation par le titulaire du carnet / To be completed before use by the holder of the carnet)

6. Pays de départ
Country/Countries of departure

7. Pays de destination
Country/Countries of destination ()*

8. No(s) d'immatriculation du (des) véhicule(s) routier(s) (*)
Registration No(s), of road vehicle(s) ()*

9. Certificat(s) d'agrément du (des) véhicule(s) routier(s) (No et date) (*)
Certificate(s) of approval of road vehicle(s) (No. and date) ()*

10. No(s) d'identification du (des) conteneurs(s) (*)
Identification No(s), of container(s) ()*

11. Observations diverses
Remarks

12. Signature du titulaire du carnet:
Signature of the carnet holder:

(*) Biffer la mention inutile.
Strike out whichever does not apply

Picture 12.: TIR carnet
 Source: My own pictures

8.6.2. Release for Free Circulation

From among the inward customs procedures it is the release for free circulation that establishes the final customs status of the goods imported from a third country. With release for free circulation, non-Community goods achieve the customs status of Community goods.

The release for free circulation results in the following

- Applying commercial policy measures,
- taking care of other formalities established in relation to the importation of the good,
- establishing duties, non-Community taxes, and fees payable based on regulations. Goods imported from a third country into the territory of the Community must be released for free circulation if this is the final destination. (This may or may not take place in exchange for payment).

Determining the amount of the duty is based on the Common Customs Tariff. Establishing the exact rate of duty applicable depends basically on three factors:

- the precise customs tariff number of the goods,
- its origin,
- the date of release for free circulation.

The following documents must be attached to the customs declaration when applying for release for free circulation

- the invoice, based on which the customs value was declared,
- if required, the customs value declaration (satisfactorily completed based on the specification in the mentioned section) presented in order to determine the customs value of the goods that appears on the customs declaration.
- all preferential tariff regulations or other documents that are required for the application of regulations that differ from legislation related to the declared good,
- all other documents that are required for the application of legislation that regulates the release for free circulation of declared goods.

8.6.3. Customs procedures with economic impact

Customs procedures with economic impact comprise customs procedures that, in addition to normal export and import transactions, are connected to carrying out some kind of specific economic activity.

These procedures can include inward and outward labour (processing) or a warehousing activity, up to the point when the final end-user releases the goods for free circulation. The scope of customs procedures with economic impact covers the following customs procedures:

1. Customs warehousing,
2. Inward processing,
3. Processing under customs control,
4. Temporary importation and
5. Outward processing.

1. Customs Warehousing

Non-Community goods (or Community goods in certain cases) may be involved in the customs warehousing customs procedure. No duty has to be paid for non-Community goods under customs warehousing procedure; they do not fall within the scope of commercial policy measures.

Community customs legislation recognizes two main kinds of customs warehouses: public customs warehouses and private customs warehouses. A public customs warehouse is a customs warehouse in which goods available to anyone may be warehoused. Only goods of an authorised company or of a person in possession of a warehouse permit may be warehoused in a private customs warehouse.

2. Aktív feldolgozás

From among customs procedures with economic impact that are concerned with processing activities, inward processing is the most widespread customs procedure. It provides Community operators producing for export the opportunity to import goods originating from third countries without paying any duties or applying any commercial policy measures; not to mention that they reduce only slightly the scope of goods that can be placed under the procedure.

The inward processing may be performed in two ways

- The goods imported from the third country enter the inward-processing flow with import duties being suspended and without applying commercial policy measures. All this takes place under the condition that the product resulting from the processing activities (end-product) is re-exported from the Community's customs territory (suspension system of inward processing).
- The goods imported from a third country enter the inward-processing flow with import duties being paid and by applying commercial policy measures. The duties originally paid are refunded during re-exportation from the Community's customs territory (drawback system of inward processing).

Processing operations may be the following

- Working with goods, including assembling them or fitting them to other goods,
- processing goods,
- repairing goods, including restoring them and putting them in order,
- using goods which comply with the procedure as defined by the European Commission, but which do not form part of the processed products, but allow or facilitate their production, even if they wear out in part or fully during the manufacturing process.

A permit from the customs authority is required to perform inward processing. The permit is issued based on the person's request completing the processing activities, or who has the activities processed.

The re-exportation of the final product or its involvement in a different customs procedure (release for free circulation, customs warehousing, renewed inward processing, temporary importation, etc.) ends the inward processing customs procedures.

3. Processing Under Customs Control

The processing under customs control customs procedure enables processing of non-Community goods within the customs territory of the Community, which changes the characteristic or the status

of goods without imposing import duties or commercial policy measures on it. Additionally, it enables goods (i.e., end products) created as a result of such a transaction to be released for free circulation by imposing the respective import rate of duty on them.

4. Temporary Importation

The temporary importation process makes possible the use of non-Community goods (intended for re-exportation) in the customs territory of the Union, even if they undergo any kind of change apart from the usual amortization due to regular use. These goods are not within the scope of commercial policy measures. Goods admitted through temporary importation are either totally or partly relieved from import duties.

5. Outward Processing

Outward processing allows the temporary export of Community goods from the customs territory of the Community for the purpose of processing; the processed, re-imported final product can be customs-cleared for free circulation with total or partial duty relief. Community goods may be processed by customs through outward processing if the goods have been processed in a country outside of the Community based on a respective labour agreement, and if the finished product (final product) produced from or with the goods is re-imported into the territory of the Community being its final point of destination.

Temporary exportation of Community goods for the purpose of outward processing takes place by applying export duties (currently, the EU does not apply export duties), commercial policy measures, and other customs formalities related to the exportation of Community goods from the customs territory of the Community.

Conditions for granting permission for outward processing are as follows

- It can be granted to a person established in the Community,
- the temporarily exported goods are identifiable within the processed final product,
- applying outward processing does not violate the basic interests of Community processors (economic condition).

Temporary importation with total or partial relief must be completed as follows: deduct the following from the amount of import duties applicable to the final product released for free circulation—the amount of import duties that would be applicable on the same day to the temporarily exported goods if they were imported into the customs territory of the Community from the country in which they underwent processing activities or final processing activities. This means that the customs liability payable on the final goods produced during processing must be calculated by deducting the duties payable on temporarily exported goods (when releasing them for free circulation) from the import duties imposed on the final product.

Upon request, however, partial relief from import duties may be granted by considering the cost of the processing procedure as the basis for the customs value. With the exception of non-commercial goods, this relief cannot be applied if the temporary export goods (not originating in the Community) were released for free circulation with a zero rate of duty.

If the aim of the processing procedure is to repair the temporarily exported good, it must be released for free circulation with total duty relief, granted that the customs authority can unequivocally establish that the goods were repaired at no cost due to a manufacturing defect, or based on contractual or warranty obligations as established within applicable regulations.

8.6.4. Exportation

The export customs procedure allows for Community goods to leave the customs territory of the Community. The exportation includes the exit of the good; the application of commercial policy measures; and, when applicable, the imposition of export duties (currently, the EU does not impose export duties). All Community goods intended for export must be placed under export customs procedure.

Since 1 July 2009 the export procedure (with the exception of road travel and operations shutdowns) must be initiated electronically at the customs authority where the exporter is established, where it was packaged for export.

For the electronic export procedure, the exporter must first register with the customs authority.

8.6.5. Electronic Customs in Hungary

Further possibilities for the reduction of administrative tasks related to performing customs clearance is provided with the implementation of electronic customs procedures (e-customs). Within the framework of e-customs in Hungary, the NAV – National Tax and Customs Authority – regarding both export and import procedures-provides an opportunity to give customs declarations and to complete their respective processes in an electronic format.

Currently, the import e-customs application covers customs clearance related to the customs procedures of releasing goods for free circulation. Within its scope, the customs declaration may be submitted to the office of the National Tax and Customs Authority (also called: NAV) electronically; the decision regarding the customs clearance is also received by the client electronically.

8.7. Customs terminology

Ata Carnet

Customs document used for the temporary exportation, transit and temporary exportation, transit and temporary admission of goods for specific purpose, e.g. for displays, exhibitions and fairs as professional equipment and as commercial samples.

Commercial policy measures

Non-tariff measures established in the framework of the common commercial policy, such as

- import or export surveillance or safeguard measures,
- quantitative import or export restrictions,
- import or export prohibitions

Some measures apply to all goods entering or leaving the EC customs territory, others only to release for free circulation or export

Customs controls

Acts performed by the customs authorities of the Member States with a view to ensuring that the customs rules and other applicable

MAGYARORSZÁG EGYSÉGES VAMARUNYILATKOZAT				1. Bejelentés			
6	2. Felelős személy			3. Lakcím		4. Helység	
	3. Cím			8. Állás megnevezése			
	14. Államközi átvétel kódja			15. Induló ország		16. Államközi átvétel kódja	
	18. Szállítási rendszer és honosítása			19. KTA		20. Szállítás módja	
	21. Államközi átvétel kódja			22. Államközi átvétel kódja		23. Államközi átvétel kódja	
	25. Államközi átvétel kódja			26. Államközi átvétel kódja		27. Államközi átvétel kódja	
	29. Államközi átvétel kódja			30. Államközi átvétel kódja		31. Államközi átvétel kódja	
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98. Államközi átvétel kódja			99. Államközi átvétel kódja		100. Államközi átvétel kódja		

Picture 13.: Customs declaration
Source: My own pictures

trade provisions are observed, such as examining goods, documents or accounts.

Customs debt

The obligation on a person to pay import or export duties under the provisions of the Community Customs Code and the Common Customs Tariff.

Customs declaration

The act whereby a person indicates the wish to place goods under one of the customs procedures.

Customs procedure

The Community Customs Code provides for 8 customs procedures: release for free circulation, transit, customs warehousing, inward processing, processing under customs control, temporary importation, outward processing, and exportation.

Customs territory of the Community

The customs territory of the Community comprises of the territory of: Belgium, Bulgaria, the Czech Republic, Denmark, except the Faroe Islands and Greenland, Germany, except the Island of Heligoland and the territory of Büsingen, Estonia, Ireland, Greece, Spain, except Ceuta and Melilla, France, except New Caledonia, Mayotte, Saint-Pierre and Miquelon, allis and Futuna Islands, French Polynesia and French Southern and Antarctic Territories, Italy, except the municipalities of Livigno and Campione d'Italia and the national waters of Lake Lugano which are between the bank and the political frontier of the area between Ponte Tresa and Porto Ceresio, Cyprus (pending a settlement to the Cyprus problem, the application of the Community 'acquis' is suspended in those areas in which the Government of the Republic of Cyprus does not exercise effective control), Latvia, Lithuania, Luxembourg, Hungary, Malta, the Netherlands in Europe, Austria, Poland, Portugal, Romania, Slovenia, the Slovak Republic, Finland, Sweden, the United Kingdom of Great Britain and Northern Ireland and the Channel Islands and the Isle of Man.

The customs territory of the Community includes the territorial waters, the inland maritime waters and the airspace of the Member States, except for the territorial waters, the inland maritime waters and the airspace of those territories which are not part of the customs territory of the Community as listed above.

The following territories, including their territorial waters, inland maritime waters and airspace, situated outside the territory of the Member States, shall also be considered to be part of the customs territory of the Community: the territory of the principality of Monaco, the territory of the United Kingdom Sovereign Base Areas of Akrotiri and Dhekelia, in Cyprus.

Debtor

Any person liable for payment of a customs debt.

Declarant

The person making the customs declaration in his own name or the person in whose name a customs declaration is made (Arts 4 (18), 5 CC).

Declaration of value

A form accompanying the customs declaration where it is necessary to establish the customs value

New computerised transit system (NCTS)

Electronic data interchange system which was introduced as the transit declaration and is due to replace the traditional paper procedure in the Community as well as in the EFTA countries (Iceland, Norway, Switzerland)

Origin of goods

Origin is the "economic" nationality of goods in international trade. It is necessary to determine the origin of goods as any duties and/or equivalent charges or any customs restrictions or obligations applicable to them will depend on their origin.

Re-exportation

Customs treatment of non-Community goods that are taken out of the customs territory

Single Administrative Document (SAD)

This is a multi-copy form which is used throughout the Community and EFTA countries for the control of imports, exports and goods in transit.

TARIC

Integrated tariff of the Community, held in a Commission database.

TIR carnet

Document facilitating transit by serving both as a customs declaration and as a guarantee in countries that are a contracting party to the TIR Convention

TIR guarantee

The amount of the security covering the duties and taxes at risk. The TIR Convention recommends the amount of the guarantee should be \$50 000 per TIR carnet. The Community has fixed the amount at 60 000 EURO per TIR carnet.

9. THE MAIN GOALS OF THE EU REGARDING TRANSPORT POLICY AND LOGISTICS

EU countries need lower emissions, less congestion and lower unemployment.

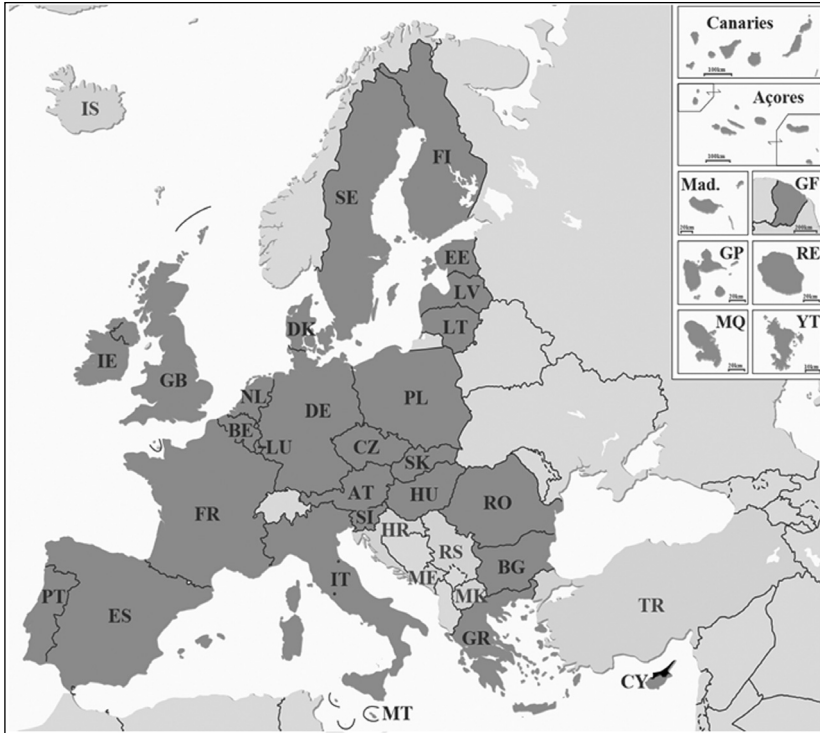
Transport system is also a key of EU's internal market and is also an important part of the economy.

The White Paper is a strategic document presented by the EU Commission. It contains the vision for the future of the EU transport system and defines a transport policy agenda for the next decade.

The strategy of the White Paper define the way how this transformation can be achieved. It defines 10 important measures to achieve a 60% reduction in CO₂ emissions and remarkable reduction in oil dependency.



Picture 14.: EU White Paper
Source: www.2E3s.eu



Picture 15.: EU Member States

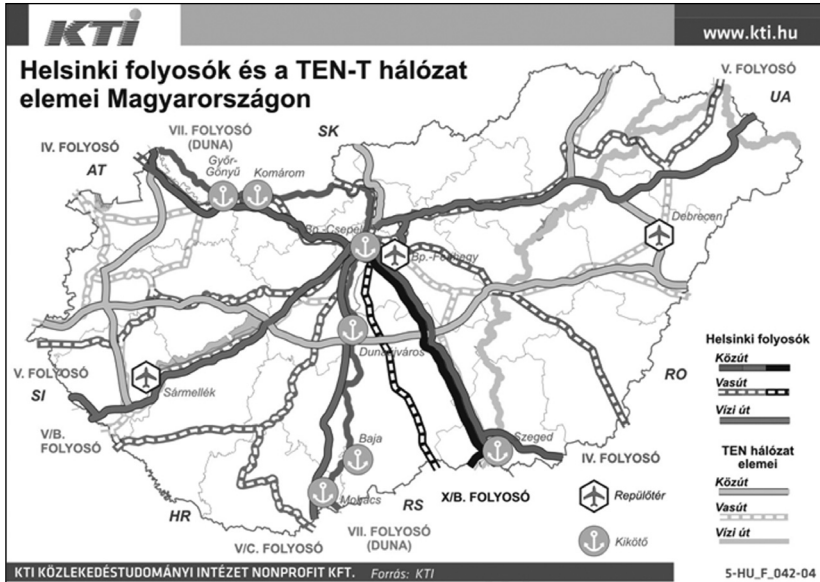
Source: [HTTP://COMMONS.WIKIMEDIA.ORG/WIKI/FILE:EU_MEMBER_STATES_AND_CANDIDATE_COUNTRIES_MAP.SVG](http://commons.wikimedia.org/wiki/File:EU_MEMBER_STATES_AND_CANDIDATE_COUNTRIES_MAP.SVG)

It contains 40 detailed initiatives to be developed during the next decade.

In order to achieve its goals conventionally fuelled cars have to be banned from cities by 2050, and a 50% of middle distance passenger and longer distance freight journeys has to be shifted from road to other modes of transport by the same date.

Efficient transport is a condition of the European prosperity. European transport system now needs a radical change to maintain its role and competitiveness.

EU's economy needs to decrease transport's dependency on oil.



Picture 16.: European transport corridors passing through Hungary
Source: www.kti.hu

The EU's oil import amount is around EUR 210 billion a year. We need to decrease it significantly, otherwise the oil dependence will have seriously negative impact on trade balance, competitiveness of the EU economy, economic security and inflation.

The transport industry represents an important part of the economy: it employs more than 10 million people and accounts for about 5% of GDP.

EU is also engaged in reducing the greenhouse gas (GHG) emissions, to limit climate change below 2°C. By 2030, the goal for transport will be to reduce GHG emissions to 20 % below the 2008 level.

Since the big oil crisis of 1973 the transport system has not fundamentally changed. EU transport still depends on oil and oil products for 96 % of its energy needs.

Congestion became one of the main problems on the roads and in the sky, and transport infrastructure is not equally developed in the eastern and western parts of the EU.

Transport infrastructure investments have a positive impact on economy, employment, accessibility and the mobility.

Since the 2001 White Paper on transport, some goals have been achieved. Trans-European transport networks (financed by Structural Funds and the Cohesion Fund) have contributed to territorial cohesion, but the whole transport system remains not sustainable.

Below listed ten goals for a competitive and resource-efficient transport system are cited for achieving the 60% GHG emission reduction

1. Halve the use of 'conventionally fuelled' cars in urban transport by 2030; phase them out in cities by 2050; achieve essentially CO₂-free city logistics in major urban centres by 2030
2. Low-carbon sustainable fuels in aviation to reach 40% by 2050; also by 2050 reduce EU CO₂ emissions from maritime bunker fuels by 40% (if feasible 50%)
3. Thirty per cent of road freight over 300 km should shift to other modes such as rail or waterborne transport by 2030, and more than 50% by 2050, facilitated by efficient and green freight corridors. To meet this goal will also require appropriate infrastructure to be developed.
4. By 2050, complete a European high-speed rail network. Triple the length of the existing high-speed rail network by 2030 and maintain a dense railway network in all Member States. By 2050 the majority of medium-distance passenger transport should go by rail.
5. A fully functional and EU-wide multimodal TEN-T 'core network' by 2030, with a high-quality and capacity network by 2050 and a corresponding set of information services.
6. By 2050, connect all core network airports to the rail network, preferably high-speed; ensure that all core seaports are sufficiently connected to the rail freight and, where possible, inland waterway system.

Increasing the efficiency of transport and of infrastructure use with information systems and market-based incentives

7. Deployment of the modernised air traffic management infrastructure (SESAR) in Europe by 2020 and completion of the European common aviation area.

8. By 2020, establish the framework for a European multimodal transport information, management and payment system.
9. By 2050, move close to zero fatalities in road transport. In line with this goal, the EU aims at halving road casualties by 2020. Make sure that the EU is a world leader in safety and security of transport in all modes of transport.
10. Move towards full application of "user pays" and "polluter pays" principles and private sector engagement to eliminate distortions, including harmful subsidies, generate revenues and ensure financing for future transport investments.

The quality, accessibility and reliability of transport services will gain increasing importance in the coming years, inter alia due to the ageing of the population and the need to promote public transport. Attractive frequencies, comfort, easy access, reliability of services, and intermodal integration are the main characteristics of service quality. The availability of information over travelling time and routing alternatives is equally relevant to ensure seamless door-to-door mobility, both for passengers and for freight.

9.1. Modern infrastructure, smart pricing and funding

A well-performing transport network requires substantial resources. The cost of EU infrastructure development to match the demand for transport has been estimated at over €1.5 trillion for 2010–2030. The completion of the TEN-T network requires about €550 billion until 2020 out of which some €215 billion can be referred to the removal of the main bottlenecks. This does not include investment in vehicles, equipment and charging infrastructure which may require an additional trillion to achieve the emission reduction goals for the transport system.

Diversified sources of finance both from public and private sources are required. Better coordination of the Cohesion and Structural Funds with transport policy objectives is needed, and Member States need to ensure that sufficient national funding is

available in their budgetary planning, as well as sufficient project planning and implementation capacities. Other sources of funding to be considered include schemes for the internalisation of external costs and infrastructure use charges, which could create additional revenue streams making infrastructure investments more attractive to private capital.

Europe needs a 'core network' of corridors, carrying large and consolidated volumes of freight and passengers traffic with high efficiency and low emissions, thanks to the extensive use of more efficient modes in multimodal combinations and the wide application of advanced technologies and supply infrastructure for clean fuels.

Despite EU enlargement, large divergences in terms of transport infrastructure remain between eastern and western parts of the EU, which need to be tackled. The European continent needs to be united also in terms of infrastructure.

Within this core network, information technology tools should be widely deployed to simplify administrative procedures, provide for cargo tracking and tracing, and optimise schedules and traffic flows (e-Freight). Their uptake should be encouraged by requiring their deployment on TEN-T infrastructure and a gradual integration of modal systems.

The core network must ensure efficient multi-modal links between the EU capitals and other main cities, ports, airports and key land border crossing, as well as other main economic centres. It should focus on the completion of missing links – mainly cross-border sections and bottlenecks/bypasses – on the upgrading of existing infrastructure and on the development of multimodal terminals at sea and river ports and on city logistic consolidation centres. Better rail/airport connections must be devised for long distance travel. The Motorways of the Sea will be the maritime dimension of the core network.

The selection of projects eligible for EU funding must reflect this vision and put greater emphasis on European added value. Co-funded projects should equally reflect the need for infrastructure that minimises the impact on the environment, that is resilient to the possible impact of climate change and that improves the safety and security of users.

9.1.1. Getting prices right and avoiding distortions

Price signals play a crucial role in many decisions that have long-lasting effects on the transport system. Transport charges and taxes must be restructured in the direction of wider application of the 'polluter-pays' and 'user-pays' principle. They should underpin transport's role in promoting European competitiveness and cohesion objectives, while the overall burden for the sector should reflect the total costs of transport including infrastructure and external costs. Wider socioeconomic benefits and positive externalities justify some level of public funding, but in the future, transport users are likely to pay for a higher proportion of the costs than today. It is important that correct and consistent monetary incentives are given to users, operators and investors.

The internalisation of externalities, the elimination of tax distortions and unjustified subsidies and free and undistorted competition are therefore part of the effort to align market choices with sustainability needs (and to reflect the economic costs of 'non-sustainability'). They are also necessary to establish a level playing field between modes which are in direct competition.

As regards GHG emissions, two main market-based instruments are being used: energy taxation and emission trading systems. Taxation is currently applied to fuels used in land transport, while the ETS applies to electricity use and, as of 2012, to aviation. The revision of the Energy Taxation Directive will be an opportunity to ensure better coherence between the two instruments. At the same time, the EU urges a decision in IMO on a global instrument to be applied to maritime transport, where climate change costs are currently not internalised.

The cost of local externalities such as noise, air pollution and congestion could be internalised through charging for the use of infrastructure.

Further action will examine the gradual phasing in of a mandatory harmonised internalisation system for commercial vehicles on the entire inter-urban network, putting an end to the current situation whereby international hauliers need the Eurovignette, 5 national vignettes and 8 different tags and tolling contracts to drive unhindered on Europe's tolled roads.

For passenger cars, road charges are increasingly considered as an alternative way to generate revenue and influence traffic and travel behaviour. The Commission will develop guidelines for the application of internalisation charges to all vehicles and for all main externalities. The long-term goal is to apply user charges to all vehicles and on the whole network to reflect at least the maintenance cost of infrastructure, congestion, air and noise pollution.

9.1.2. Initiatives

1. A true internal market for rail services

- Open the domestic rail passengers market to competition, including mandatory award of public service contracts under competitive tendering.
- Achieve a single vehicle type authorisation and a single railway undertaking safety certification by reinforcing the role of the European Railway Agency (ERA).
- Develop an integrated approach to freight corridor management, including track access charges.
- Ensure effective and non-discriminatory access to rail infrastructure, including rail-related services, in particular through structural separation between infrastructure management and service provision.

2. Completion of the Single European Sky

- Achieve a truly seamless Single European Sky and deploy the future air traffic management system (SESAR) in the agreed timeframe.
- Establish the appropriate legal and financial framework to support the Single European Sky policy, consolidate the relationship between the European Union and Eurocontrol.

3. Capacity and quality of airports

- Revise the Slot Regulation to favour more efficient use of airport capacity.
- Clarify and improve conditions to enter and provide quality services, including groundhandling: ensure that all actors in an airport system meet minimum quality standards.

- Airport Capacity – develop an approach to deal with future capacity problems including better integration with the railway network.

4. A maritime “Blue Belt” and market access to ports

The European Maritime Transport Space without Barriers should be further developed into a “Blue Belt” of free maritime movement in and around Europe, and waterborne transport should be used to its full potential.

5. A suitable framework for inland navigation

Establish an appropriate framework to optimise the Internal Market for Inland waterway transport, and to remove barriers that prevent its increased use. Assess and define the necessary tasks and mechanisms for their execution, also with a view to the wider European context.

6. Road freight

- Review the market situation of road freight transport as well as the degree of convergence on, among others, road user charges, social and safety legislation, transposition and enforcement of legislation in the Member States, with a view to further opening road transport markets. In particular, the elimination of remaining restrictions on cabotage should be pursued.
- Review the rules on the tachograph to make it more cost-effective, give access to the EU register on road transport undertakings to police and enforcement officers when they carry out roadside checks; harmonise sanctions for infringement to EU rules on professional transport; harmonise training of enforcement officers.
- Adapt the legislation on weight and dimension to new circumstances, technologies and needs (e.g. weight of batteries, better aerodynamic performance), and to make sure it facilitates intermodal transport and the reduction of overall energy consumption and emissions.

7. Multimodal transport of goods: e-Freight

Create the appropriate framework to allow tracing goods in real time, ensure intermodal liability and promote clean freight transport:

- Put in practice the concepts of 'single window' and 'one-stop administrative shop'; by creating and deploying a single transport document in electronic form (electronic waybill), and creating the appropriate framework for the deployment of tracking and tracing technologies, RFID etc.).
- Promoting quality jobs and working conditions.

8. Social code for mobile road transport workers

- Encourage and support the dialogue between social partners in view of an agreement on a social code for mobile road transport workers, addressing also the problem of disguised self-employment.
- **A Social Agenda for maritime transport:** Implement the measures identified for action in the Maritime Social Agenda, following up to the Commission's Strategic goals and recommendations for the EU's maritime transport policy until 2018.
- **A socially responsible aviation sector:** Establish Europe-wide minimum service and quality standards for workers in the whole aviation value chain.

An evaluation of the EU approach to jobs and working conditions across transport modes

– Secure Transport

- **Cargo security:** Implement the Action Plan on Strengthening Air Cargo Security, define new rules on Air Cargo screening as necessary and enhanced security of cargo in ports.
- **Acting on transport safety:** Saving thousands of lives.
- **A European strategy for civil aviation safety:** European aviation safety is high but not the best in the world. Our aim should be to become the safest region for aviation.
- **Safer shipping:** Assess the feasibility of the creation of an EU register and EU flag for maritime and inland waterway transport. In essence, the EU sign would represent a quality label certifying safe, secure, environmentally friendly ships manned by highly qualified professionals.

- **Transport of dangerous goods:** Streamline the rules for the intermodal transport of dangerous goods to ensure interoperability between the different modes.
- **Passengers' rights:** Develop a uniform interpretation of EU Law on passenger rights
- **Travel information:** Promote awareness of the availability of alternatives to individual conventional transport (drive less, walk and cycle, car sharing, park & drive, intelligent ticketing etc.).
 - Vehicle labelling for CO₂ emissions and fuel efficiency
 - Link regional development and cohesion funds to cities and regions that have submitted a current, and independently validated Urban Mobility Performance and Sustainability Audit certificate.
 - A strategy for near- 'zero-emission urban logistics' 2030
- **Multimodal freight corridors for sustainable transport networks**
 - Create in the context of the 'core network' multimodal freight corridor structures to synchronise investments and infrastructure works and support efficient, innovative and multimodal transport services, including rail services over medium and long distances.
 - Support multimodal transport and single wagon load business, stimulate the integration of inland waterways into the transport system and promote eco-innovation in freight transport. Support the deployment of new vehicles and vessels and retrofitting.

9.1.3. Smart pricing and taxation

Phase I (up to 2016)

Transport charges and taxes should be restructured. They should underpin transport's role in promoting European competitiveness, while the overall burden for the sector should reflect the total costs of transport in terms of infrastructure and external costs.

- Revise motor fuel taxation with clear identification of the energy and CO₂ component.
- Phase in a mandatory infrastructure charge for heavy-duty vehicles. The scheme would introduce a common tariff structure and cost components such as the recovery of wear and tear, noise and local pollution costs to replace the existing user charges.
- Evaluate existing car road charging schemes and their compatibility with the EU Treaties. Develop guidelines for the application of internalisation charges to road vehicles, covering the social costs of congestion, CO₂ – if not included in fuel tax – local pollution, noise and accidents. Provide incentives to Member States who launch pilot projects for the implementation of schemes along such guidelines.
- Proceed with the internalisation of external costs for all modes of transport applying common principles while taking into account the specificity of each mode.
- Create a framework for earmarking revenues from transport for the development of an integrated and efficient transport system.
- Issue guidelines providing clarification concerning public funding to the different modes of transport and to transport infrastructure, where necessary.
- Reassess transport taxation where necessary, namely by linking vehicle taxation to environmental performance, reflecting on possible way forward to review the current VAT system concerning passenger transport, and revising company car taxation to eliminate distortions and favour the deployment of clean vehicles.

Phase II (2016 to 2020)

- Building on Phase I, proceed to the full and mandatory internalisation of external costs (including noise, local pollution and congestion on top of the mandatory recovery of wear and tear costs) for road and rail transport. Internalise costs for local pollution and noise in ports and airports, as well as for air pollution at sea, and examine mandatory application of internalisation charges on all inland waterways on EU territory. Develop market based measures to further reduce GHG emissions.

10. IMPORTANT LOGISTICS PROVIDERS IN OUR REGION

Hungary's leading role in transportation and logistics in the CEE region is based on several advantageous features:

- favourable geographical location,
- EU: a consumer market of approx. 500 million people,
- steady economic development in some neighbouring countries,
- presence of multinational companies,
- intensive foreign trade,
- international transport corridors passing through the country,
- EU membership,
- good relations with states of Asia and the US.

The extensive development and the reconstruction of transport and logistics infrastructure forms an important part of our goals which aims to improve competitiveness and economic growth.

Hungary as an EU member country is a member of the Customs Union as well. Simplified e-customs procedures are available for import and export customs clearance.

Continuous development aims to improve conditions of combined forwarding solutions. More than ten intermodal logistics centres serving at least two transport modes operate in Hungary.

Given Hungary's strategic position in the heart of Europe, as well as its role as one of the most important transport corridors in the

Central East European region, logistics may be one of the most important business activity in our region.

One of our main advantages is vicinity to customers – short lead-time through proximity and easy access to growing Central and SE European and CIS markets.

Hungary can offer regular scheduled block train connections with the main European sea-ports (Hamburg, Rotterdam, Bremen, Antwerpen, Koper, Trieste are connected with Budapest BILK Logistics centre).

Rail connection is also available between China and South-Western Europe through Záhony railway centre with a transit time of 18–21 days.

Our country offers a productive and qualified labour for logistics operations. Competitive wages in the logistics sector are also attractive.

Modern warehousing and industrial facilities are at the disposal of the partners.

Several logistics and industrial parks and modern warehouses are available outside Budapest, in areas of geographical importance. More than 1.5 million sqm of modern industrial facilities are designed for warehousing in Budapest and surroundings. Average rents are abt. 3 EUR/sqm/month, and the prices decreased significantly since the financial crisis of 2008.

Investment incentives

In certain cases logistics investments are also eligible for government support. EU co-financed cash grant (through tender application) are available for establishing regional or intermodal logistic centres.

Projects of investment value at or over EUR 20 million can apply for a special incentives package.

10.1. The BILK Logistic Center

The BILK Logistic Center is the most important logistics provider in Hungary. We have organised several times study tours to overview how the biggest logistic centre is working. Some students wrote their thesis for the degree on the basis of the information they received from this company. These meetings can be also used for finding a company for their summer practice, and maybe for the

possible job. Several former students also found a job by this opportunity. It confirms for us that it is a good practice, and we intend to continue it. Being in continuous touch with the major professional organizations remains one of our main goals.

It is a 100 ha wide area located in the 23th District of Budapest encircled by Ócsai út- Beltway M0 and the railroad connecting Budapest and Kelebia (to Serbia and the Balkan Peninsula).

The property can be found in the proximity of major destinations and transit routes with own access road to Beltway M0. Besides its outstanding location to railroad and vehicular access, the BILK can be easily reached from the water and air within 15 km (Csepel Freeport, Budapest Airport) as well as from downtown Budapest.

Offered logistic services

BILK offers cost-efficient solution with wide ranging logistics services for its partners.

- Preparation for Transportation,
- Transportation,
- Collecting transport,
- City-Logistics,
- JIT supply,
- Logistical Information Centre,
- Forwarding dispatching,
- Warehousing,
- Storage and distribution of normal goods,
- Storage and Distribution of Pharmaceutical Drugs,
- Storage and Distribution of frozen and fresh goods,
- Consignment warehouses,
- Public warehousing,
- Customs warehousing,
- Storage of hazardous goods (ADR warehouse),
- Finishing packaging,
- Finishing assembly,
- pricing, labelling.

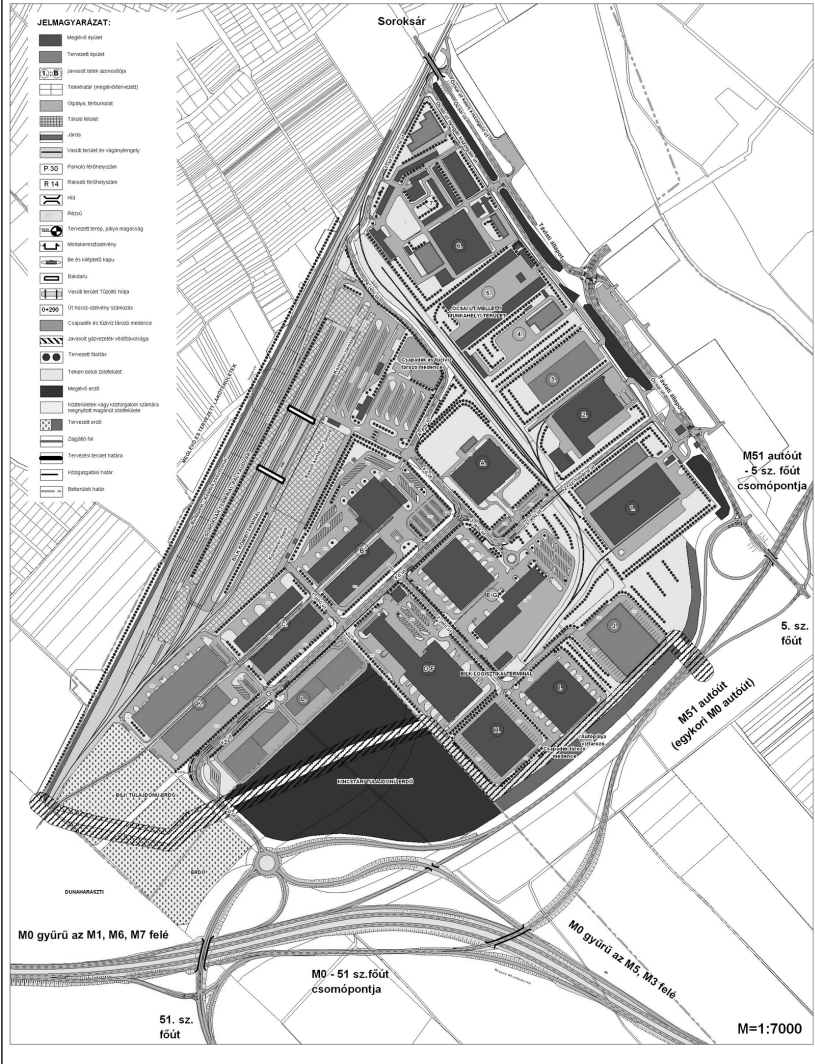


Picture 17.: BILK Satellite view
Source: [HTTPS://MAPS.GOOGLE.COM](https://maps.google.com)



Picture 18.: BILK Satellite view
Source: [HTTPS://MAPS.GOOGLE.COM](https://maps.google.com)

Budapesti Intermodális Logisztikai Központ



Picture 19.: BILK map
Source: [HTTP://www.BILK.hu](http://www.BILK.hu)

10.2. Logistics role of Szeged and its region

Among the conceptions of the town-development strategy of Szeged it is defined as a primary objective to attain an important role in the area as a regional distributor and logistical centre.

Szeged Industrial and Logistic Centre (SZILK) is very close to the national border (which is in this case the EU border as well), Rösztke border check point is 16 km by M5 motorway.

The importance of the Logistic Centre is expected to increase significantly in the next years due to the economical and commercial location of the Szeged Industrial and Logistic Centre (SZILK) and existing M5, M43 motorways.

The economical development of our neighbouring countries may also promote the growth of the Szeged Industrial and Logistic Centre (SZILK).

The development of the towns in the area and the neighbouring countries justify the operation of a centre providing logistic services and relating activities. The ongoing development and modernisation of the basic infrastructure and services are also important.

The settling in of new companies might result in new jobs or in the expansion of existing ones, which can have a result of increasing the living standard within the town. SZILK has the title of both "Intermodal Logistic Centre" and "Industrial Park".

The company aims to develop the local infrastructure, to create new jobs and improve the conditions and increase the competitiveness of the local companies.

One of the main goals of the Logistic Centre is to offer a wide range of services in order to help Szeged to play an even more competitive, effective and successful role in the region.

The developments of the Logistic Centre are also supported by the European Union and co-financed by the European Regional Developing Fund.

The development of the Logistic Centre (also called: SZILK) started in 2005 by the Municipality of Szeged in co-operation with Mapped PLC, Zoll-Platz Ltd and MÁV Kombiterminal Ltd with the main goal to create the strongest logistic supplier in the region.



Picture 20.: SZILK
Source: WWW.SZILK.HU



Picture 21.: SZILK satellite view
Source: [HTTPS://MAPS.GOOGLE.COM](https://maps.google.com)



Picture 22.: Logistics warehouse

Source: WWW.LOGSPED.HU

SZILK intends to establish infrastructure satisfying the needs of international clients by combining the different ways of transportation (road, rail, water or air), and providing intermodal logistic services.

Since March 2009, Szeged Industrial and Logistic Centre provides 5 200 square meters warehousing area, with the below listed services:

- unit packaging and commissioning,
- handling of cargos with forklifts of 2 and 2.5 tons of loading capacity,
- handling of palleted goods,
- storing of palleted goods,
- VAT warehousing,
- customs warehousing,
- intrastat EU statistical reports.

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