
Level 2 Certificate in International Supply Chain Logistics

International Trade and Customs Compliance

International Trade and Customs Compliance Glossary

1. ATA Carnet

- Related Terms: Temporary Admission, Customs Documentation
- Explanation: An ATA Carnet is an international customs document that allows the temporary importation of goods into a country without the need to pay duties or taxes. It simplifies customs procedures and is commonly used for trade shows, exhibitions, and temporary work projects.

2. Bill of Lading

- Related Terms: Shipping Document, Freight Forwarder
- Explanation: A Bill of Lading is a legal document issued by a carrier to acknowledge the receipt of goods for shipment. It serves as a contract of carriage and a receipt for the goods. It includes details such as the type and quantity of goods, the destination, and the terms of the shipment.

3. Certificate of Origin

- Related Terms: Trade Agreement, Export Documentation
- Explanation: A Certificate of Origin is a document that certifies the country in which the goods were produced. It is used to determine the eligibility of goods for preferential tariff treatment under trade agreements. Customs authorities require this document to verify the origin of goods.

4. Compliance Audit

- Related Terms: Risk Assessment, Internal Controls
- Explanation: A Compliance Audit is a systematic review of an organization's adherence to laws, regulations, and internal policies related to international trade and customs compliance. It helps identify areas of non-compliance and implement corrective actions to mitigate risks.

5. Customs Broker

- Related Terms: Customs Clearance, Trade Facilitation
- Explanation: A Customs Broker is a licensed professional who assists importers and exporters in clearing goods through customs. They are experts in customs regulations and procedures and help ensure compliance with customs laws while expediting the clearance process.

6. Duty Drawback

- Related Terms: Tariff Refund, Export Incentive
- Explanation: Duty Drawback is a refund of duties paid on imported goods that are subsequently exported or used in the production of exported goods. It aims to promote exports by reducing the cost of imported inputs, making domestic products more competitive in international markets.

7. Export Controls

- Related Terms: Dual-Use Items, End-User Verification

- Explanation: Export Controls are regulations that restrict the export of certain goods, technologies, and services to prevent them from falling into the wrong hands. They aim to safeguard national security, prevent proliferation of weapons of mass destruction, and protect human rights.

8. Free Trade Agreement

- Related Terms: Tariff Elimination, Rules of Origin

- Explanation: A Free Trade Agreement is a pact between two or more countries to reduce or eliminate tariffs, quotas, and other trade barriers to promote trade and investment. It aims to create a level playing field for businesses and boost economic growth by expanding market access.

9. Harmonized System (HS) Code

- Related Terms: Tariff Classification, Customs Valuation

- Explanation: The Harmonized System (HS) Code is an international nomenclature for the classification of products traded globally. It consists of a six-digit code that categorizes goods based on their nature, composition, and intended use. It is used for customs purposes to determine duties and taxes.

10. Incoterms

- Related Terms: Delivery Terms, Risk Transfer

- Explanation: Incoterms are a set of standardized international trade terms published by the International Chamber of Commerce (ICC) that define the rights and obligations of buyers and sellers in a sales contract. They specify the respective roles in the transportation and delivery of goods, as well as the allocation of risks and costs between parties.

11. Import License

- Related Terms: Import Restrictions, Licensing Authority

- Explanation: An Import License is a permit issued by the government that authorizes the importation of certain goods into a country. It is required for goods subject to import controls, such as restricted items, controlled substances, or strategic goods. Failure to obtain the necessary import license can result in penalties or seizure of goods.

12. Letter of Credit (LC)

- Related Terms: Payment Guarantee, Trade Finance

- Explanation: A Letter of Credit is a financial instrument issued by a bank on behalf of a buyer to guarantee payment to a seller upon the completion of a transaction. It provides assurance to the seller that they will receive payment for the goods shipped, while offering protection to the buyer by ensuring that payment is only made upon fulfillment of specified terms and conditions.

13. Non-Tariff Barrier

- Related Terms: Quotas, Sanitary and Phytosanitary Measures

- Explanation: Non-Tariff Barriers are restrictions other than tariffs that hinder international trade, such as quotas, licensing requirements, technical standards, and sanitary regulations. They can be used by governments to protect domestic industries, safeguard public health, or ensure product quality, but they can also create barriers to trade and increase costs for importers and exporters.

14. Preferential Trade Agreement

- Related Terms: Cumulation, Origin Declaration
- Explanation: A Preferential Trade Agreement is a pact between countries that grants preferential treatment to goods traded between them, such as reduced tariffs or duty-free access. It aims to promote economic cooperation, boost trade volumes, and strengthen bilateral or regional ties between signatory nations.

15. Quota

- Related Terms: Import Restriction, Tariff Rate Quota
- Explanation: A Quota is a quantitative restriction imposed by a government on the quantity of certain goods that can be imported or exported within a specified period. It aims to control the supply of goods, protect domestic industries from foreign competition, and manage trade balances. Quotas can be absolute (limiting the quantity of imports) or tariff-rate (imposing a lower tariff on a specified quantity of imports).

16. Rules of Origin

- Related Terms: Preferential Tariff Treatment, Cumulation
- Explanation: Rules of Origin are criteria used to determine the national source of a product for customs purposes. They establish the country of origin of goods based on factors such as where they were produced, processed, or substantially transformed. Understanding and complying with rules of origin is essential for claiming preferential tariff treatment under trade agreements.

17. Sanitary and Phytosanitary Measures (SPS)

- Related Terms: Food Safety, Plant Health
- Explanation: Sanitary and Phytosanitary Measures are regulations implemented by governments to protect human, animal, and plant health from risks associated with the entry of pests, diseases, or contaminants through the importation of goods. They cover areas such as food safety, animal welfare, and plant health, and aim to ensure the quality and safety of products traded internationally.

18. Tariff Classification

- Related Terms: Harmonized System Code, Customs Valuation
- Explanation: Tariff Classification is the process of assigning a specific code or classification to imported or exported goods for customs purposes. It involves determining the correct Harmonized System (HS) Code that accurately describes the nature, composition, and intended use of the goods. Proper tariff classification is essential for calculating duties, taxes, and other trade-related obligations.

19. Trade Compliance

- Related Terms: Export Controls, Import Compliance
- Explanation: Trade Compliance refers to the adherence to laws, regulations, and internal policies governing international trade activities, including imports, exports, sanctions, and customs procedures. It encompasses various aspects such as customs compliance, export controls, trade documentation, and risk management to ensure that companies operate within legal boundaries and maintain ethical business practices.

20. Value Added Tax (VAT)

- Related Terms: Indirect Tax, Taxable Value

- Explanation: Value Added Tax is a consumption tax imposed on the value added to a product at each stage of the supply chain, from production to distribution to final sale. It is a type of indirect tax collected by businesses on behalf of the government and is based on the increase in value of goods or services as they move through the production process. VAT rates and regulations vary by country and can impact the cost of goods in international trade transactions.

21. World Trade Organization (WTO)

- Related Terms: Trade Disputes, Multilateral Trade Agreements

- Explanation: The World Trade Organization is an international organization that regulates and facilitates global trade by setting rules, resolving trade disputes, and promoting liberalized trade policies among its member countries. It provides a forum for negotiating trade agreements, enforcing trade rules, and addressing trade-related issues to promote a fair and open international trading system.