

FOREIGN TRADE

INTERNATIONAL TRANSPORT RULES: KEY POINTS IN ISSUING TRANSPORT DOCUMENTS TO MITIGATE RISKS AND LOSSES IN INTERNATIONAL TRADE

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ABSTRACT ()**

70 pct of international trade documents submitted for payment are rejected under letter of credit being not in compliance with international standard rules and letter of credit terms. This study aims to clarify key points in issuing transport documents to mitigate such losses. To find out the refusal rate of Turkey, 2018 swift data were gathered from the sampling banking group. It is found that the average discrepancy rate is 53,45 percent for export and 30,02 percent for import documentation, that is more than 50 percent of the presented documents are not accepted for payments. The exporters, importers and transporters must be aware of the key points of standard international rules and issue documents as per these rules to mitigate such risks and losses.

Key Words: *Logistics, Transportation, International Trade Rules, International Transport Documents, International Chamber of Commerce.*

Jel Classification: F10, F13, N7

DIŞ TİCARET

ULUSLARARASI TAŞIMACILIK KURALLARI: ULUSLARARASI TİCARET RİSK VE KAYIPLARI AZALTMAK İÇİN TAŞIMA BELGELERİNİN DÜZENLENMESİNDE DİKKAT EDİLECEK HUSUSLAR

ÖZET

Ödeme talebiyle akreditif tahtında ibraz edilen yükleme belgelerinin yüzde 70'i uluslararası standart kurallara ve akreditif şartlarına uygun olmadıkları için ödeme red edilmektedir. Bu çalışmanın amacı, söz konusu risk ve kayıpları azaltmak için taşıma belgelerinin, uluslararası standart kurallarına uygun düzenlenmesinde dikkat edilmesi gereken kilit hususları belirlemektir. 2018'de ulaşılabilen SWIFT red mesajları verileri üzerinden akreditif tahtında ibraz edilen ihracat yükleme belgeleri red oranı %41,41 ve ithalat red oranı %30,02 bulunmuştur. Sonuç olarak söz konusu risk ve kayıpların azaltılması için ihracatçı, ithalatçı ve taşımacılar, standart uluslararası kurallara uygun taşıma belgesi düzenlenmesinde uluslararası taşıma kurallarının kilit unsurlarına dikkat etmelidir.

Anahtar Kelimeler: *Lojistik, Taşımacılık, Uluslararası Ticaret Kuralları, Uluslararası Taşımacılık Belgeleri, Uluslararası Ticaret Odası*

Jel Classification: F10, F13, N7

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1. Introduction

International trade covers export and import of goods and services between different countries, trade is affected between cross borders. International trade total world export volume is 19,3 trillion dollars for 2018 (ITC, 2019) which means 19,3 trillion dollars value of goods were transported from exporting to importing countries by international transporters. As both exporting and importing countries are subject to different laws, to expedite and facilitate international trade transactions, International Chamber of Commerce (ICC) set standard rules which are widely accepted all over the world by all parties. If international transport documents are not issued as per the international standard rules and letter of credit terms, losses and risks like delay or non-payment and/or late delivery or non-delivery of the goods might occur. International trade documentation plays a vital role in international trade payment and delivery of goods.

To facilitate international trade process, not only governments, international organizations like International Chamber of Commerce, World Customs Organisation try their best to increase the international trade volume via standardization of applications and rules. International Chamber of Commerce sets standard rules which are widely accepted all over the world by all parties. The most well known and widely accepted international trade transportation rules are the Incoterms namely International Commercial Terms, which define at which point the goods are delivered and the responsibilities of exporter and importer including loading, unloading and insurance, etc. The new Incoterms 2020 will be effective as of January 2020.

1.1. The Changes with UCP 600 Rules for ICC Uniform Customs and Practice for Documentary Credits

Other than Incoterms, ICC also defines the rules for transport documents. In ICC publication number 600, ICC Uniform Customs and Practice for Documentary Credits, ICC has defined new standard rules for documentation presentation under letter of credits. The "ICC Uniform Customs and Practice for Documentary Credits" (UCP) 600 at the ICC, new rules, started to be used as of July 01, 2007.

The main changes with the new rules can be summarized as the reject of documents practise has changed, and all discrepancies have to be notified to the exporter in one notice,

- if a letter of credit is issued as deferred or acceptance letter of credit, which means that the issuing bank will pay at maturity or at maturity date of the draft, it automatically authorizes the notified bank to discount the documents,
- and if issued as 'available with any bank' that means the issuing bank authorizes all the banks in the exporter's country and is have to pay upon receipt of any bank's claim, even if the documents are lost on the way, the documents checking period is limited to maximum to five business days from seven business days.

- One of the most important changes with the new standard rules is that the presentation starts with the submission of the original transport document. This is a very important change because letter of credit actually protects both parties, in other words exporter knows that if the letter of credit terms are met and if the documents presented are in compliance with the letter of credit, the bank will pay the exporter upon presentation of the required documents in compliance with the letter of credit and issued as per the international transportation rules. Importer knows that the bank will pay only upon the credit compliance documents presentation to the bank and if the letter of credit terms are met.
- With UCP 600 the original bill of lading has to be presented, in other words if the original bill of lading is not presented/is not required in the letter of credit terms then the letter of credit is not usable because the presentation date can not be determined.
- Another important amendment also aims to reduce the rejection rate which was 70 before UCP 600, the new inconsistency rule enabled more flexibility, which allows the banks to accept documents which does not contradict instead of the sameness. The last amendment is the transport document can be issued by any other party (including the beneficiary) other than the carrier (carrier), the owner of the vehicle (owner), the captain (master) or the charterer.

The transport documents were also re-defined with articles numbers between articles 19-25. The transport documents are defined with the article numbers as follows, the articles start with the most used transportation method and followed ends with the least used method (Collyer, 2015). According to the ranking the most used transportation method is multimodal transport document, followed with bill of lading, which is followed with non-negotiable bill of lading and charter party bill of lading. The air transport document is followed with road, railway bill and the least method of transportation is the last method with courier receipt, post receipt or certificate of posting.

1-Multimodal transport document (Article 19),

2-Bill of lading (Article 20),

3-Non-negotiable bill of lading (Article 21),

4-Charter party bill of lading (Article 22).

5-Air transport document (Article 23),

6-Road, Railway bill (Article 24) and

7-Courier receipt, post receipt or certificate of posting (Article 25).

2. INTERNATIONAL RULES FOR TRANSPORTATION DOCUMENTS

Transport documents are the most important international trade documents not only because as per 600 new rules the presentation starts with the presentation of the original transport document but at the same time bill of lading issued for sea transportation shows the title of goods in other words ownership of the goods transported. Documentary risk is one of the major risks in international trade (Meral, 2018). If the presented transport document is not issued as per the standard international rules and letter of credit terms, there is a high probability the payment will be rejected by the bank. The main payment methods that is letter of credit and payment against documents used in international trade are based on the transport document. This part of the study covers the international trade transport documents and the standard rules for issuing transport documents as per the international standard rules of ICC.

2.1. Multimodal Transport Documents (Article 19)

Multimodal transport document or combined transport document terms are widely used in practise. However, ICC in publication number for 600 for Documentary Credit (Article 19), preferred to name the article number as “Transport Document Covering at Least Two Different Modes of transport” for the transport document, where at least two modes of documents are used. ICC avoids naming transport documents that is why they mention as ... however named... and then defines the requirements for international standards rules for acceptance of the transport documents. A multimodal document to be acceptable as per international standard rules must cover at least two different modes of transport, a combination covering like road, rail and sea. It must be signed by a carrier or agent of carrier or the master, in other words Multimodal Transport Operators or Combined Transport Operators can not signed the document, they are not authorized, but if they are agents of carrier or captain then they can sign. Although there are at least two modes of transport there must be only one single transport document, covering the voyage. Although in practise banks required the multimodal transport document to be issued or endorsed in their name for security reasons, this is possible only if the last part is transported by sea, only then it will be possible to transfer the title of the goods by delivery and endorsement and will be able to be used as negotiable document.

2.2. Bill of Lading (Article 20)

Article 20 covers the bill of lading which represents the title of the goods in other words ownership of the goods. Therefore it is a negotiable document, in other words as the original of the bill of lading is transferred, from one person to another, the ownership of the goods is also transferred to the new holder of the bill of lading. As the majority of the goods are transported by sea and the bill of lading is used as a negotiable document in international trade, this article will be explained with all characteristics and key points as below.

2.2.1. Title of Goods and Collateral for Banks

As bill of lading are at the same time title of goods, banks might use them as a collateral for payment guarantees or issuing letter of credits or letter of guarantees, in this case banks might usually require the bill of lading to be issued or endorsed to their order, all originals to be presented to them, shipped on board and showing the port of loading and port of discharge.

2.2.2. Delivery of Goods

Goods can be delivered against presentation of original bill of lading. Even if the original of the bill of lading might have been issued more than one original that is in practise usually three originals are issued. The number of originals issued are written on the bill of lading. The carrier delivers the goods against the presentation of the original bill of lading. The first presented **one** original bill of lading, might have been endorsed by the bank, if issued to order or endorsed to a bank. The carrier's liability is to deliver the goods against the original bill of lading presentation. Once the goods are delivered to the first presenter who presented the original bill of lading, even if the second original is presented afterwards, the carrier will reject the request of delivery of goods to the second presenter as his obligation is to deliver the goods to the first presenter of the original bill of lading.

In practice sometimes the goods arrive earlier than the documents, this situation might be due to late presentation of documents by the exporter or due to banks using the five business days fully for checking the documents, etc. then the goods might be delivered by the carrier against applicant's unlimited guarantee. The reason for the applicant not waiting for the documents is that if the goods are not cleared immediately after the vessel's arrives to the port, port authorities charge for demurrage. These charges might cover breach of rules, delay for berthing or penalty for not removing goods. The guarantee has to be an unlimited guarantee because the carrier's obligation to deliver the goods against one original bill of lading is also unlimited. Therefore, carrier usually requests bank's countersignature or issuing the guarantee. The bank then gets and indemnity from the applicant and then issues the unlimited indemnity to be delivered to the carrier.

If the sales agreement or letter of credit requires marine, ocean, port-to-port or similar namings for sea shipment only then bill of lading article 20 will be applied (ISBP, Paragraph 91, 92). According to the international rules, titles like marine, ocean, port-to-port bill of lading etc. are not required, as long as the bill of lading shows the shipment from one port to another, in other words the transport document, bill of lading, however named must cover port-to-port shipment as per article 20 of UCP600.

Key Points of Bill of Lading (Article 20, UCP600)

The sea transport document will be accepted showing that it covers shipment from port-to-port and as in compliance with the letter of credit terms like latest shipment date etc. (which is actually a mirror of sales agreement), as long as with the following conditions are met,

However named

irrespective of the title, in other words however it is named, it does not matter whether it is named as "marine bill of lading", "ocean bill of lading", "port-to-port bill of lading" or similar are acceptable,

Carrier

name of the carrier must be clearly mentioned on the document,

Signature-signed by the carrier or master

- or signed on behalf of a named agent for the carrier,
- or signed by the master or on behalf of a named agent for the master, and
- signature must be clarified/identified whether it is signed by carrier, master or if signed by an agent for or on behalf of the carrier or the master (carrier's name must be clearly seen on the document however the master's name is not necessary). Master is the captain of the transporting vessel, and carrier is the business who makes a contract with the shipper, exporter. If the name of the carrier is clearly indicated on the bill of lading, master or master's agent does not have to indicate the name of the carrier (ISBP, paragraph 94).

Shipped on board

Shipped on board notation or preprinted wording must be clearly indicated on the sea transportation document showing that the goods are shipped on board a vessel, at the required port, giving the name of the vessel either by preprinted words or with a notation on the transport document. Boarding date must be clearly given on the document. The wording like 'Clean on board', 'Shipped in apparent good order', 'Laden on board', 'Shipped', 'On board' are all acceptable and considered as 'Shipped on board' (ISBP Paragraph 97).

Shipment date

Shipment date must be clearly indicated on the sea transportation document. If the issuance date of the document is preprinted on the document, then it is considered as the date of the shipment. If there is a pre-printed clause as 'received for shipment' then additionally an 'on board notations, with date of shipment' is required, the date in the on board notation is accepted as the date of shipment (ISBP; Paragraph 96).

Intended vessel

The name of the vessel is required on the transportation document. However sometimes, especially in multimodal transport, the goods might be delivered to the carrier in an inland place, to be forwarded for shipment on a seagoing vessel. The carrier may not be sure of the name of the vessel for sea transportation, when takes the goods in charge at the inner point. Also he may prefer to choose a different vessel than the one indicated on the bill of lading when the goods were taken in charge in the inner point. The name of the vessel is given as 'intended vessel' in the bill of lading, where else the vessel used for shipment might be a different vessel. 'Intended vessel'

does not mean that the goods are shipped on board the vessel. Therefore if there is an intended vessel mentioned on the bill of lading, there must be an additional on-board notation indicating the vessel's name.

"... the port of loading same as stated in the credit as port of loading"

Sea transportation usually covers transshipment as well therefore port of loading and port of discharge required by the letter of credit/sales agreement must be shown with an on board notation not only date but the port of loading and discharge must be mentioned on the bill of lading. Furthermore the vessel name must be also given even if the same vessel named given in the bill of lading is the same in transshipment. The required port of loading and discharge might be written in as place of receipt or similar terms, as long as it shows the same place required in the letter of credit or sales agreement. Especially if a geographical area or not a specific port is given like 'any port in Turkey', the bill of lading must mention the actual port of loading and discharge specifically as well (ISBP, 98-100).

'full set'

Usually full set of bill of lading are requested to be presented, therefore full set/all original documents must be presented, especially in negotiable bill of lading, because it represents title/ownership of the goods. Therefore, if only one original is issued, the one original must be presented, if issued more than one original, then the full set, written on the bill of lading must be presented. Transport documents must write how many originals have been issued. First Original, Second Original, Third Original, Original, Duplicate, Triplicate, etc. expressions are all originals. It must be noted that the carrier's liability is to deliver the goods against the first original of the bill of lading presentation. The word 'original' is not necessary to be acceptable as an original document (ICC470/871).

'... terms and conditions of carriage'

'Short Form' or 'Blank Back' bill of lading: In practice, the carrier usually keeps the detailed terms and conditions of carriage as a master document. Instead of having it printed on the bill of lading, the carrier refers to the conditions by reference only. These types of bills of lading which refer to the master document by reference only are called like 'short form' or 'blank back'. Short form and blank back bills of lading are acceptable, in other words if a bill of lading "contain terms and conditions of carriage or make reference to another source containing terms and conditions of carriage" the referred conditions are not to be checked, only the bill of lading has to be issued as per article 20 of UCP (UCP600).

'... charter party'

A bill of lading which is subject to a charter party is not acceptable (UCP600).

"... transshipment"

Transshipment is defined as the goods being transferred from one vessel to another on the way from port of loading to the port of discharge (UCP600). If the transshipment

is not affected between the loading and discharging ports then it is not considered as transshipment (ISBP Paragraph 104). A bill of lading indicating that goods will be transhipped will be accepted as long as the entire carriage is covered with the same one bill of lading. Even if transshipment is prohibited in the letter of credit a bill of lading showing that cargo has been shipped in a container, trailer or LASH barge bill of lading will be acceptable again as long as the entire carriage is covered with the one and same bill of lading (UCP600). Bill of lading with clauses that the carrier has the right to tranship will be accepted as well (UCP600).

2.3. Non-negotiable Bill of Lading (Article 21)

UCP 600, article 21 covers, non-negotiable, straight consigned transport documents. Bill of lading can be issued specifically in the name of for example the applicant/the importer. Traditional negotiable transport document is preferred for goods which are sold on the way. However for short sea journeys, the applicant/importer may not want to wait for the bill of lading from the bank especially if the goods arrive and if the bill of lading is delayed through the banks for documents control etc the importer/applicant may have to pay demurrage charges etc. Therefore for short journeys, applicant/importer may want to clear the goods as soon as the goods arrive. In summary, it is not a negotiable document, therefore it does not represent goods, and the title of the goods can not be transferred by delivery and endorsement.

2.4. Charter Party Bill of Lading (Article 22)

Charter party bill of lading are not acceptable by banks as per UCP600 article 33, unless otherwise the letter of credit specifically mentions that charter party bill of lading is acceptable. The international standard rules for transportation documents can be exempted by excluding the said clause and as per UCP 600 article 22. However even if charter party is acceptable with the mutual agreement of importer (applicant) and the exporter (beneficiary) the banks do not examine the charter party contract.

Charter party bill of ladings are for carriers who own their vessels or charter (hire) vessels from shipowners. They hire (vessels) vessels from shipowners either for a period of time or for a single voyage. This hiring arrangement is called a charter party. After hiring the vessel, the carrier concludes carriages with shippers and issues bills of lading as carrier. The main reason for banks avoiding charter party bills of lading is that charter parties might vary from one jurisdiction to another. In other words there are two separate contracts, first one is the hiring (charter) contract between the carrier and the vessel owner, the second one is bills of lading issued between carrier and shippers, and the bill of lading rights might be second best compared to the rights of the shipowner against the charterer, i.e. the carrier. That is if the charterer, who hired the vessel from the shipowner, does not pay the shipowner the charter (hire) amount, the shipowner has the right to sell the goods to cover his losses due to non-payment of the hiring vessel from the charterer. Therefore the banks do not know which charter contracts were used for which trades.

There is no standard form for charter party without amendments. Furthermore depending on the Incoterm, shipping term, the charterer may be an applicant in FOB contract where freight charges are exclusive or a beneficiary in a CFR or CIF term, where freight charges are inclusive. Also the ambiguity of the clauses affecting legal rights of the holder of charter party document is another reason for charter party bills of lading being avoided.

If letter of credit has a clause that charter party bill of lading is acceptable then the charter party bills of lading, however named, covering port to port shipment, showing shipped on board either preprinted or with onboard notation, full set originals must be presented, must be signed by master or a named agent for or on behalf of the master, or can be signed by owner of the vessel or a named agent for or on behalf of the vessel owner and lastly can be signed by the charterer or a named agent for or on behalf of the charterer, whoever signs must identify whether the agent, and if agent on behalf of who, or the master, owner or charterer.

As the charter party contracts are special contracts and usually cover two separate contracts with no standard form and the legal issues might differ from one jurisdiction to another, and might involve amendments as the parties are different from each other, in the first contract the hiring (charter) contract is between the carrier and the shipowner, where else the second contract is the bill of lading between the shipper and the carrier are not acceptable by banks. However the main thing is to deliver the goods according to the agreement for the applicant and the beneficiary or their agents who arrange the contract on behalf of them, for hiring (charter) the vessel, whether it is for a certain time period or one voyage, hiring (charter) purpose.

2.5. Air Transport Document (Article 23)

‘However named’ rule of ICC applies in air transportation of goods as well. The goods transported by air are named as ‘Air Transport Document’ although known as ‘air waybills’ or ‘air consignment notes’. Air transport documents are issued by the carrier or its agent, evidencing receipt of the goods by the carrier and details of carriage (Article 23). Unlike the sea transport documents (multimodal if the final/delivery stage is affected by sea transportation and bills of lading for sea transportation) these documents are not negotiable documents, do not show ownership of the goods, in other words they are not title documents like negotiable bill of lading. They do not represent/ownership of the goods. The control of goods is with the shipper as the consignor and the carrier upto the delivery point, to be on the safe side, although it is not a negotiable document, the bank/the importer must keep the consignor’s copy of the air transport document, so that the shipper will not be able to change the consignee or destination’s name after delivering the goods to the shipper. Furthermore the consignee of the goods might be named as a bank if it is a collateral at the same time like bill of lading for sea transportation. The carrier will deliver the goods to the consignee given on the transport document, against id or against a delivery order from the named consignee. Air transport document covers shipment from airport to airport, however named, will be acceptable does not have to be titled as air waybill or air consignment note etc (ISBP, Paragraphs 134 and 135).

Although ‘however named’ is acceptable as long as it shows airport-to-airport shipment, the freight forwarder’s ‘master airway bill’ (MAWB) which is issued in favour of the forwarder company is not acceptable as ‘Air Transport Document’ because it is not in favour of the shipper. Master airway bill is issued when a group of freight forwarders come together and act as contractual carriers on air transport, they get a single master airway bill from the air carrier for covering full load of shipment, and then they receive several different shippers. Although the forwarder itself issues its own separate airway bills in favour of each of the shippers, this airway bill issued by the forwarder is not issued by the air carrier and therefore it is called ‘house air waybill’ (HAWB). House air waybill is not acceptable even if it refers to (master airway bill) MAWB number given by the air carrier, it is unacceptable unless the issuing forwarding agent is named as carrier or agent of a named carrier and has been signed as per article 23. If the forwarder agent signs as carrier or agent of a named carrier, then the document is not rejected just because referring to HAWB and/or MAWB number.

In other words, an original air transport document must show the name of the carrier, signed by the carrier or agent of the carrier, if signed by agent must identify on whose behalf it is signing (ISBP, Paragraph 137, 138). The airway bill must be signed by the carrier or an agent for the carrier unless letter of credit specifically accepts with "House air waybill is acceptable" or "Freight forwarder’s airway bill is acceptable" or a similar phrase, forwarder’s air waybill then a forwarder’s or a company acting as a carrier will be acceptable. An air transport document must indicate the airport of departure and airport of destination. If geographical area is given like ‘Any European Airport’ then air transport document must indicate actual airport of departure or destination (ISBP, paragraphs 141 and 142). Air transport documents are in three sets of original, issued by the carrier or its agent and one original for the consigner/shipper (including multimodal transport operator), one original for the consignee/recipient of the goods and the third original is kept by the airline. However parties must be aware of the risk the consigner has the right to change the name, address of the consignee upto the point of actual delivery of goods to the consignee, therefore the one original for the consigner or shipper to be the one most important original, by ICC.

2.6. Road, Railway Bill of Lading (Article 24)

Road, railway bills of lading named as ‘truck waybills’ or ‘CMR (Convention Merchandises Routiers) notes’ are not negotiable documents in other words they are not documents of title. The road, railway documents show that the goods have been received by the carrier, the address of the consignee (600, Article 24). Delivery is to the named consignee on the document. The word ‘carrier’ is not a must at the signature line as long as road, railway transport document is signed by the carrier or carrier’s agent on behalf of the carrier.

For railway bill showing date stamp by railway company or railway departure station without showing the carrier’s name or carrier’s agent signing on behalf of the carrier is acceptable. The terms ‘issuing carrier’, ‘succeeding carrier’, ‘contracting carrier’

terms are acceptable on these transport documents (ISBP, paragraph 160). The transport document must show that goods are received for shipment (UCP600, sub-article 24(a)(ii)).

Furthermore a rail, or inland waterway transport document will be accepted as an original, even if it is not as original road transport document must be for consigner or shipper or bear no marking for whom it has been prepared, railway companies provide shipper or consigner only a duplicate (carbon copy) duly authenticated by the stamp of the railway company. The duplicate is accepted as original. The transport document showing road-to-road, rail-to-rail or inland waterway to inland waterway will be accepted even if there is an indication of transshipment on the document, as long as the entire carriage is covered by same single transport document.

International road transport document is known as ‘CMR consignment note’, has got a set of several originals, one original only is accepted the one with original for shipper, copy for sender or similar wording or no wording delivered to the shipper is accepted as original. Other originals in the set are used for other parties involved in goods transportation.

2.7. Courier Receipt, Post Receipt or Certificate (Article 25)

The last transportation document, which is used the least in international trade transportation is ‘Courier Receipt, Post Receipt or Certificate’ (600, Article 25) by ICC. They are not documents of title and they are not negotiable, they only show that goods are received by the courier service or the post office and show the name and address of the consignee. However named, not necessarily called ‘courier receipt’ as long as it is signed or stamped by the named courier, indicating a date of pick-up or of receipt, and date of shipment is the date of pick-up is acceptable.

However named, the post office, does not have to mention ‘post receipt’ or ‘certificate of posting’, showing issuance of post office and having stamp of the post office followed by initial or signature at the bottom of the document, place of dispatch is the place shown in documentary credit and the date on the stamp or if no date on the stamp date of receipt or certificate is accepted as shipment date.

After giving the key points of international standart rules for international transport documents above, the Turkish exporters and importers refusal rate and common discrepancies are given in the following part.

3. Research

3.1. Aim, Scope and Limitation of Research

International trade volume of Turkey is 391 trillion dollars as of 2018. This study aims to find out the percent of the rejected international trade documents which are presented for payment in Turkey. The transport document plays a very important role in international trade payment methods. As importer and exporter are in different countries, they usually do not know each other, they do not trust each other therefore

they require banks in between as an intermediary for payments. The exporter wants to be sure to receive the payment upon delivery of the goods and the importer wants to be sure to affect payment after shipment of the goods. The transport documents showing that the goods have been shipped are required to be presented to the banks to enable the bank to affect payment to the exporter and to deliver the shipping documents to the importer for customs clearance.

According to ICC the percent of rejected documents submitted for payment by banks are 70 percent. International organizations are trying to increase international trade via standard rules which help to mitigate risks and losses in international trade. The key points of international standard rules are defined in the first part of this study.

International trade communication between banks is affected via authenticated standard swift messages (Meral, 2019). The authenticated messages are created through a system named SWIFT. All the banks and financial institutions are members of the SWIFT system, it is like a cooperative, not a profit center, all members pay an annual fee and additionally all banks and member financial institutions pay as per their swift message numbers sent per year through the system. SWIFT based in Belgium, is a safe and reliable system which is used for payments as well. The swift messages are also standardized according to the types of the messages. Hence letter of credit issuance between banks is affected via MT700 Issue of a Documentary Credit type messages (Swift.com, 2019). If the payment is refused that is if the shipping documents are not issued as per the standard international rules and as per the letter of credit term then the bank usually the exporter's bank who has advised the letter of credit to the exporter, sends the refusal message with standard MT 734 Advice of Refusal message, to importer's bank to inform the importer about the refusal details (swift.com, 2019).

The letter of credit process is basically can be summarized as follows:

1. Sales agreement between importer and exporter, with details like latest shipment date, documents required, incoterm details, unit price, total price, goods description etc. with payment method as letter of credit.
2. Importer instructs his bank to issue a letter of credit in favour of the exporter, with details in the sales agreement, in other words letter of credit is a mirror of sales agreement.
3. Importer's bank send exporter's bank an MT700 (MT700 Issue of a Documentary Credit) type message via SWIFT system.
4. Exporter after shipping the goods presents shipping documents to exporter's bank which are issued in compliance with letter of credit terms and international standard rules. If the documents are found in compliance with the letter of credit terms and international standard rules, the payment is affected however if the documents are not in compliance with the letter of credit, then the bank rejects payment against presented documents and sends a refusal of MT 734 (Advice of Refusal) message to issuing (importer's) bank.

The reasons for payment rejections are mainly because the transport documents are not issued as per the standart international rules and the letter of credit terms. The aim and scope of the research is first to define the key points of international standard rules for transport documents and then to find out the refusal rate of Turkish exporters and importers for 2018.

3.2. Limitation of Research

The main limitation of this research is that the sampling group consisting of 5 banks in Turkey. The banking sector is subject to special law of Banking Regulation and Supervision Agency (BDDK, 2019) and sharing information is subject to strict rules in Turkey. For this reason, although it was only statistical data of specific swift messages, it is/was not easy to gather information or statistical data from all banks. Therefore as it was not possible to reach all the statistical data from all the banks in Turkey, the sampling group consists of 5 banks with different sizes.

3.3. Research Method

The research data collection method is based on the two types of swift messages gathered from the 5 reachable banks of different sizes given in Table.1

Exporters Refusal Rate:

First incoming (received) MT700 ‘Issue of a Documentary Credit’ messages (by order of foreign buyers/importers in favour of Turkish exporters) are gathered from the 5 banks for the year 2018 are gathered. Incoming MT 700 Issue of a Documentary Credit messages show how many letter of credits are opened in favour of Turkish exporters in these banks.

Secondly the outgoing MT734 ‘Advice of Refusal’ messages are gathered for the year 2018. The outgoing MT734 ‘Advice of Refusal’ messages show how many Turkish exporters’ payment requests against presentations of export documents were refused by the said banks.

Importers’ Refusal Rate:

First outgoing (sent) the letter of credit issuance/outgoing MT700 ‘Issue of a Documentary Credit’, (in favour of foreign sellers/exporter, by order of Turkish importers) message numbers during 2018 are gathered from the 5 banks for the year 2018.

Secondly, the incoming MT 734 ‘Advice of Refusal’ messages received from importers’ banks abroad were gathered. These ‘MT 734 Advice of Refusal’ received from foreign banks show that the payment request of foreign exporters’ documents presented under letter of credits issued by Turkish banks are refused.

Table.1 Characteristics of the Five Banks

As per Capital	Number
• Private Capital Bank	2
• Private Foreign Capital Bank	2
• Development and Investment Bank	1
As per Branch Numbers	
• Branch Numbers between 500-1000	2
• Branch Numbers Less Than 500	3
As per Employee Numbers	
• More than 10 thousand	2
• Less than one thousand	3

3.4. Research Results/Findings

The research findings given in Table 2 show that average percent of refused export documents of Turkish exporters as 41,41.

The research findings in Table 3 show that average percent of refused import documents of Turkish importers as 30,02.

Table 2. Turkish Exporters' Refusal Rate for 2018

(The Number of Letter of Credit Issuance and Refusal Messages)

Total Number of Letter of Credit Incoming/Received	10.778
Total Number of Advice of Refusal Outgoing/Sent MT734	3.236
Average Percent of Refused Export Documents	30,02

Table 3. Turkish Importers' Refusal Rate for 2018

Number of Letter of Credit Outgoing/Sent	10.242
Number of Advice of Refusal Incoming/Received MT734	4.242
Percent of Refused Average Import Documents	41,41

Results show that although as per ICC the average refusal rate was around 70 percent, the Turkish exporters and importers of the sampling group of 5 banks show that the refusal rate is 30,02 and 41,41 respectively. The results show that in 2018 although the rate is lower than the ICC statistics of 2007, nearly half of the documents presented for payment under letter of credits to banks are still refused due to the non-compliance of documents, in other words documents are not issued as per the international standard rules and the terms of the letter of credit are not met by the exporters causing delay or non delivery of the goods for the importer and delay and non-payment of the goods for the exporter, causing financial losses in international trade. 53 percent risk can be reduced by learning the key points of international rules especially for transport documents.

Other research publications show that documents refusal rate might differ according to the country, for example according to ICC Thailand, the global non-compliance of presented documents and refusal of payment is between 60 to 70 percent (ICC Thailand, 2002). In United States, the refusal rate is approximately 73 percent, where else in UK it is around 50-60 percent (Mann, 2000). A study in UK shows that 113 million pounds were lost because of non-complaint documents presented for payment but refused, in 2000 only (Sitpro Ltd, 2003).

3.5. Most Common Discrepancies

Although the most common discrepancies are summarized as inconsistent data, transport documents, draft without signatures, invoice not in compliance with the letter of credit, under insurance and wrong signature (Alawi, 2017). Transport documents among these documents play a very important role because upon presentation of documents by the exporter to the bank, the bank controls the documents and usually informs the exporter about the discrepancies before sending MT 734 Advice of Refusal to abroad. In practice the exporter usually corrects the documents as per bank's control and resubmits corrected documents within the presentation period. Other documents like invoice, packing list, weight list etc. can be amended as per the banks' request because these documents are issued by the exporter himself therefore it is easier to correct such documents. However, this is not the case with transport documents, which are issued by carriers. Considering that transport documents playing a key role in international trade, furthermore the sea transport document is at the same time a negotiable document, showing title/ownership of the goods, all parties must be aware of such key points to be able to issue documents according to standard international rules to avoid or reduce refusal risk of payment.

Most common discrepancies according to Sitpro (2003) is given below as follows.

- Inconsistent information, two different information about the same thing in two different documents.
- Missing documentation, not presenting a document required in the letter of credit.

- Late submission, submission of documents after the latest presentation given in the letter of credit.
- Transport document carrier not defined.
- Bill of lading, unauthorized signature.
- Inaccurate information, the information on the documents is inconsistent with letter of credit.
- Letter of credit expired, submission after the letter of credit expires.
- Late shipment, shipment after latest date of shipment.
- Incorrect definition of goods, different from letter of credit.
- Endorsement missing on negotiable documents

3.6. The Key Points of International Rules of Transport Documents to Avoid Refusal

To mitigate risk of losses and delays to receive payments exporters must be aware of the international transportation rules (ICC 600, Articles 19-25) while preparing documents, which will not only reduce the refusal rate in documents presentation, they will receive the payment in time as well.

3.6.1. Multimodal transport document (UCP 600, article 19)

Document covers two or more modes of transport:

- delivery against original multimodal transport document, if negotiable
- delivery to consignee against identification, if non-negotiable

3.6.2. Bill of lading (UCP 600, article 20)

- Often a negotiable document covering a port-to-port shipment
- Grants title to goods in most cases
- Delivery against an original bill of lading when issued ‘to order’, ‘to order of shipper’ or to order of a named entity
- Delivery to consignee against identification if non-negotiable

3.6.3. Non-negotiable sea waybill (UCP 600, article 21)

- Non-negotiable document covering port-to-port shipment
- Does not grant title to goods
- Delivery to named consignee

3.6.4. Charter party bill of lading (UCP 600, article 22)

- Negotiability subject to charter party
- Title to goods subject to charter party
- Delivery in terms of charter party

3.6.5. Air transport document (UCP 600, article 23)

- Non-negotiable document covering single mode
- Does not grant title to goods
- Delivery to named consignee

3.6.6. Road, rail or inland waterway transport document (UCP 600, article 24)

- Non-negotiable document covering single mode
- Does not grant title to goods, except possibly inland waterway
- Delivery to named consignee or possibly against original inland waterway transport document

3.6.7. Courier receipt, post receipt, or certificate of posting (UCP 600, article 25)

- Non-negotiable document covering dispatch by post or courier
- Does not grant title to goods
- Delivery to named addressee

4. CONCLUSION

Turkey's international trade volume is approximately 391 billion dollars, consisting of 223 billion dollars of imports and 168 billion dollars of import as of 2018. Transport documents play an important role in international trade, the issuance of transport documents as per international trade rules is also important to enable the parties not only for the exporter and the importer, it is important for the transporter companies as well. According to ICC, 70 percent of the documents presented for payments under letter of credits are refused due to not in compliance with the international rules and letter of credit terms. Although international organizations like International Chamber

of Commerce, World Customs Organisation etc are trying to set standard rules, applications to facilitate international trade transactions, exporters must be aware of such risks arising from issuing documents especially transport documents not issued as per standard international rules. All parties must take the necessary precautions to avoid refusal of documents which are presented for payment under letters of credit. Exporters, international transporters, logistic companies, importers, customs consultants must learn the key points how to issue transport documents as per international rules.

The main aim of this study is to find out non-compliance percent of the refusals of international trade documents presentation of Turkish exporters for payment and then define the international rules and key points to issue documents as per international rules to avoid refusal of documents for payment, thereby mitigate non-payment or delayed payment and non-delivery or delayed delivery of goods risks in international trade.

The methodology is first the percent of the documents not accepted by the banks for payment under letter of credits are found from the Turkish banks sampling group. As it is not possible to reach all the banks, a sampling group consisted of five banks of different sizes. The percent of refusal rate was found according to the number of letter of credits issued and the number of documents refused due to not in compliance with international rules and letter of credit terms were calculated from related swift messages.

The results show that 30,02 percent of the export documents presented for payment by the exporters were refused by banks for presentation of documents not in compliance with letter of credit terms and international standard rules. Furthermore, the results show that 41,41 of import documents were also refused payment by foreign banks for goods to be imported to Turkey.

Although the refusal rate is lower than ICC's rate of 70 percent refusal, considering that 30 and 41 percent of both export and import documents are refused for documents issuance not in compliance with letter of credit terms and international standard rules. To mitigate such risks which cause financial loss in international trade, all parties must pay attention to key points of issuing transport documents given in this study.

Future researchers are recommended to have access the statistics in their countries, all institutions whether governmental or non-governmental must train all parties about the standard rules to mitigate risk. Future researches might involve other banks and breakdown of reasons for non-compliance which might be of assistance to international traders.

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