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A Study on the Role of Third Party in Import and Export Management*

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Abstract

Purpose **-** This paper is to examine the work of a third party in the process of import and export management. In other words, the purpose of this paper is investigate the status and functional role of a third party in relation to each terms of the trade contract.

Research design, data, methodology - This study consists of 5 chapters through literature survey. It will examine the involvement of the third party through each terms. Chapter 1 introduction, Chapter 2 deals with trade contract s, Chapter 3 investigates the shipping terms, payment terms, and insurance terms, and Chapter 4 reviews with com mercial arbitration. And in Chapter 5, it looks at the conclusion and implications.

Results - The relevant party in the import and export management process may be a third party through outsourcin g, not the principal. At this time, in fulfilling each condition of trade, it can be seen that the implementation of tas ks through the participation of a third party with high expertise can more smoothly and productively implement th e overall import and export management. Therefore, it can be seen that the implementation of the trade business in which the third party participated can be interpreted in terms of derivative effects and at the same time can be a w ay to improve the principal's competitiveness procedurally.

Conclusions -Through this study, in the import and export management, the performance of the work through the agent makes the entire process more smooth and efficient. Outsourcing of roles using the expertise of a third part y, a subcontractor rather than a principal, is desirable and important.

Keywords: Trade Contract, Third Party, Logistics, Payment, Insurance, Claims.

JEL Classifications Code: F10, F24, F51, G21,G22, L91,

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1. Introduction

In international trade, the physical movement of cargo is accomplished through the process of import and export management. When a trade agreement is concluded between traders, it means both parties are bound by the terms of the contract, which means that they are obligated to fulfill those terms. If one of the contracting parties fails to fulfill the terms, it will be held liable, which will give rise to claims. The fulfillment of the terms of the contract enables the physical movement or delivery of cargo, and this is also a part that can be looked at from the perspective of international logistics.

In the process of managing these imports and exports, usually the principal party to the trade contract intervenes in some cases, but it is carried out from the contract stage through the intervention of a third party through an agent. In other words, trade is a process in which a third party's intervention or role is functionally very large. A typical area in which each party to the terms of a contract can process business through a third party is the export and import management sector of trade. Since trade is a process and activity that usually takes place on a long haulage, third party involvement is natural. This inevitably means that tasks and procedures can be managed more effectively.

In this study, it is examined that how the parties involved in the process of third party intervention at each stage of contract terms, and that how effective this can be in import and export management. By illuminating the third party in the procedural process of trade, from the stage of contract establishment, the stage of dependent subcontracts, and arbitration, it is intended to be an opportunity to examine the progress of import and export practices and management in more detail.

2. Trade Contract

A third party transaction is a business deal that involves a person or entity other than the main participants. Typically, it would involve a buyer, a seller and another party- the third party. The involvement of the third party can vary, based on the type of business transaction (Twin, 2022) . From this point of view, the functional role of third parties is generally emphasized in trade transactions, and in practice, the role of third parties cannot be ignored in the procedural process of all trade activities. In order to consider the third party's intervention in each term of the trade contract, it is necessary to first find out the contents of the trade contract.

2.1. Significance of the Trade Contract

A contract is a legally binding promise. To be legally binding means to be responsible for the expression of intent, and to promise is to agree with the expression of intent. Therefore, a contract is established when the expression of intent, such as offer and acceptance, is completely matched, and the parties to the contract are responsible for faithfully fulfilling their obligations.

A trade contract is a contract for international sale of goods. It becomes an export contract for the seller (exporter) and an import contract for the buyer (importer).

Looking at the contents of an international sales contract in detail, first, an international contract refers to a contract that is executed by the seller and the buyer, who are the parties to the contract, with their business locations in different countries. Second, since the Contract of Goods is a contract for tangible goods, it does not include services or intellectual property rights. Third, a sales contract refers to a contract that is concluded when the seller agrees to transfer the ownership of the goods to the buyer and the buyer agrees to pay the price. Accordingly, the seller has an obligation to deliver the goods and the buyer has an obligation to pay the price (Bianca Ivan, 2014)

In other words, a trade contract is a contract for the sale of goods between different countries, in which the seller promises to deliver the ownership of the goods to the buyer, and the buyer promises to pay the price in exchange for taking over the goods.

Trade contracts are different from domestic transactions because they presuppose the international movement of goods between parties belonging to countries with different laws, business practices, languages, and currencies. In order to fulfill these sales contracts, contracts such as international transportation concluded for delivery of goods, cargo insurance against the risk of damage to in-transit cargo, and payment related to foreign exchange handling for payment are necessary. Therefore, the contract of sale between the parties becomes the main contract, and the contract of carriage, insurance contract, and settlement contract for the fulfillment of the contract of sale become subordinate contracts. In addition, the contents of the contract may be specified in the sales contract or determined by standard trading conditions such as Incoterms (Bobei, 2020).

2.2. Nature of Trade Agreements

2.2.1. Consensual Contract

A consensual contract is a contract that is established only by the agreement of the parties to the contract, and is a contract that is established when one party expresses his or her intention to transact, that is, the other party accepts the offer. Therefore, a consensual contract has a different character from a formal contract, in which legal facts such as delivery of the subject matter of the contract and transfer of ownership, in addition to the agreement of the parties, are the conditions for the establishment of the contract. As a trade contract is concluded only through the agreement of the parties, drafting and delivering a trade contract is not required as a condition for concluding the contract.

2.2.2. Informal Contract

Informal contracts mean that formalities that require a certain form are not required when concluding trade contracts. The fact that formality is not necessary means that there is no law stipulating the method of concluding a sales contract, and therefore, when concluding a sales contract, it is not necessarily required to prepare a contract in a certain format, but it can be done in writing or by word of mouth. A contract is concluded only when the agreement between the parties is confirmed. However, in order to prevent future disputes that may arise due to not preparing a contract, it is safer to separately prepare a trade contract in the form of a formal contract (Jovanovic, 2021).

2.2.3. Bilateral Contract

A bilateral contract is a contract in which the contracting parties bear mutual obligations or obligations upon the conclusion of the contract. In other words, the buyer bears the obligation to pay the price for the seller's obligation to deliver the goods. Therefore, if the seller does not deliver the goods for the purpose of the contract without justifiable grounds, the buyer is not obligated to pay the price.

2.2.4. Compensatory Contract

A compensatory contract is a contract in which the parties to the contract have the purpose of making performance in the relationship of compensation to each other. In a trade contract, the payment of the importer's price for the exporter's delivery of goods can be seen as a benefit and a counter-payment that have mutually reciprocal meanings.

2.3. Conditions for Establishing a Trade Contract

2.3.1. Consensus

In order for a trade contract to be concluded, there must be an agreement between the contracting parties. The most important factor in a trade contract is the meeting of the minds, and for the establishment of an agreement, there must be a valid offer and a valid acceptance corresponding to it (Kim, 2020).

2.3.2. Acting Capacity of the Parties

The parties must have the ability to enter into a valid contract, i.e. the capacity to act or contract. Therefore, if the contract was entered into by a person who is bankrupt, insane or incompetent at the time the trade contract is concluded, the contract is invalid.

2.3.3. The Sincerity and Legality of the Expression of Intention

In order for a trade contract to be valid, there must be an intention to create legal effects. A valid trade contract must not be a false or fictitious contract or an illegal contract.

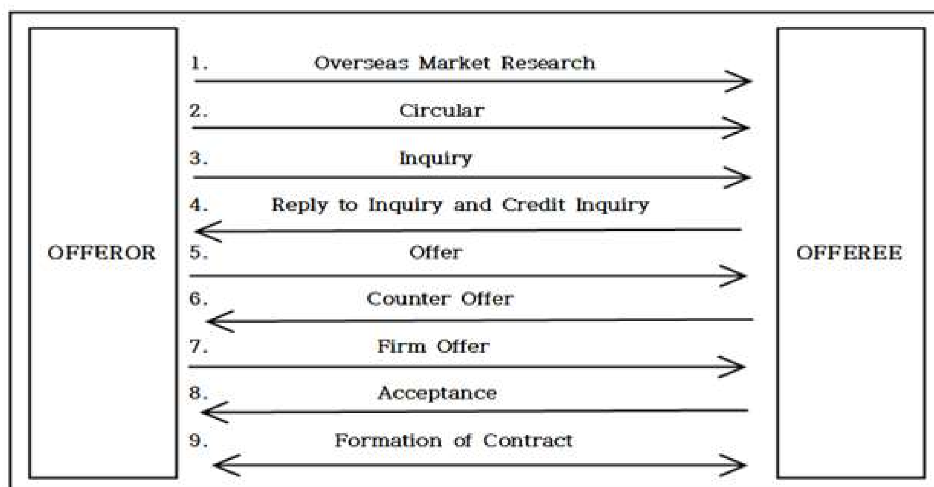
2.4. Establishment of Trade Contract

2.4.1. Trade Contract Establishment Procedure

A trade contract is an international contract of sale, in which an exporter agrees to transfer ownership of certain goods to an importer to deliver the goods, and the importer agrees to receive the goods and pay the price (Kim, 2021).

The exporter sends an offer sheet to the importer by letter or e-mail at the request of the importer. An offer is a definitive expression of intention by the exporter to conclude a contract, so if the importer agrees to it, a sales contract is established. Since a sales contract is an informal contract, it is not necessarily written in writing because it can be established even if it is oral, but it is necessary to exchange the sales contract in order to mutually confirm the contents of the contract between the parties to the sale and to prepare for possible disputes in the future.

The process of establishing a trade contract is shown in figure1. As shown in , it goes through a standardized procedure. However, in practice, it is common for such a process to proceed flexibly. They are in this order just to aid understanding. A trade contract is established when approval is reached through the market research, inquiry process, and offer stage. Therefore, after the establishment of such a trade contract, the process of fulfilling the trade terms, that is, the movement of cargo and the import and export activities take place.



Source: Kim and Yoo.(2023)

Figure 1: Establishment of Trade Contract

2.4.2. Significance of Offer

An offer is a definitive expression of intent by one party to a transaction (offeror) to conclude a contract by presenting specific terms and conditions to the other party (offeree). In trade transactions, it is usually used when an exporter, a trading partner, expresses his or her intention to sell an item to an importer, the other party, under certain conditions.

The offer must be made to a specific person, and the intent of the offeror must be expressed that the contract will be established if there is unconditional or absolute consent from the other party. In addition, since an offer is a definitive expression of intention, it must indicate the goods that are the subject of the contract, and must have contract conditions that explicitly or implicitly determine the quantity and price (Lee, 2020).

On the other hand, the act of exchanging opinions in the preliminary negotiation stage before an offer is made is called an invitation of offer. In the case of an offer, if the other party consents, a contract is established and a legal relationship is established between the parties. Even if the invitation of the offer is accepted by the other party, the contract is not established, and the contract is concluded only when the other party's acceptance is re-approved. In other words, since the invitation to offer is a one-sided expression of intent that induces the other party to make an offer, the contract is established in the order of invitation to offer → offer → acceptance.

2.4.3. Significance of Acceptance

Acceptance refers to a definitive expression of intent made by the offeree for the purpose of concluding a contract with respect to an offer. Since a contract is established by agreement between the parties, acceptance is an unconditional and absolute consent to an offer. In English law, this is also called the law of perfect agreement or the mirror image rule.

Therefore, if a notice of refusal is given to an offer, a corresponding offer is made, or an offer is accepted conditionally, it is regarded as an invalid acceptance and the effect of the offer is extinguished. Even if you have the intention of accepting, if you add, limit, or change the contents of the offer, it will be regarded as a counter-offer, not an acceptance. Since such a counter-offer offers new conditions by changing or adding the content of the offer, the original offer is voided and is regarded as a new confirmed offer. In addition, conditional acceptance that adds or changes the conditions of the offer is also a rejection of the original offer, so a contract is not established in principle.

However, if the offeree's response is intended to be acceptance of the offer and an additional condition that does not substantially modify the terms of the offer is attached, this constitutes acceptance. In general, changes in the terms of payment, quality, quantity, place and time of delivery, scope of responsibility of the parties, and dispute resolution in the offer are regarded as substantially changing the terms of the offer.

2.5 Composition of Trade Contract

The contents of a trade contract are divided into express terms, which are explicitly indicated in the trade contract, and implied terms, which are not specified in the contract but are recognized as the contents of the contract. Implied terms shall be interpreted in accordance with Incoterms, UN convention on contracts of the international sale of goods (CIGS, Vienna Convention), governing law and commercial practice (Kim & Yoo, 2023).

In the case of trade transactions, the trade contract must include basic terms and conditions in the trade contract. There are i) basic terms related to the contract, ii) terms related to the subject of the contract (goods), iii) terms related to the performance of the contract, iv) terms related to non-fulfillment of the contract, and v) other terms.

Table 1: Main Terms of the Trade Contract

Division	Specific Contract Details
Basic Contract Contents	· Principal and Signature · Contract Confirmation Text · Contract Signing Date · Validity of the Contract, etc.
The Goods Themselves Related Contents	·Terms of Quality ·Terms of Quantity ·Terms of Price ·Terms of Packing
Contract Fulfillment Related Contents	· Terms of Shipment · Terms of Payment · Terms of Insurance
Contract Non-performance Related Contents	· Force Majeure · Claim Clause · Arbitration Clause
Application of Trade Terms, etc.	· Trade Terms · Governing Laws

Source: Oh and Park (2020)

2.5.1. Significance of Quality Terms

Quality terms are transaction conditions related to the agreement on the subject matter of a transaction, and indicate the condition of the goods in more detail. In trade contracts, quality is a very important term between trade parties for goods, which are the object of sale, so disputes often arise due to this. Therefore, the parties to the contract should stipulate the quality of the goods in as much detail as possible in the contract, and in relation to the quality of the goods, the quality determination method, quality determination period, quality certification method, etc. must be clarified.

2.5.2. Significance of Quantity Terms

Quantity does not simply mean the number, but also refers to length, width, volume, weight, etc. Quantity is the second most disputed after quality because customs on quantity differ from country to country in trade transactions. Therefore, when concluding a contract, the unit of quantity, the timing of quantity determination, and more or less clauses should be kept in mind.

2.5.3. Significance of Packaging Terms

In trade transactions, the packaging of export cargo safely protects the goods during transportation and, in some cases, functions to increase the value of the goods. However, if too much emphasis is placed on the safety of the cargo, there is a possibility of overpacking, which may increase the burden of packaging and transportation costs, so care must be taken. On the other hand, since the carrier and the insurance company are exempted from damages caused by defects or incompleteness of the packaging, the packaging has an important meaning from the trader's point of view.

2.5.4. Significance of Price Terms

Since price is directly related to the profits of the trading parties, it is the terms that the trading parties are most interested in among the trade contract terms. In trade transactions, the most important and core thing is the calculation of the unit price, and in this calculation of the unit price, various expenses required for import and export must be added to the cost and profit of the goods. Therefore, in terms of pricing, it is necessary to take a closer look at the price display method, price determination method, factor cost, and Incoterms.

2.5.5. Significance of Shipment Terms

In the terms of a trade transaction, delivery of goods means that one specific person transfers ownership of the goods to another person. Since shipment is either the delivery itself or a method of delivery of the contracted goods, shipment terms play an important role in managing the delivery date of the goods for the importer. Therefore, shipment terms mainly deal with shipment date and proof of shipment date, shipment delay and force majeure, partial shipment, and transshipment.

2.5.6. Significance of Payment Terms

A trade transaction is a bilateral contract between the delivery of goods by the exporter and the payment of the price by the importer. Therefore, in trade contracts, payment terms are the most important core along with shipment terms. Exporters want to secure payment in advance of shipment, while importers want to secure goods prior to payment. Since the payment method by pre- or post-remittance is an advantageous condition only for either the exporter or the importer, letter of credit, collection method, and mixed method exist among the pre- or post-remittance methods. In terms of payment, payment timing, payment method, etc. are stipulated.

2.5.7. Significance of Insurance Terms

In trade transactions, long-term and long-distance transportation is unavoidable in delivering contract goods, so there is a risk of loss or damage of goods. Therefore, it is necessary to purchase cargo insurance to cover this risk. On the other hand, in terms of insurance conditions, according to the uniform rule, the seller or buyer is responsible for insurance coverage for the risk section that the seller or buyer is responsible for, which is determined by the terms and conditions of the sales contract between the parties. Therefore, when entering into a trade contract, the contents to be included in the insurance conditions include the policyholder, the insured person who will receive insurance money in the event of an accident, the amount of insurance, collateral risk, and scope of damage compensation.

2.5.8. Claims and Arbitration Terms

A trade claim refers to the right to claim against the other party for damages caused by the non-fulfillment of part or all of the contract while the contract is being fulfilled according to the trade contract. Because trade transactions are transactions between exporters and importers with different languages, business customs, and laws, disputes are more likely to occur than domestic transactions, which may result in claims for damages or lawsuits. There are various types of reasons for trade claims, such as poor quality, insufficient quantity, delay in shipment, delay in payment, and delay in opening a letter of credit. However, it is necessary to find a solution quickly and reasonably for any type of dispute.

2.6. Third parties in Contracts of Sale

2.6.1. Significance of Import or Export Agent

Trade agency (import or export agent) refers to a person who has been entrusted with a foreign importer or exporter who purchases export goods or concludes an import contract and engages in activities incidental to these as a business.
Under the previous Foreign Trade Act, trade agency business was divided into category A and B, and category A was reported to the head of the Korea Trade Agency Association, and category B was reported to the head of the Korea Exporting Companies Association. However, this regulation was abolished in the revised Foreign Trade Act on December 29, 2000, and all of them were unified as traders.

2.6.2.Type of Import or Export Agent

1) Export Sales Agency

Unlike an export agent, a manufacturer's export agent is an overseas export sales agent that does not act for foreign importers but for domestic manufacturers.

2) Import Sales Agency

An exporter's selling agent usually refers to a sales agent that sells in the local market of the importing country under the name and account of the overseas exporter and receives a certain commission on behalf of the manufacturer or export business in the overseas exporting country. In general, it is also called offerer (trade agency) because it oversees not only domestic product sales but also order receipt and management of offers for overseas exporters (Murphy & Daley, 1997).
Issuing business of offer (referred to as offeror) refers to a person whose business is to issue offers in Korea on behalf of a supplier and head office in a trading partner country. In other words, an offeror refers to a person who has established an agency relationship with a supplier (or head office) of a transacting country and whose business is to issue offers on behalf of a person in a foreign country to a person who intends to purchase (import) goods in Korea. .

3. Third Party in Subordination Agreement

3.1. Freight Forwarder

A freight forwarder is a concept that collectively refers to a forwarding agent, a shipping & forwarding agent, a shipping agent, an air-freight agent, and the like, and currently serves as a multimodal transport operator along with a shipping company or an airline company. The dictionary interpretation of freight forwarder is defined as "a person who provides services such as customs clearance, warehousing and releasing, collection, transshipment, or delivery of freight on behalf of customers consigning transportation, and safely and promptly transports freight to the destination requested by the shipper." (Saeed, 2013).
The original concepts of forwarding agent and forwarder are different. A forwarding agent is an agency that carries out shipping procedures, preparation of shipping documents, and onboard delivery on behalf of shippers, i.e. exporters, whereas forwarders mainly perform mixed tasks and have the status of a contract carrier that takes over collective transportation in their own name.

Here, the forwarding agent is a term first created in continental Europe as a business that primarily collects small amounts of cargo into railroad car units or does the opposite. In addition, the shipping agent may take the position of carrying out the shipping procedure on behalf of the exporter or selling space on the ship for the shipping company, as in the case of the UK. When they participate in international transportation, they are non-carrier types that collect and distribute international cargo as international freight forwarders, which is symmetrical with carrier types such as shipping companies and airlines (Ali et al, 2019).

These freight forwarders, who had previously been based on cargo collection points or agency businesses, became involved in transportation activities from the standpoint of a common carrier with the participation in international multimodal transportation. In particular, since carrier types such as shipping companies and airlines tend to be multimodal carriers, the concept of multimodal carriers has come to encompass both the carrier type as an international freight forwarder and the non-carrier type, that is, NVOCC, which is a forwarding agent.

3.1.2. Functions of Freight Forwarder

The function of a traditional freight forwarder is the shipper's agent, selecting an appropriate means of transportation and handling all incidental duties related to transportation. Under today's multimodal transport system, it plays a role as a main body of transport with independent freight rates and collection, distribution, and consolidation.

As multimodal transport by container, which has emerged in earnest since the 1960s, has become common, the freight forwarder's business area has expanded, In addition, it has been transformed into a multimodal transport company that independently functions as a transport entity from the role of a consignor agent for import and export cargo or a performer of incidental transport activities (Narasimharajan & Venkatesan, 2022).

The functions of a freight forwarder include i) delivery and take over of cargo on board, ii) professional advice on transportation, iii) transportation arrangements, iv) preparation of transportation documents such as shipping documents, v) customs clearance, vi) freight and other disbursement fee, vii) external packaging and warehousing of cargo, viii) cargo collection, distribution and consolidation service, ix) function as a cargo manager and distributor for consignees, x) market research through overseas sales networks, xi) comprehensive logistics management, etc.

According to the definition of FIATA MT B/L side terms issued by the International Multimodal Transport Association, a freight forwarder is a carrier listed as an issuer on a FIATA multimodal transport document and is responsible for the fulfillment of a multimodal transport contract. As stipulated, today's freight forwarders perform the functions of full multimodal carriers (Skiba and Karaś, 2022).

The FIATA MT (Multimodal Transport) B/L replaced the conventional FIATA CT (Combined Transport) B/L in accordance with the UNCTAD/ICC Combined Transport Document Rules in force from January 1, 1992, and was issued by FIATA in June 1992. It is a multimodal transport document that was newly enacted and used after receiving approval for the use of the ICC logo in August 1993.

3.1.3. Classification of Freight Forwarders

Depending on who performs the company's logistics activities, it is divided into first-party logistics (independent logistics), second-party logistics (subsidiary logistics), third-party logistics, and fourth-party logistics (D'Amato and D'Amato, 1977)..

(1) First Party Logistics (1PL)

First-party logistics means that a company has an in-house logistics organization and conducts logistics tasks on its own according to the company's internal logistics rationalization strategy.

(2) Second Party Logistics (2PL)

Second-party logistics means that a company separates its internal logistics organization, establishes a logistics subsidiary, and has the logistics business handled professionally by that subsidiary. In the case of second-party logistics, the parent company establishes a logistics subsidiary to perform/process part or all of the logistics business according to its logistics rationalization strategy. The subsidiary established in this way establishes a logistics system suitable for the parent company's logistics management and prioritizes logistics related to procurement, production, sales, and export of the parent company. At this time, the logistics system refers to a collection of facilities, equipment, manpower, and operation policies that enable the flow of goods and information accordingly (Premkumar, Gopinath and Mateen, 2021).

(3) Third Party Logistics (3PL)

Third-party logistics refers to the outsourcing of logistics tasks performed by a company directly through its own logistics subsidiaries to an external professional logistics company. In other words, third-party logistics is all or all of the logistics functions in Supply Chain Management (SCM) in order to improve the expertise and efficiency of logistics activities, such as securing a competitive edge for shippers, improving customer service, and reducing logistics costs. It refers to consignment to some specialized logistics companies. Supply chain management refers to a system that supports efficient business activities by collectively managing a series of information from raw material procurement to sales using a computer network, and utilizing the contents for production planning or marketing (Borgström, Hertz and Jensen, 2021).

(4) Fourth Party Logistics (4PL)

The term "fourth party logistics" was first used by Anderson Consulting as it was defined as "a supply chain integrator that manages and combines a company's management resources, capabilities, and technologies with a service provider that provides a total supply chain solution." , also referred to as a Lead Logistics Provider (LLP). In the case of 4th-party logistics, specialized logistics companies (3PLs) that provide logistics services under consignment from companies build partnerships with telecommunications companies, professional consulting companies, and other logistics companies that can supplement their own shortcomings. It means providing the best integrated logistics service for all logistics functions in supply chain management.

3.1.4. The Main Work of International Freight Forwarder

As roughly reviewed in its functions above, The main duties of an international freight forwarder are as follows (Juma'a and Basheer, 2023)..

(1) Professional advisor to shippers:

According to the request of the shipper, it recommends the most appropriate transport route in consideration of the schedule and cost of sea, rail, and road transport, service details, and economic feasibility. It provides information on packing-related matters required for transportation, various transportation rules, and gives advice on how to easily prepare transportation documents.

(2) Cargo collection, sorting and consolidation:

If the transport cargo is an LCL cargo, the international freight forwarder receives a small amount of unit cargo from several shippers, classifies them by the same destination, mixes them, and converts them into FCL cargo and delivers them to the shipping company.

(3) Co-loading:

Co-Loading refers to the collective collection of small cargoes between forwarders, and when one forwarder cannot collect small cargoes in FCL alone, it means jointly FCL in cooperation with other forwarders. A Forwarder's B/L is issued from a forwarder who has requested Co-Loading. This Forwarder's B/L contains similar descriptions to a Combined Transport B/L that can be negotiated by a bank. It has the characteristics of Master B/L.

(4) Cargo Pick-up:

Cargo is received from the shipper and transported to the port or pick-up to the airport for loading on the ship docked at the port.

(5) Vessel reservation and carriage contract:

International freight forwarders do not normally conclude a contract of carriage in their own name, but in some cases may conclude a contract of carriage as an agent of a specific shipper.

(6) Preparation and loading of transport documents:

When the goods arrive at the port, the forwarder receives a Shipping Permit, a Dock Receipt (D/R), or a Bill of Lading (B/L) from the shipping company or its agent, If an export license (E/L) is required, an export license application form must also be filled out.

(7) Arrangement of insurance:

International freight forwarders sometimes conclude insurance contracts on behalf of shippers. In this case, the shipper can easily carry out the insurance business without prior knowledge of the most suitable insurance type for the cargo, insurance amount, and insurance conditions.

(8) Estimation of freight and other transport-related expenses:

International freight forwarders carry out business with close relationships through business agreements with various shipping companies at home and abroad. Therefore, the shipper or the consignee may request an estimate of the cost of using the transportation section and other facilities through an international freight forwarder.

(9) Packaging and storage:

International freight forwarders give advice on the most appropriate packaging type depending on the nature of the cargo, and in some cases operate an independent packaging company, and also provide services necessary for storage of transported cargo.

(10) Customs clearance and distribution:

At the request of the shipper, the international freight forwarder provides services necessary for customs clearance on behalf of the shipper, and also distributes the goods directly to multiple shippers for imported cargo.

(11) Overseas market research:

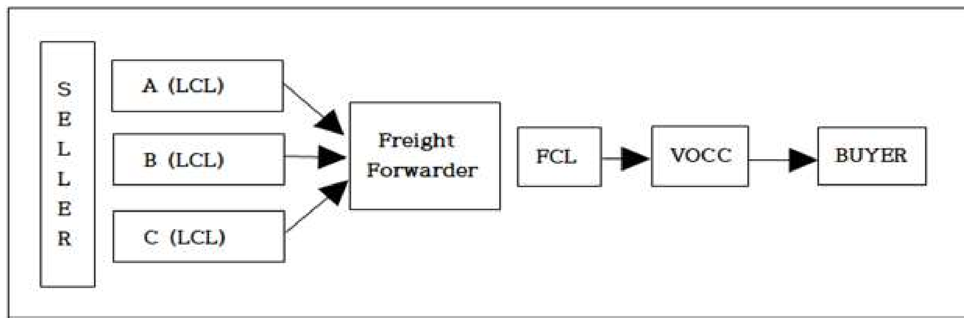
International freight forwarders provide overseas market information to shippers or arrange overseas business lines through affiliated international freight forwarders in the importing country.

3.1.5. Three Types of Consolidators

Consolidation, which can be seen as the most important task of a freight forwarder, is to turn the less than container load (LCL) of several shippers into a full container load (FCL). And it is divided into three types as follows (Burkovskis, 2008).

(1) Buyer's Consolidation

This is the case when an importer purchases LCL cargo from multiple exporters. A freight forwarder located in the exporting area is entrusted with the consolidation of cargoes from the importer, mixes LCL cargoes from multiple exporters in containers for the importer, and transports them to the importer. This is CFS (Container Freight Station) - CY (Container Yard) condition.



Source: Kim and Yoo.(2023)

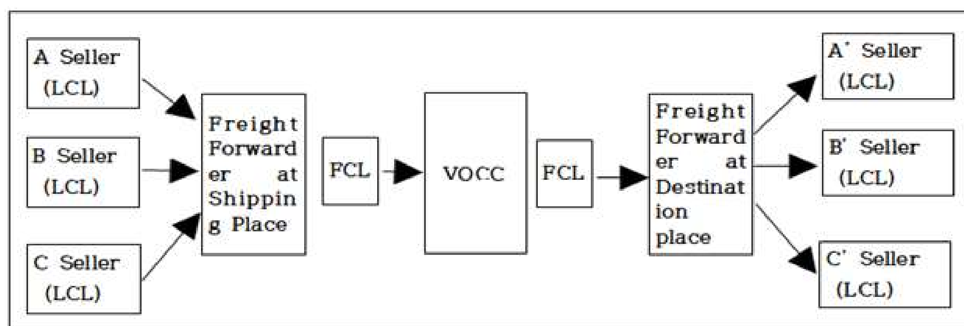
Figure 2: Concept of Buyer's Consolidation

(2) Shipper's Consolidation

A method used by an exporter to sell a cargo to multiple importers at the same destination. The exporter converts several LCL cargoes into FCL, brings them into the CY of the shipping company, and transports them at the FCL rate. At the destination, the container is transferred to CFS, and the cargo is picked up and delivered to each consignee. This is the CY-CFS condition.

(3) Freight Forwarder's Consolidation

A Freight Forwarder receives cargoes from several LCL shippers at LCL freight at his CFS, and then converts them into FCL and brings them into the carrier's CY. After receiving FCL freight from the carrier, the FCL container is delivered to the carrier's CY when it arrives at the destination. Take it and transfer it to its CFS. In addition, it is a method of extracting cargo and delivering it to each LCL consignee. i.e. between Freight Forwarder-Shipper: CFS-CFS, and between Freight Forwarder - Carrier: CY-CY is used. At this time, the freight forwarder takes the difference between LCL freight and FCL freight as profit.



Source : FRESA Technologies (2021)

Figure 3: Concept of Freight Forwarder’s Consolidation

3.2 Financial Institutions

3.2.1. Significance of Trade Settlement

In order to smoothly carry out trade transactions, additional contract terms such as shipment (delivery) for delivery of goods, insurance, payment, dispute resolution, etc. must be concluded in addition to basic contract terms such as

quality, quantity, price, etc. Among them, the payment terms are key terms of the sales contract, the main contract concluded between the seller (exporter) and the buyer (importer), along with the shipping (delivery) terms. This term is a subordinate contract concluded and executed by the parties to the sales contract with a third party, such as a bank, in order to fulfill the payment conditions.

Settlement refers to the process of payment for goods delivered, and trade settlement refers to payment in trade transactions. In other words, trade settlement means that an importer fulfills its payment obligation according to the terms of payment agreed upon between the contracting parties when a trade contract is concluded. If the buyer's obligation to pay the price is not fulfilled, the buyer is not exempt from liability for breach of contract (Barnes, 2022).

The payment of the price by the importer is a bilateral obligation of the exporter for the delivery of the goods, and the parties to the sale agree on the terms of payment when concluding a trade contract. A trade contract is a bilateral contract between the exporter's delivery of goods and the importer's payment, and a wide variety of general transaction conditions make up the contents of the contract. Among them, the payment method is the most important core in trade contracts (Sloboda, 2017).

When agreeing on payment terms, the relationship and reliability between the parties, the credit rating of the counterparty, the scale and duration of the transaction, the country's credit rating and import/export regulations, the characteristics of the product, and other conditions imposed by a third party should be comprehensively considered. .

In the past, most trade settlements have been made by way of a bill of exchange in which a bill of exchange is used as the means of payment and a letter of credit is used as a payment method, and transport documents are attached as collateral for the bill of exchange. Today, however, the proportion of remittance, which is a payment method other than letter of credit, is increasing significantly (Crozet et al., 2022).

In general, payment terms agreed upon in trade contracts include payment time, payment means, payment method, payment currency, etc. Trade settlement can be arbitrarily determined under convenient conditions between the parties to a trade contract in accordance with the principle of freedom of contract.

3.2.2. Payment method

In trade transactions, various payment methods are used depending on the nature of each transaction. In general, the remittance method, collection method, letter of credit method, etc. are most commonly used, and special payment methods such as international factoring and forfaiting are also used. In recent years, the use of electronic payment methods and electronic commerce simple payment methods using computers and information and communication technology is also increasing (Meyerowitz, 2016).

(1) Remittance method

The remittance method refers to a method in which the importer remits the price to the exporter through a bank in the form of a remittance order or remittance check. Remittance methods are classified into advance remittance method, concurrent payment method, and deferred remittance method depending on the remittance period, and payment methods such as demand draft, mail remittance order, and wire remittance order are used. As for remittance methods, there are COD method, in which goods are exchanged for money at the place of import, and CAD method, in which shipping documents and payment are exchanged at the place of export.

(2) Collection method

The collection method is a method in which an exporter ships goods and presents a bill of exchange to the importer based only on the credit of the importer without a letter of credit, which is a conditional payment guarantee from a bank, and the importer pays or accepts the bill.

Therefore, the collection method can be divided into the D/A and D/A method of payment. The delivery of payment (D/P) method in which the payment is made at the same time as the document is received after the shipping documents attached to the bill of exchange are delivered to the payer (importer) according to the payment period, and the payment is made on the due date after the document is received, which is the D/A method of payment. The payment delivery method refers to a method in which the importer, who is the payer of the bill of exchange, delivers the documents upon payment of the bill. On the other hand, the acceptance and delivery method refers to a method in which the importer, who is the payer of the bill, delivers the documents after accepting the bill (Sood, 2018).

Since the collection method is a pure credit transaction method in which the price is settled according to the sales contract between the trading parties, the risk of the exporter not being able to collect the payment is relatively higher than the letter of credit method. Therefore, it is mainly used for transactions between parties with strong credit or

between the head office and overseas subsidiaries. However, in recent years, its share in general trade has gradually increased.

Table 2: Comparison of Remittance and Collection Methods

Payment method	Type	Export	Import
Before shipment remittance method	pre-remittance method	advantage	In some cases, it is impossible to collect the payment and take over the goods
Before shipment remittance method	COD	The agent is unable to receive the payment and collect the goods according to credit	advantage
	CAD	Receipt of payment is not guaranteed	
Collection method	D/A	Receipt of payment and return of goods are not guaranteed	advantage
	D/P	Receipt of payment is not guaranteed	

Source: Nam (2010)

(3) Letter of Credit Method

In the letter of credit method, the importer's transaction bank opens a letter of credit, a conditional undertaking of payment, to the exporter at the request and instruction of the importer, and the exporter submits shipping documents that strictly match the terms of the letter of credit. If presented, it indicates the payment method by which the payment is made. The letter of credit method, in which a bank intervenes between an exporter and an importer, solves both the exporter's non-collectible risk and the importer's cargo non-collectible risk, and is traditionally the most commonly used payment method in trade transactions (Ay, 2021).

In the documentary letter of credit system, an exporter can provide a document of title for the transported goods to a bank as physical collateral to apply for funds at a discount, and the bank can exercise the right to dispose of the collateral in the event of inability to repay the bill. It has the advantage of being able to cover the reimbursement.

Among them, the L/C method, which has both a payment guarantee function and a financial function, is evaluated as a representative trade settlement method of the currency exchange settlement system because it is highly useful between trading parties by best harmonizing the interests of exporters and importers. However, due to disadvantages such as excessive cost, complexity of procedures, and delayed transactions, the use of the L/C method is gradually decreasing. For these reasons, the share of exports by letter of credit in Korea was 27.6% in 2000 and 10.2% in 2015. It is decreasing every year to 8.1% in 2019.

Table 3: Comparison of Trade Settlement Methods

	Bill Payment by Letter of Credit Method	Bill Collection Method by Non-credit Letter Method	Method by Remittance
Payment method	Payment is made by the issuing bank in accordance with the payment promise	Payment by the importer according to collection terms	The importer pays by wire transfer, mail transfer, or demand draft

Main conditions for use	Importer's Credit	The exporter agrees to the condition of not opening a letter of credit.	The exporter must agree on the remittance method
How to send transport documents	Send via bank	Send via bank	Send directly from the exporter to the importer
Advantages and Disadvantages for Importers	Payment for transport documents that meet the terms of the letter of credit	No fees for opening a letter of credit	Paying in advance is disadvantageous, paying later is advantageous
Advantages and Disadvantages for Exporters	Ease of use of export finance	Problems with collection of payment from importers, difficulties in obtaining finance compared to letters of credit	Advantageous if paid in advance, disadvantageous if paid later

Source: Nam (2010)

3.2.3. Correspondent Bank

(1) Meaning of Correspondent Bank

A correspondent bank is a bank in one country that is authorized to provide services for another bank or financial institution in a foreign country. The most common services provided by a correspondent bank are currency exchange, handling business transactions and trade documentation, and money transfers (Christopoulos et al., 2015).

(2) Work of Correspondent Bank

Correspondent banking works through an agreement between a foreign and domestic bank where a correspondent account, usually referred to as a vostro or nostro account, is established at one bank for the other. Correspondent banking typically involves the two banks establishing reciprocal accounts with each other. These accounts are established to enable the domestic bank to make payments or money transfers on behalf of the foreign bank. Such correspondent accounts enable banks to handle international financial transactions for their customers that ordinarily require foreign currency exchange, such as those that commonly occur between an exporting business in one country to an importer in another country. The process typically works as follows: A customer of a bank in one country needs to pay for products purchased from a supplier in another country. The customer's domestic bank determines the necessary foreign currency exchange transaction to facilitate appropriate payment in the currency of the seller. It deducts the appropriate amount from the customer's account, then instructs its correspondent bank in the supplier's country to pay out the corresponding amount to the supplier in the supplier's currency from the domestic bank's correspondent account with the foreign bank (Robinson et al., 2023).

3.3. The Insurer

3.3.1. Trade Transport Risks and Marine Insurance

Since contracts for international sales of goods must be backed by contracts of carriage and insurance to be implemented, trade transactions form a relationship in which the contract of sale is the main contract and the contract of carriage and insurance are subcontracts. In other words, in order for goods to be delivered from the seller to a foreign buyer, a contract of carriage must be concluded, and in preparation for various risks that may occur during transportation until the goods leave the seller's hand and are delivered to a foreign buyer, It is necessary to conclude an insurance contract for (Game-Lopata, 2022).

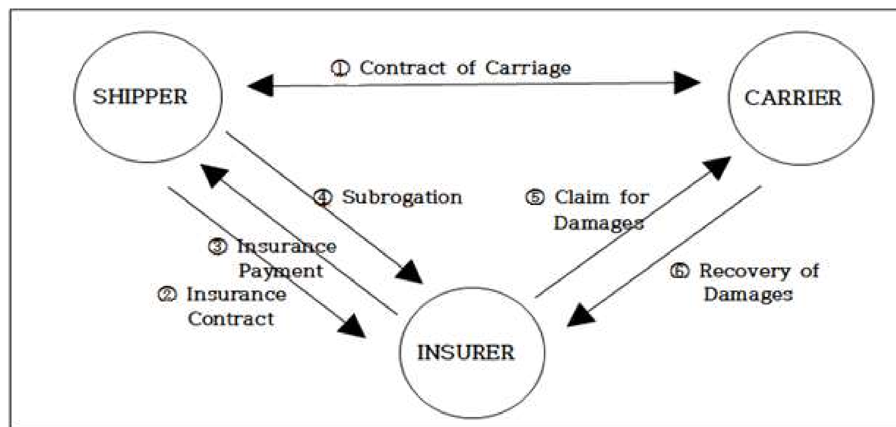
In general, it is a principle that a carrier delivers goods to the consignee in the same condition, that is, in the same condition, when receiving the goods for which a contract of carriage has been made. Therefore, if the carrier promptly compensates the shipper for any damage incurred to the goods during transport, the shipper will not need to purchase

additional cargo insurance.

However, in trade transportation, various carrier's immunities are stipulated in the contract of carriage, and in practice, the carrier's liability is limited in many areas, so the shipper needs to purchase cargo insurance to protect himself. In other words, damages caused by the carrier's indemnification cannot be compensated for by the carrier, and even if the carrier is liable, the shipper is not compensated as much as the actual damage because it is limited by the prescribed limit of liability. Then, the shipper is insured by separate cargo insurance (Zhang, 2015).

At this time, if damage occurs due to collateral risk while enrolled in cargo insurance, then a shipper first asks claims from the insurance company and receives the claims, the shipper transfers the right to claim damages against the carrier to the insurance company, which is called subrogation. Afterwards, for damages occurred used by causes attributable to the carrier, the insurance company will claim compensation from the carrier and cover the claims paid (Jovanovic, 2019).

In the end, in order to understand the issues related to the need for insurance of the shipper, the right of the insured as the shipper to claim damages, and the subrogation of the right of indemnity of the insurer, it is essential to understand the reasons for liability and exemption of the carrier.



Source :FRESA Technologies. (2021)

Figure 4: Relationship between Carrier and Insurance Company

3.2.2. Parties to Marine Insurance

The parties to a marine insurance contract consist of the policyholder as one party, the marine insurer as the other party, and the insured party as the subject of insured interests (More, 2021).

(1) Insurer

An insurer means an insurance company and refers to the subject that has an obligation to pay contracted claims in the event of an insurance accident.

(2) Policyholder

A policy holder is a person who, as an actual party to an insurance contract, concludes a contract with an insurer and is obliged to pay premiums. In addition, when the contract is concluded, it is obliged to notify, and after the conclusion of the insurance contract, it has various rights such as the right to claim for issuance of insurance policy.

(3) Insured

The insured is the subject who owns the insured interest and can claim damages from the insurer in case of loss due to an insurance accident, and is the subject who actually receives claims. In the case of non-life insurance, the policyholder and the insured may or may not be the same, but in life insurance they must be the same.

If the policyholder and the insured are the same, it is called “the first party insurance”, and if the policyholder and the insured are different, it is called “the third party insurance”. For example, in marine cargo insurance under CIF and CIP terms, the exporter is the policyholder and the importer is the insured, so the exporter is insurance for others. In marine cargo insurance under FOB or CFR terms, the importer becomes the policyholder and the insured at the same time, so the importer can be said to be insurance for himself.

4. Trade Claim

4.1. Settlement of Trade Claims

When trade claims arise, efforts should be made to promptly respond and resolve them. It is desirable to resolve it by amicable consultation between the parties if possible, but if not, it will be resolved through a third party.

4.2. Settlement Between the Parties

The method of settlement between the parties refers to a method of amicable settlement through direct negotiations between the parties (Baker & Kornhauser, 2023). Trade claims are the most desirable way to settle between the parties. There are two possible solutions between the parties (Kim, 2018) :

4.2.1. Waiver of Claim

A waiver of a claim is a simple warning against a tolerable claim and urges caution not to do so in the future. In this case, the victim unilaterally withdraws the claim to the perpetrator when the amount of claim is small or in the long term. Waiver of claims is the most desirable way to resolve disputes and can ensure continued and stable transactions between the two parties in the future.

4.2.2. Compromise and Amicable Settlement between the parties

When a claim is filed, it is a measure to find the most reasonable way between the parties, honestly admit each other's faults, and then send monetary compensation or alternative goods to resolve it smoothly without the intervention of a third party.

4.3. Resolution by Third Party Intervention

When it is impossible to resolve the issue amicably between the parties, that is, when the claims of both sides are in conflict, when the emotions of both parties or one party deteriorate and a third person needs a sober judgment, when it is difficult to compromise or concede due to the other party's insincerity. It is a method of resolving a dispute by intervening a knowledgeable or experienced third party, and the resolution of this method includes conciliation, mediation, arbitration, and litigation (Affaki, 2022).

4.3.1. Intercession, Recommendation

Recommendation is a method in which an impartial third party such as the Commercial Arbitration Board intervenes in a case at the request of one or both parties and cooperates to reach an amicable compromise. It has the advantage of ensuring confidentiality between the parties and maintaining the continuation of the business relationship . Recommendation will fail if there is no cooperation between the two parties and has no coercive force, but its effectiveness depends on the competence of the agency in charge of mediation, and more than 90% of the cases requested to the Korea Commercial Arbitration Board are handled in the mediation stage.

4.3.2. Coordination (Conciliation, Mediation)

Mediation is a method of resolving disputes by both parties appointing an impartial third party as a mediator and both parties agreeing on a solution (mediation proposal) proposed by the mediator. According to the Korean Arbitration Rules, the Secretariat of the Arbitration Board may select a mediator and attempt mediation at the request

of both parties after the application for arbitration. If conciliation is established, it is processed in the way of an award by conciliation and has the same effect as an arbitration award. If this fails, the mediation procedure is discarded within 30 days, and an arbitrator is selected according to the Arbitration Rules, and the arbitration procedure proceeds. However, the above 30-day period may be extended by agreement between the parties (Lee and Kim, 2014).

4.3.3. Arbitration

As in mediation, the settlement of claims by arbitration is a method of resolving claims by the parties appointing an impartial third party as an arbitrator and submitting to the arbitrator's decision. Mediation is possible even at the request of one of the parties, but arbitration must have an arbitration agreement between the parties. Mediation is a solution based on the free will of both parties, but arbitration must absolutely obey the arbitrator's decision, and the result is not only compulsory, but its effect is the same as a court's final judgment between the parties. In addition, enforcement is guaranteed and approved in foreign countries that have joined the New York Convention on Arbitration, so it has a greater effect than litigation (Yeung, 2022).

4.3.4. Litigation

Litigation is a method of dispute resolution by national public authority (judicial trial), and since there is no judicial agreement with foreign countries, the recognition and enforcement of judgments in foreign countries are not guaranteed. Therefore, if a claim is to be settled by litigation, the country where the respondent resides must appoint a local lawyer as a legal representative to proceed with the litigation.

Table 4: Comparison of Litigation and Arbitration

Division	Litigation	Arbitration
Object	All disputes, including civil, criminal, administrative and election	Any business disputes at the disposal of the parties
Requirements	The relevant court must have jurisdiction, the location must be valid, the parties must have capacity, be a suitable party and the rights protection must be qualified and necessary.	A written arbitration agreement between the parties is sufficient. However, the disputed matter must be freely disposed of by the parties.
Validity	Binding, formal, definitive, enforceable, formative	The same effect as the court's final judgment (For compulsory execution, you only need to seek the court's execution judgment)
Swiftness	It takes a long time due to complex litigation procedures and the three-trial system.	The procedure is simple, and the dispute is terminated with a single arbitral award, so it is very fast
Expenses	A lot of expenses are incurred, such as attorney fees and stamp fees, and it is uneconomical because the lawyer must be reappointed as the level goes up.	Since it is a single-trial system, one-time arbitration fee is sufficient, and the cost is much lower than litigation because there is no need to hire a lawyer.
Judge	Judges make judgments, but in reality, judges are well versed in legal theory, but are non-experts in the practice and customs of professional commercial transactions.	A highly specialized and commercially savvy arbitrator decides, so that each dispute can be resolved reasonably in accordance with the circumstances.
Publicity	Disclosure is the principle in litigation, so trade secrets or private (company) secrets are disclosed, and external credit rating is easily lost.	Personal confidentiality is absolutely guaranteed according to the strict non-disclosure policy, so there is no fear of adversely affecting external credit rating.

Source : Kim and Yoo.(2023).

5. conclusions and Implications

5.1. Summary

Import and export management is related to the business area of the parties who procedurally carry out the actual work in the process where the seller and the buyer have to conclude a trade contract and fulfill the terms of the contract. All tasks in the trading field are not of a nature that the parties to the contract of sale can independently handle. Even if they have concluded a contract, it is common that the fulfillment of the condition must be fulfilled through the outsourcing of a third party. In this sense, it is important to fulfill the terms of the contract through the intervention of a third party and the award of work for each condition of trade.

In general, subcontracts include transportation, insurance and payment terms in the category of contracts of subordination, but other procedural processes of trade are also carried out by third parties. As much as that, not only does the export and import management of trade play an important role in outsourcing work by a third party, but it is also much more efficient to entrust it to a functionally specialized person.

First of all, in the contents of this paper, the scope of outsourcing work of each third party intervention was examined, but the utilization of the third party through the consignment of their work enables efficient operation of trade work. By possessing and systematically developing their own expertise and know-how in the field, they have established outsourcing business as an important area of import and export management. Therefore, the third party provides procedural rationalization and uniformity through the smooth progress of trade affairs.

5.2. Implications

The work through such three parties is the key to actually operating the overall trade business as one international logistics system. And it can be seen that the use of third parties acts as a positive functional element that enables the development of sub-industries through trade business.

On the one hand, by establishing a trustworthy relationship between the principal and the agent through continuous communication and business cooperation, import and export management is made more stable and continuous. Therefore, in order to pursue the functional possibility of the third party's role and work, it is also required to seek alternatives that can provide a wider range of services to customers by expanding the third party's work area.

Since third parties in the process of import and export management of trade appear and are implemented in various fields, from the perspective of the parties to trade contracts, more careful selection criteria and the expertise and performance of the work provided by the third parties are considered in selecting them. At the same time, taking into consideration their reputation in the market, they should move forward in the direction of entrusting outsourcing work to them.

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