

WHAT IS A FREIGHT FORWARDER? TYPES AND FUNCTIONS

The freight forwarder or forwarding agent is an indispensable member of the international trade and transport community; the freight forwarder arranges for the international shipment of merchandise. Like travel agents – but dealing with cargo rather than passengers – freight forwarder use their knowledge of varying freight rates to offer the shipper the best “package deal”.

In addition to booking freight, freight forwarders may also handle export and customs documentation, insurance and port and terminal charges. Small exporters often consult with their freight forwarders before quoting a Price in a tender for a particular international transaction.

The terms “freight forwarder” and “forwarding agent” are generic terms encompassing a variety of specialized functions, within the profession. Some forwarders offer a wide range of these functions, whereas others restrict themselves to a single speciality or particular geographical coverage. These various functions are summarized below. In addition, it is important for traders to understand that forwarders may act as either agents or principals, with differing legal consequences.

Freight Forwarders main functions

Following the sequential order of international trade operations, the freight forwarders perform the following functions:

- Advice on export costs, including freight costs, port expenses, consular fees, special documentation costs, insurance costs and merchandise costs.
- Planning the most appropriate route for a shipment, taking into account the perishable or dangerous nature of the goods, cost, transit time and safety.
- Reservation and contracting of the necessary cargo space on a ship, aircraft, train or truck.
- Advising and contracting insurance for transportation of the merchandise on behalf of the client and, if applicable, assistance in the event of an accident.
- Advice on the most appropriate way to transport cargo and carry out the procedures for packing, stowing and loading the merchandise.
- Preparation and presentation of [Transport and Trade Documents](#) required for export and import, such as the CMR, Bill of Lading, Airway Bill, etc.

- Handling with customs agents abroad to ensure that goods and documents comply with customs regulations.
- Acting as an intermediary in customs negotiations around the world to guide the cargo efficiently.
- Use of e-commerce, Internet technology and satellite systems to allow real-time tracking of the transport of goods.
- Advice on legislation affecting international trade, political and social situations (strikes) as well as other factors that may affect the movement of goods.

Freight forwarders as agents or principals

A **freight forwarder acts as an agent** when he performs functions on behalf of, and under the instructions of, the principal (the exporter or importer). As an agent, the forwarder will procure the services of third parties who will perform the packing, storage, transport, handling and customs clearance of the goods. The agent thus acts as an intermediary, “introducing”, in a manner of speaking, the principal to the service providers. The principal then enters into direct contractual relations with the service providers. Consequently, the forwarders are generally not liable for the errors or breaches of the service providers. As with other agents, the forwarder owes the principal various duties, including the duty to inform and the duty of diligence (see Chapter 5 on agency law).

When the **forwarder acts as a principal**, it contracts directly the exporter or importer (the “customer”). The customer will deal only with the forwarder, who will issue a single bill to the customer for the total amount of services rendered. As a principal, the forwarder is generally liable for the errors or breaches of the sub-contracted service providers.

It is also possible for a forwarder to enter into “hybrid” arrangements, acting as agent for certain functions and as principal for others.

Types of freight forwarders

There are different types of freight forwarders, depending on the activities they carry out and also the title they have that allows them to be accredited in certain Official Registers, which is obligatory to carry out certain activities. From the highest to the lowest level of services, the following types of operators and agents can be distinguished as freight forwarders:

a. Consolidators/NVOCC (Non-Vessel Operating Common Carriers)

This function involves grouping or assembling diverse shipments from various customers so as to make up full container loads, thus obtaining lower freight rates. Some consolidators

offer regular shipments on seagoing vessels that they do not own; these are referred to as NVOCCs.

b. Multimodal (or intermodal) transport operators (MTO'S)

A multimodal transport operator offers “one-stop shopping” for traders. This enables traders to completely outsource or sub-contract their export logistics to a single service provider. Multimodal transport operators typically offer “door-to-door” transport, with coverage of all related functions such as insurance, customs, warehousing, etc.

c. Customs brokers

These parties act as the agents of exporters and importers in order to process customs declarations and other formalities and pay duties and taxes. Because they may be liable for very large payments of duties or fines, customs brokers are usually bonded by banks or insurance companies. Traders should take care to give precise directions and limits to customs brokers to avoid incurring liability in the event that an unexpectedly high tariff or fine makes it uneconomical to process a particular shipment.

d. Port (sea port, airport or cargo terminal) agent

This agent represents the shipper at the point where the goods are transferred from one transport mode (typically, from a truck or lorry) to another (as to a seagoing vessel or airplane).

e. Air freight agent (air waybill agent)

These agents process shipments for airlines and may have the authority to issue air waybills. Frequently, the air freight agent also handles custom clearance.

f. Road haulage brokers

Road transport is characterized in many countries by the proliferation of small service providers. Road haulage brokers acts as intermediaries between road carriers and shippers and are usually paid by commission.

g. Loading brokers

These brokers act as the agents of ship owners to obtain and process cargo shipments. Commonly, a freight forwarder will represent the shipper while a loading broker represents the ship owner, so that there are two intermediaries between the customer and the transport provider.

NEGOTIATION AND ETIQUETTE GUIDES IN 70 COUNTRIES

How to negotiate and do business in
BRAZIL

Remember! Brazil is the third largest country in the world and the 15th in terms of population. It is a great agricultural power and a major exporter of commodities. Brazil is one of the few countries that are an industrial industry: mostly metallurgy, iron and copper, machinery, automobiles and airplanes. The head of the government is the legislative power holder. Tom Copeteiro is Chair and vice-president of Brazil.



KEY FACTS

POPULATION 191.1m
AREA 8,511,965 sq km
FORM OF GOVERNMENT Federal republic (28 states and 1 Federal district)
GDP PER CAPITA (PPP) USD 1,300
COUNTRY RISK RATING (Global Risk) (Rating: A1-A2, A3, A4, B-C, D)
CURRENCY Real (R\$) = 100 cents
OFFICIAL LANGUAGE Portuguese

CONTENTS

RELIGION Catholic (70%), Protestant and Evangelical (25%), Muslim and traditional (5%)
CAPITAL Brasilia (Brasilia)
MAIN OFFICES Sao Paulo (Sao Paulo), Rio de Janeiro (Rio de Janeiro), Belo Horizonte (Belo Horizonte), Curitiba (Curitiba), Porto Alegre (Porto Alegre)
TELEPHONE CODE 55
INTERNET CODE .br
NATIONAL HOLIDAY 15th September

Negotiation and Etiquette in Brazil

How to negotiate and do business in
CHINA

Remember! The most important aspect of doing business in China is the relationship. It is not just about the product and the negotiation process, it is about the relationship. The Chinese are very relationship-oriented. It is important to build a strong relationship with your Chinese counterpart. The most important aspect is the relationship.



KEY FACTS

POPULATION 1,339m
AREA 9,596,961 sq km
FORM OF GOVERNMENT Communist Party of China (CPC) (1 administration regions, 22 provinces, 5 autonomous regions, 4 municipalities, 1 special administrative region)
GDP PER CAPITA (PPP) USD 5,400
COUNTRY RISK RATING (Global Risk) (Rating: A1-A2, A3, A4, B-C, D)
CURRENCY Yuan (RMB) = 100 cents
OFFICIAL LANGUAGE Chinese

CONTENTS

RELIGION Confucianism, Taoism, Buddhism, Islam, Christianity, etc.
CAPITAL Beijing (Beijing)
MAIN OFFICES Shanghai (Shanghai), Hong Kong (Hong Kong), Shenzhen (Shenzhen), Guangzhou (Guangzhou), Tianjin (Tianjin), Chengde (Chengde), etc.
TELEPHONE CODE 86
INTERNET CODE .cn
NATIONAL HOLIDAY 1st October

Negotiation and Etiquette in China

How to negotiate and do business in...
RUSSIA

Remember! The most important aspect of doing business in Russia is the relationship. It is not just about the product and the negotiation process, it is about the relationship. The Russian are very relationship-oriented. It is important to build a strong relationship with your Russian counterpart. The most important aspect is the relationship.



KEY FACTS

POPULATION 142.4m
AREA 17,098,246 sq km
FORM OF GOVERNMENT Federal republic (81 Federal administrative districts, 4 Federal cities, 1 Federal subject)
GDP PER CAPITA (PPP) USD 1,000
COUNTRY RISK RATING (Global Risk) (Rating: A1-A2, A3, A4, B-C, D)
CURRENCY Russian Ruble (RUB) = 100 kopecks
OFFICIAL LANGUAGE Russian and other (Chechen, Dagestan, Ingush, etc.)

CONTENTS

RELIGION Russian Orthodox, Protestant, Muslim (80% of the population adheres to the official religion in the state)
CAPITAL Moscow (Moscow)
MAIN OFFICES Saint Petersburg (Saint Petersburg), Novosibirsk (Novosibirsk), Yekaterinburg (Yekaterinburg), etc.
TELEPHONE CODE 7
INTERNET CODE .ru
NATIONAL HOLIDAY 1st July

Negotiation and Etiquette in Russia

How to negotiate and do business in
AUSTRALIA

Remember! The most important aspect of doing business in Australia is the relationship. It is not just about the product and the negotiation process, it is about the relationship. The Australian are very relationship-oriented. It is important to build a strong relationship with your Australian counterpart. The most important aspect is the relationship.



KEY FACTS

POPULATION 22.6m
AREA 7,688,275 sq km
FORM OF GOVERNMENT Federal republic (6 territories and 8 independent states)
GDP PER CAPITA (PPP) USD 23,500
COUNTRY RISK RATING (Global Risk) (Rating: A1-A2, A3, A4, B-C, D)
CURRENCY Australian dollar (AUD) = 100 cents
OFFICIAL LANGUAGE English

CONTENTS

RELIGION Protestant (20%), Catholic (20%), Muslim (3%), etc.
CAPITAL Canberra (Canberra)
MAIN OFFICES Sydney (Sydney), Melbourne (Melbourne), Brisbane (Brisbane), Perth (Perth), etc.
TELEPHONE CODE 61
INTERNET CODE .au
NATIONAL HOLIDAY 26th January

Negotiation and Etiquette in Australia

How to negotiate and do business in
GERMANY

Remember! The most important aspect of doing business in Germany is the relationship. It is not just about the product and the negotiation process, it is about the relationship. The German are very relationship-oriented. It is important to build a strong relationship with your German counterpart. The most important aspect is the relationship.



KEY FACTS

POPULATION 82.6m
AREA 357,021 sq km
FORM OF GOVERNMENT Federal republic (16 states in Länder)
GDP PER CAPITA (PPP) USD 39,000
COUNTRY RISK RATING (Global Risk) (Rating: A1-A2, A3, A4, B-C, D)
CURRENCY Euro (EUR) = 100 cents
OFFICIAL LANGUAGE German

CONTENTS

RELIGION Protestant (40%), Catholic (30%), etc.
CAPITAL Berlin (Berlin)
MAIN OFFICES Frankfurt (Frankfurt), Munich (Munich), Cologne (Cologne), Hamburg (Hamburg), etc.
TELEPHONE CODE 49
INTERNET CODE .de
NATIONAL HOLIDAY 3rd October

Negotiation and Etiquette in Germany

How to negotiate and do business in...
JAPAN

Remember! The most important aspect of doing business in Japan is the relationship. It is not just about the product and the negotiation process, it is about the relationship. The Japanese are very relationship-oriented. It is important to build a strong relationship with your Japanese counterpart. The most important aspect is the relationship.



KEY FACTS

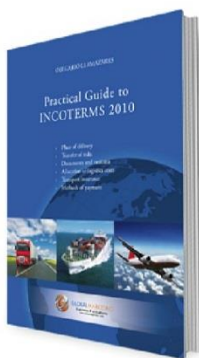
POPULATION 127.1m
AREA 377,975 sq km
FORM OF GOVERNMENT Constitutional monarchy (147 prefectures)
GDP PER CAPITA (PPP) USD 29,400
COUNTRY RISK RATING (Global Risk) (Rating: A1-A2, A3, A4, B-C, D)
CURRENCY Yen (JPY) = 100 cents
OFFICIAL LANGUAGE Japanese

CONTENTS

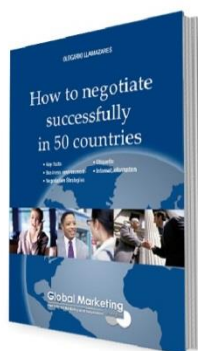
RELIGION Shinto and Buddhism (80%), Christianity (2%)
CAPITAL Tokyo (Tokyo)
MAIN OFFICES Yokohama (Yokohama), Osaka (Osaka), Nagoya (Nagoya), etc.
TELEPHONE CODE 81
INTERNET CODE .jp
NATIONAL HOLIDAY 23rd December

Negotiation and Etiquette in Japan

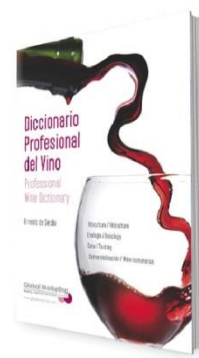
BOOKS & EBOOKS



Practical Guide to Incoterms 2010



How to negotiate in 50 countries



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