CPD-ARTNeT Capacity Building Training Workshop on *Trade Facilitation*

Glossary for Participants

Bill of Lading (BOL, or B/L)
A document which evidences a contract of carriage by sea and the taking over or loading of the goods by the carrier, and by which the carrier undertakes to deliver the goods against surrender of the document. A provision in the document that the goods are to be delivered to the order of a named person, or to order, constitutes such an undertaking.

A bill of lading functions as a receipt for shipment and as evidence of the contract of carriage. Moreover, it is a document of title which provides its holder with constructive possession of the goods and the exclusive right to demand delivery of the goods from the carrier; if the bill of lading is made out "to order", the rights embodied in the document may be transferred to another holder. It is this quality of a document of title which distinguishes the bill of lading from other transport documents and explains its importance in international trade and trade financing.

Bulk Cargo
Cargo, either dry or liquid, that is not packaged, such as minerals (oil, coal, and iron ore) and grains. This cargo is usually shipped in large volumes, handled with pumps, shovels and scoops, and transferred through pipelines, tubes and conveyer belts. It often requires the use of specialized ships such as oil tankers and dry bulk carriers, as well as specialized transhipment and storage facilities in ports. Bulk cargo tends to have a single origin, destination and client per ship load.

Carrier
Any person or entity who, in a contract of carriage, undertakes to perform or to procure the performance of carriage by sea, inland waterway, rail, road, air, or by a combination of such modes.

For seaborne trade, any person by whom or in whose name a contract of carriage of goods by sea has been concluded with a shipper.

CIF/FOB ratio
The so-called cif/fob ratio is the value of imported merchandise measured on a cost, insurance and freight (CIF) basis in percentage of the value of the same goods measured on a free on board (FOB) basis. For port-to-port transactions, it thus compares the value of goods at Customs entry of the importing country with the value of the goods at Customs exit at the exporting country. This ratio is sometimes used as an indicator of transport and insurance costs for imports to a country.

The cif/fob ratio does not necessarily provide appropriate information on transport costs, because transport costs are usually charged per container, per unit or per tonne and not as a percentage of the goods' value. Comparing cif/fob ratios of landlocked countries with coastal countries is not appropriate, because a coastal country will usually only report the transport costs up to the port even though the final destination will always involve some land transport as well, just as it does for the landlocked country.

Combined Transport
In Europe, "combined transport" refers to intermodal transport where the major part of the European journey is by rail, inland waterways or sea and any initial and/or final legs carried out by road are as short as possible.

More generally, the term refers to a combination of means of transport where one (passive) transport means is carried by another (active) means which provides traction and consumes energy.

Container
In transportation, the word container may refer to:

- The package enclosing a product;
- a box, usually 8 feet wide, 8.5 feet high (or higher), and 20, 28, 35, 40 or 55 feet long, that is carried on a truck, a railcar, or a vessel; or
- a box carried aboard an airplane, sometimes with an unusual shape that fits the fuselage's contours.

As regards freight containers, according to the International Standard Setting Organization, ISO 668 and 830 provide the following definition: "a freight container is an article of transport equipment (a) of a permanent character and accordingly strong enough to be suitable for repeated use; (b) specially designed to facilitate the carriage of goods by one or more modes of transport, without intermediate reloading; (c) fitted with devices permitting its ready handling, particularly its transfer from one mode of transport to another; (d) so designed as to be easy to fill and empty; (e) having an internal volume of 1 m3 (35.3 ft3) or more."
The term "freight container" includes neither vehicles nor conventional packing.

Containerization
Containerization refers to the historical spread of the use of containers in unitizing of internationally traded goods. Cargo unitization, using containers, developed first in the domestic trades of the United States of America, and was then employed in the trades from the United States to the east coast of Latin America. The first sea-container was employed in 1956. The extension of the use of containers to international deep-sea trades began in the middle of the 1960s in the North Atlantic trades between North America and Western Europe.
In the containerization of cargo, containerization refers to a system that unitizes cargo in a container for transport through various modes and phases of transport without the intermediate handling of the cargo carried.

Cost, Insurance and Freight (CIF)
An INCOTERM defining the division of costs and risk in trade transactions involving carriage of goods by sea or inland waterways. CIF terms denotes a sale on "shipment terms", whereby the seller only undertakes to arrange and pay for dispatch of the goods to the buyer and to provide corresponding documentation (including a transport document, usually a bill of lading, an insurance policy, a commercial invoice, as well as export documentation and other certificates), but does not undertake that the goods will arrive. The seller must arrange for transportation of the goods on board a vessel bound for a named port of destination, clear the goods for export, provide (minimum cover) cargo insurance and tender the appropriate documentation. The buyer bears the risk of loss of or damage to the goods during transit.

CIF terms are often used where sale of goods in transit is envisaged as delivery under the sale contract may be performed by tendering documents while the goods are in the physical possession of the carrier.

Customs Automation

Customs automation aims at facilitating and accelerating Customs procedures by establishing an automatic system of computer aided control on the collection, use, management, and analysis of cross-border trade information in determining any applicable duties and fees on traded goods. Streamlining and simplification of Customs procedures and documents are often required and included in the process of developing such a system.

The introduction of computer-aided customs automation systems can greatly facilitate and accelerate border-crossing procedures. In particular, it increases the transparency and predictability of the imposition of duties and reduces the processing time of shipments.

Besides acting at times as a catalyst in a broader Customs modernization strategy, Customs automation can also trigger ICT renewal of private enterprises or government agencies, which have the incentive to modernize their IT to fully make use of expedited Customs procedures.

Economies of Scale

Economies of scale, or increasing returns to scale, characterize a state of production where the cost of producing an additional unit is decreasing as the volume of output increases. As an example, doubling the dwt of a ship will approximately double the volume of cargo that can be carried, yet it will less than double the energy required to move the cargo through water.

Free On Board (FOB)

An INCOTERM defining the division of costs and risk in trade transactions involving carriage of goods by sea or inland waterways. FOB denotes a sale on "shipment terms" whereby the seller undertakes to ship the goods on board a vessel nominated by the buyer at a named port of loading and to provide certain documentation. The buyer arranges and pays for transportation by sea and bears the risk of loss of or damage to the goods during transit. The seller pays the loading costs plus the transport costs to the port of shipment, whereas the buyer covers any further costs.

General Cargo

Cargo consisting of goods, unpacked or packed, for example in cartons, crates, bags or bales, often palletised. General cargo can be shipped either in breakbulk or containerised. General cargo may also consist of those products or commodities such as timber, structural steel, rolled newsprint, concrete forms, agricultural equipment that are not conducive to packaging or unitization. Breakbulk cargo is a type of general cargo that is conventionally stowed as opposed to unitized, containerized and Roll on-Roll off cargo.

Intermodal Transport

The movement of goods in one and the same loading unit or road vehicle, which uses successively two or more modes of transport without handling the goods themselves in changing modes.

Just in Time (JIT)

JIT is an inventory control system that controls material flow into assembly and manufacturing plants by coordinating demand and supply to the point where desired materials arrive just in time for use. It is also part of an inventory reduction strategy that feeds production lines with products delivered "just in time”.

Logistics
Logistics refers to the process of planning, implementing and controlling the efficient, flow and storage of goods, services, and related information from point-of-origin to point-of-consumption. The definition includes inbound, outbound, internal and external movements and return of materials for environmental purposes. The largest components of logistics expenditures are for (a) transport and (b) inventory holding.

Multimodal Transport
Carriage of goods by two or more modes of transport.

Under the UN Convention on International Multimodal Transport of Goods, “International multimodal transport” is defined as the carriage of goods by at least two different modes of transport on the basis of a multimodal transport contract from a place in one country at which the goods are taken in charge by the multimodal transport operator to a place designated for delivery situated in a different country.

The operations of pick-up and delivery of goods carried out in the performance of a unimodal transport contract, as defined in such contract, are not considered as international multimodal transport.

Multimodal Transport Contract
A contract whereby a multimodal transport operator undertakes, against payment of freight, to perform or to procure the performance of international multimodal transport.

Multimodal Transport Document
A document which evidences a multimodal transport contract, the taking in charge of the goods by the multimodal transport operator, and an undertaking by him to deliver the goods in accordance with the terms of the contract.

Pre-arrival Customs Processing
A function allowing traders to submit clearance data to Customs for advance processing and release of the goods immediately upon arrival to the country; release may even be authorized prior to the actual arrival of the goods, provided all necessary details have been communicated and screened by Customs in advance.

Post-Clearance Audit
Post clearance audit means Customs audit performed subsequent to the release of cargo from Customs custody. Such audit may take into account individual transactions or cover imports/exports undertaken over a certain period. The audit can take place either at a Customs office or on the premises of a company.

Post-clearance audit is often part of a comprehensive trade-facilitation strategy. Seeking to expedite traditional Customs procedures, where storage, checking and release of goods could take several days, risk-assessment techniques are applied to identify low-risk shipments, which are instantly released. Nevertheless, customs reserves the right to audit companies after the event, hereby inspecting documents and books and questioning employees on the company's premises.

Post-clearance audit can be advantageous both for traders, which benefit from lower transaction costs and quicker shipments, and for Customs, which benefits from more efficient company-oriented controls and a more efficient use of employees.

Risk Management

Risk management attempts to control and manage risk, in order to achieve the best possible outcomes; it can be applied to nearly every decision-making situation. In the Customs context, risk management represents a modern, effective and efficient way of working and importantly assisting Customs Administrations to:

- effectively manage Customs' operational functions, including the control of cargo and people;
- effectively manage non-operational functions such as IT support services;
- employ an appropriate level of resources to the greatest areas of risk; and
- deliver better results with the same or fewer resources.

Risk management in Customs procedures is used to resolve the trade-off between quick processing and appropriate controls of cross-border shipments. By analyzing past shipments, which either posed a security risk or did not declare goods correctly, states try to identify patterns and characteristics of high-risk deliveries. By comparing these findings with current shipments, Customs can apply expedited processing to most transactions, while using its employees more efficiently for examining high-risk consignments. Risk management is also linked to deciding whether to apply other measures, such as pre-arrival processing or post-clearance audit.

Effective risk management will increase the likelihood of identifying irregularities, while at the same time decreasing the number of physical inspections and other controls.

Shipper

Any person by whom or in whose name or on whose behalf a contract of carriage of goods by sea has been concluded with a carrier, or any person by whom or in whose name or on whose behalf the goods are actually delivered to the carrier in the relation of the contract of carriage by sea.

Single Window

A Single Window (for foreign trade) is a facility that allows parties involved in trade and transport to lodge standardized information and documents with a single entry point to fulfil all import, export, and transit-related regulatory requirements. If information is electronic, then individual data elements should only be submitted once.

In a Single Window system an international trader has to approach only one government entity in order to submit all standardized trade documents at once and to receive accelerated clearance for a cross-border transaction. A Single Window is convenient for traders as it greatly reduces transaction costs, while increasing transparency, efficiency, speed and legal certainty of international transactions. Governments, on the other hand, tend to benefit from a Single Window due to an increased volume of trade, raising state revenues, due to a more efficient deployment of state resources and due to an improved compliance of traders. A Single Window requires considerable coordination efforts from all concerned stake holders, in order to streamline all pertinent border-crossing regulations - like customs, transport, health or environmental provisions - to one organization.

Supply Chain Management (SCM)
A supply chain is a network of facilities and transportation lanes that transforms raw materials into finished products and delivers those products to consumers. Supply chain management (SCM) refers to the set of activities involved in designing, planning, and executing the flow of demand, supply, and cash across a supply chain. SCM plans and manages the supply chain, i.e. the entire production and distribution process of a good from its raw materials to the final sale to the customer. The supply chain usually includes third parties like suppliers, wholesalers or intermediaries, which are frequently located in different countries.

Third-Party Logistics (3PL)
3PL refers to external specialized companies that are hired to perform logistics functions that have traditionally been performed within an organization. The functions performed by the third party can encompass the entire logistics process or selected activities within that process.

Tramp Shipping
Unlike linker shipping, in tramp shipping vessels are rented on-demand to a third party, usually carrying only one shipper’s cargo, and not serving a regular schedule.

Transit Trade
A cross-border trade transaction, where the transported goods cross one or several countries before arriving at the country of destination. Article V of the General Agreement on Tariffs and Trade (GATT) provides for freedom of transit and non-discriminatory treatment of transit trade.

Transhipment
Transfer of a shipment from one carrier, or more commonly, from one vessel to another whereas in transit. Transshipments are usually made (1) where there is no direct air, land, or sea link between the consignor's and consignee's countries, (2) where the intended port of entry is blocked, or (3) to hide the identity of the port or country of origin. Because transshipment exposes the shipment to a higher probability of damage or loss, some purchase orders or letters of credit specifically prohibit it. Also spelled as ‘transshipment’.

Twenty-foot Equivalent Unit (TEU)
The standard unit of measurement for maritime freight containers and capacities of container ships and terminals as well as traffic and throughput. A standard twenty-foot container has 20 ft (6,10 m) in length, 8 ft (2,44 m) in width, and 8 ft 6 in (2,59 m) in height. Most of the containers used today are forty-foot containers having twice the length of a TEU, i.e. 40 ft (12,20 m). A forty-foot equivalent unit (FEU) equals two TEU.