

Ecole des Hautes Etudes Commerciales

EHEC

**End of Cycle thesis for obtaining the Master's Degree in
Commercial Sciences**

Option: International Business

TOPIC:

**The Difference Between the impact of the
Documentary Credit and the Documentary
Remittance in The oil industry
Case Study: SONATRACH-DCG**

Developed by:

Amara Sahar

EHEC

Promoted by:

Miss. Belhouadjeb Hind

Associate Professor (A) in

09th Promotion

June 2022

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Abstract

The unconventional hydrocarbons are well distributed in the world and represent a strategic resource whose exploitation could make it possible to supplement the conventional hydrocarbon contributions and to partly ensure future the energetic of planet.

SONATRACH is an oil company, it is a major player in the field of oil and gas. Which places it today, the first hydrocarbon company in Africa and the Mediterranean, and it is the main enterprise that is making a difference in the economy of the country, so working in the international field is one of its principal activities. All the relations with the foreign countries and all the businesses are based on the methods of payment on the international framework.

The objective of this study is to compare the difference between the documentary credit and the documentary remittance form the company of SONATRACH. After our analysis we realized even with the importance of the documentary credit and its security and advantages but the company choose to work and deal in its business with the documentary remittance because its less expensive than the CREDOC.

Key words:

Hydrocarbons, international field, documentary credit, documentary remittance

Resumé

Les hydrocarbures non conventionnels sont bien répartis dans le monde et représentent une ressource stratégique dont l'exploitation pourrait permettre de compléter les apports en hydrocarbures conventionnels et d'assurer en partie l'avenir énergétique de la planète.

SONATRACH est une compagnie pétrolière, c'est un acteur majeur dans le domaine du pétrole et du gaz. Ce qui la place aujourd'hui, la première compagnie d'hydrocarbures en Afrique et en Méditerranée, et c'est la principale entreprise qui fait la différence dans l'économie du pays, donc travailler dans le domaine international est une de ses activités principales. Toutes les relations avec les pays étrangers et toutes les affaires sont basées sur les méthodes de paiement dans le cadre international.

L'objectif de cette étude est de comparer la différence entre le crédit documentaire et la remise documentaire de la part de la société SONATRACH. Après notre analyse, nous avons réalisé que même avec l'importance du crédit documentaire, sa sécurité et ses avantages, la société a choisi de travailler et de traiter dans ses affaires avec la remise documentaire parce qu'elle est moins chère que le CREDOC.

Mots clés :

Hydrocarbures, champ international, crédit documentaire, remise documentaire.

ملخص

يتم توزيع الهيدروكربونات غير التقليدية بشكل جيد في العالم وتمثل موردًا استراتيجيًا يمكن أن يجعل استغلاله من الممكن استكمال المساهمات الهيدروكربونية التقليدية ويضمن جزئيًا مستقبل طاقة الكوكب.

سوناتراك هي شركة نفطية، ولاعب رئيسي في مجال النفط والغاز. وهو ما يضعها اليوم، أول شركة هيدروكربونية في إفريقيا والبحر الأبيض المتوسط، وهي المؤسسة الرئيسية التي تحدث فرقًا في اقتصاد البلاد، لذا فإن العمل في المجال الدولي هو أحد أنشطتها الرئيسية. جميع العلاقات مع الدول الأجنبية وجميع الأعمال التجارية تقوم على طرق الدفع في الإطار الدولي.

الهدف من هذه الدراسة هو مقارنة الفرق بين الاعتماد المستندي والتحويلات المستندية من شركة بعد تحليلنا أدركنا حتى مع أهمية الاعتماد المستندي وأمنه ومزاياه لكن الشركة اختارت SONATRACH. CREDOC. العمل والتعامل في أعمالها مع الحوالات المستندية لأنها أقل تكلفة من

الكلمات الدالة:

الهيدروكربونات، المجال الدولي، الاعتماد المستندي، الحوالات المستندية

Dedication

I dedicate this work to:

My mother (Sabah), for all the times that I forgot to Thank-You because: you gave me life, nurtured me, believed in me, fought for me, but most importantly loved me unconditionally. There are not enough words I can say just to describe how much I love you.

My father (Fouad), the man who raised me to be the girl that I'm today, I know that you did and you will always do your best to see me happy. Thank you, for believing in me and supporting me and let me do the things that I like. I love you and God bless you for us.

My 2 brothers (Rami and Redhoine), thank you brohs for always being there with me and encourage me to finish my path and be where I'm today.

My grandfather, the hero of my story, the man that was always caring about me and was always wishing to see me successful. I just need you to know that I love you and i miss you so much and I really wish that u still here with me. Rest in peace grandpa.

My cousin and my twin (Hadil), you never let me feel like I'm alone or be needed to anything, you were there for me in my happiness and my sadness. Thank you, sister, I love you so much.

My second cousin (Mimi), my bff, you are the person that were always by my side and supported me every day. I am really thankful to you.

My friends (Hamza, Islam and Amine) who was always there for me and supported me and handled my mood every day, thank you

My 4 real friends (Basma, Aya, Amani and Amira), with you guys I knew what a real friendship means. Thank you so much for all your support and love and all the happy moments.

Finally, to all my family and the people that i knew in these years, thank you so much for all your love, kindness and support and the good things that we passed it together.

Thanking

First of all, I want to thank God for giving me the strength, courage and patience to be where I'm today and make my parents proud of me.

I send all my thankful letters to all the people that helped me in my 5TH years of college and believed in me, whom they gave me hope to achieve what I wished and never let me give up on my dream.

Also, I want to say big thanks to my promoter Miss Bellhoudjeb Hind who allowed me to benefit from her supervision and helped me to complete my thesis.

In addition, I can't forget to thank my 2nd promoter in the enterprise Miss Djazie Saifi for all her efforts to give me all the information that I needed and her help to teach me as much as she could.

I thank some of my teachers that helped me in my study path and did their best to see me as a successful student, and prove to those who didn't want me to succeed that I'm worth it.

Last but not least, thanks to everyone that helped me either they are far or close, thanks to my school, to my family and to my true friends.

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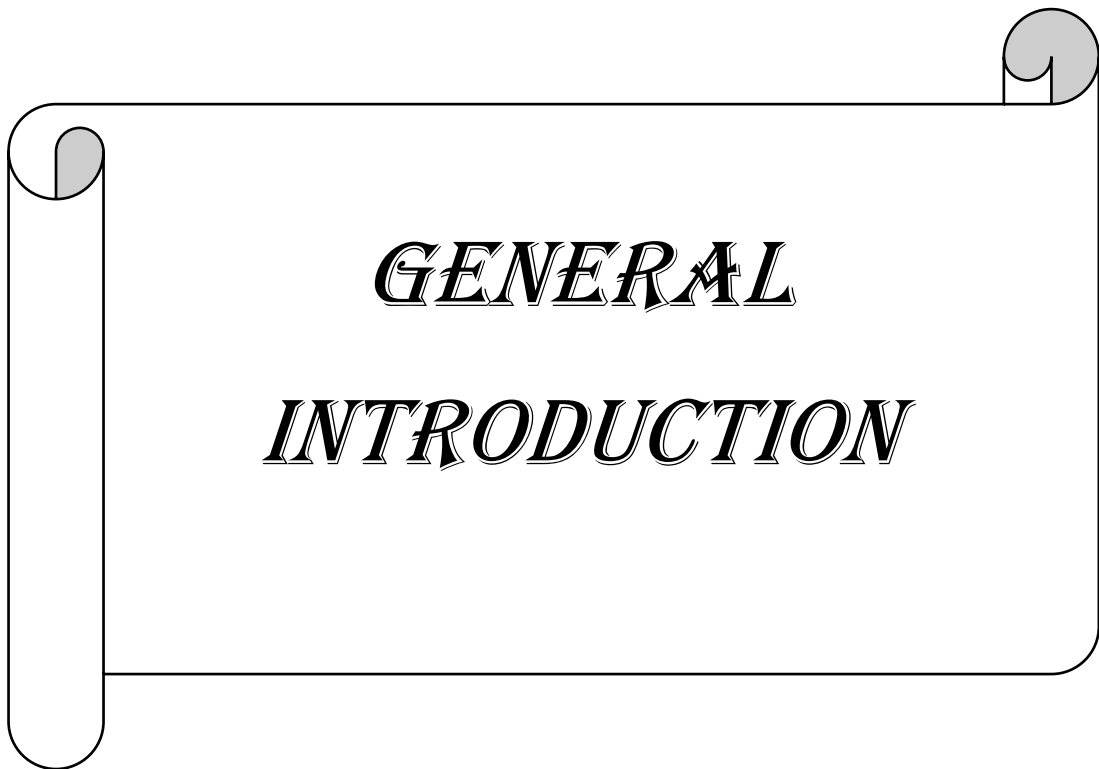
List of abbreviations

Abbreviation	Description
GATT	General Agreement on Tariffs and Trade
UAE	United Arab Emirates
AWB	Air Waybill
BTN	Bank Transfer Note
RWB	Road Waybill
DICN	Duplicate of Inter Consignment note
CIF	Cost, Insurance and Freight
FOB	Free on Board
WTO	World Trade Organization
GAI	Global Authorization of Import
NMO	National Marketing Office
PPG	Professional Purchasing Groups
LNG	Liquefied Natural Gas
CEO	Chief Executive Officer
AOC	Audit and Compliance Department
LRP	Liquefaction, Refining and Petrochemical
GIA	Global Import Authorization
GIP	General Import Program
EPC	Economic Public Company
CFL	Complementary Finance Law
IBAN	International Bank Account Number
BIC	Bank Identifier Code
SWIFT	Society For Worldwide Interbank Financial Telecommunication

CEGS	Collection Except in Good Standing
CAE	Credit After Encashment
USA	United States America
COD	Cash on Delivery
SBLC	Stand By Letter of Credit
UCP	Uniform Customs and Practice
ICC	International Chamber of Commerce
LPG	Liquid and Petroleum Gas
BVI	British Virgin Islands
SPC	SONATRACH Petroleum Corporation
COM	Commercial
SH	SONATRACH
CREDOC	Documentary credit
REMDOC	Documentary remittance

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General Introduction

General Introduction

The international environment is going through a historic transformation. We are moving away from a world in which national economies were relatively isolated from each other by different barriers, towards a world in which national economies, are merging into interdependent global economic system. The emerging global economy creates opportunities as well as presents challenges and threats to the business.

That's why, international commercial transactions demand efficient risk management. Where transport of goods reaches over borders and delivery and payments are separated in time and space, both seller and buyer have to face certain risks. Usually, the seller faces the risk of change in the client's financial status after shipment of goods has taken place, which may lead to delay in receiving the purchase price or non-payment at all.

In order to eliminate or even to reduce the risk of non-delivery and non-payment, as well as the difficulties occurring from the conflicting legislations, currency and culture, merchants have created different methods and diverse instruments to finance international trade. The main international payments methods used around the world including Algeria are: Cash, Letters of credit, documentary collections, open account...etc. However, documentary collection is less then known then than other forms of trade finance, such as letters of credit and advance payment. It is so-useful because the exporter receives payment from the important in exchange for the shipping document.

The documentary credit is a method of payments that companies uses and that protects both the importer and the exporter in a contract of sale. For the seller, usually it gives him a guarantee that he will receive payment after the shipment of goods had been fulfilled. In the case of the importer, he gets a guarantee that goods ordered will be delivered. In addition, the documentary remittance or documentary cash-in is one of the payment methods that can add the protection to your international commercial transactions with your trusted customers, clients or partners.

The main subject of this researcher is about "The difference between the impact of the documentary credit and the documentary remittance in the international commerce", which is going to be at the commercial department of "SONATRACH".

The reason for choosing this theme was motivated by its topicality and by the importance it gives in the commercial field and specially the international one because:

- Most of the companies in Algeria works with the documentary collection
- The variety of the information that are available about those two documentaries.
- It has a relation with my specialty of international business
- The documentary collection has an important role in the foreign transactions.

General Introduction

I chose the company of “SONATRACH” as a place of traineeship since it is important on the national scale and the international either specially that it is the pillar of our country.

In our research, we found a general question called “problematic” that needs to be solved which is:

“How can the documentary credit and the documentary remittance be effective and useful means for the regulation and realization of foreign trade?”, based on this question we can add these sub-questions:

-What are the methods of payment that the company of SONATRACH uses the most in the international field?

-Can the company use only one of the documentary collections?

-What are the risks of using documentary credit and remittance for the foreign transactions?

In addition, to answer about these problematic, we will present the following suppositions:

1st Supposition:

A documentary credit helps the Company to hedge against the risks related to export trading

2nd Supposition:

The difference between the documentary credit and the documentary remittance may be at the level of guarantees offered against risks.

3rd Supposition:

The documentary credit remains the most efficient and secure.

After mentioning the suppositions, i approved the procedure that are related to my documentary research through web sites, books, articles and even universities thesis, in order to make a comprehension subject in the theoretic and practical parts. The period of 3 months at the commercial department of SONATRACH I will use it to talk briefly and clearly about my topic, and the subject is going to be descriptive and comparative since I will talk about the keys concepts of my subject and compare between the documentary credit and the documentary remittance.

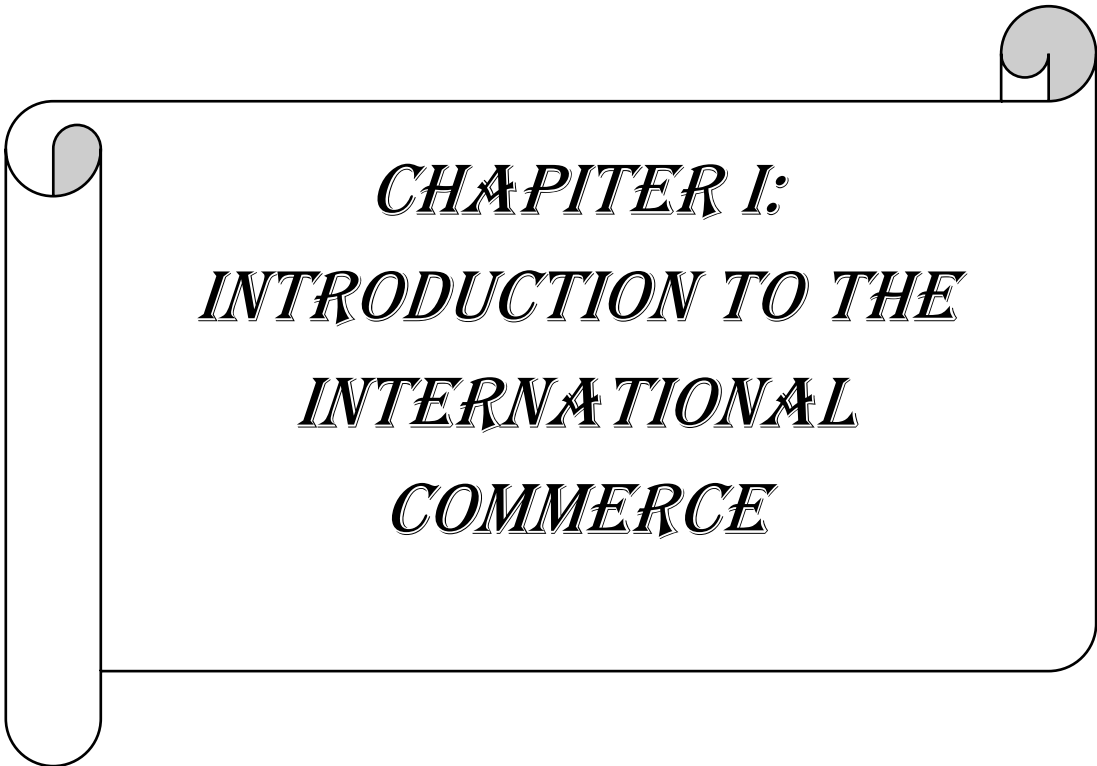
I decided to split this thesis on 3 different chapters, the first two ones are going to be theoretical, but the third one is about a practical case study based in the company.

General Introduction

The first chapter will talk on general about the introduction to the international trade, first section will be about the story of international commerce, its definition, characteristics, advantages and disadvantages. The second section, it will present the documents used in the foreign trade and that most of the companies uses. For the third section, it will deal with the development of international trade in Algeria and how the finance law changed plus to what are the main methods of payment used in the foreign trade.

The second chapter will determinate the methods of payment that are most used in the international field. The first section will present the different ways of payments in the international trade and in the company, in which we will discover the definition, characteristics and the graphics of each one. The second section contain the difference between the two documentaries “The documentary credit and the documentary remittance”. Passing to the third section which is going to be about the main risks that a company can have while using these two types of documentaries.

The third chapter will take responsibility of the study case “The financing of foreign trade operations: the case of documentary remittance in the company of SONATRACH”, the first section will take the role to talk about the organization of our case SONATRACH, its story and all its activities and services. For the second section, it will be about the methodology of our study case which will be the comparative study, comparing between the process of an import operation using the documentary credit and the documentary remittance. The last section, will take the role to talk about the comparative results between documentary credit and documentary remittance.



***CHAPTER I:
INTRODUCTION TO THE
INTERNATIONAL
COMMERCE***

Chapter I: Introduction to the international commerce

Chapter I: Introduction to the international Commerce

Introduction Chapter I:

One of the important functions of any international bank is the financing of the international trade. The international bank is the most necessary institution in lending to exporters and importers or providing credits for transactions in international trade.

However, International economics is expanding in importance as a field of study because of the rapid integration of international economic markets. In addition, businesses, consumers, and governments realize that their lives are related not only by what goes on their countries or towns but also by what is happening around the world.

Globalization has allowed the opening of markets, which has resulted in competition on an international scale. Indeed, companies that want to be dynamic and efficient must adopt management rules, a system of proper functioning and a good strategy. This strategy will consist for a company, to allocate its resources to the best of its purpose, its competitive advantages and in taking into account changes in the environment. It is for them to be in phase with new international management standards in order to better identify their strengths and weaknesses.

Despite this, in this chapter we will discover three sections. The first one is going to discuss the story of international trade, its characteristics, advantages and disadvantages and its role. The second section will describe the several documents used in the foreign trade. The last section will be about the progress of international trade in Algeria and the changes that happened through the years.

Chapter I: Introduction to the international commerce

Section 1: Generality about the international commerce

1 History of international Trade:

You could say that the study of international trade and finance is where the discipline of economics as we know it started. International trades between countries and across continents have existed for centuries including previous civilizations, and all civilizations carried on trade with other parts of the world. The need for trading exists owing to the variations in availability of resources and comparative benefit. In the present field where technology and innovation in all frameworks have thrown open borders to globalization, no country can afford to stay isolated and self-sufficient.

International commerce or international trade has a rich history beginning with barter system being replaced by Mercantilism in the 16th and 17th centuries. The 18th century saw the change towards liberalism. David Hume the Scottish philosopher published his essay in 1758, almost 20 years after he announced his article, his friend Adam Smith “The father of economics” wrote the famous book “The wealth of nations” where he defined the importance of specialization in production and brought international trade under the said context.¹

All these economic thoughts and principles have affected the international trade policies of each country. Nevertheless, in the last few centuries, countries have entered into different conventions to move towards free trade where countries do not impose tariffs in terms of import duties and permit trading of goods and services to go on freely.

The 19th century beginning saw the move through professionalism, which petered down by end of the century. Around 1913, the countries in the west saw extensive move towards economic liberty where in quantitative restrictions were done away with and tariffs were reduced across countries. All currencies were freely exchangeable into gold, which was the international monetary currency of exchange. Building business anywhere and finding employment was easy and one can say that trade was really free between countries around this period.

The first world war changed the entire method of the world trade and countries built walls around themselves with wartime controls. After the world war, five years went trying to fix what happened and getting back trade to normalcy. But then the economic decline in 1920 changed the balance of world trade again and many countries change of fortunes due to fluctuation of their currencies and depreciation creating economic pressures on different governments to adopt protective mechanisms by adopting to raise customs duties and tariffs.²

The need to minimize the pressures of economic conditions and ease international trade between countries gave rise to the World Economic Conference in May 1927 organized by the League of Nations wherein the most important industrial countries

¹ L.MARTIN, (Lisa): The Oxford Handbook of The Political Economy of International Trade, edition Oxford University Press, New York, 2015 P.1

² PRACHI, (Juneja): “History of International Trade”, in management study guide content team, 2015,

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participated and guided the drawing up of the Multilateral Trade Agreement. This was next followed by the General Agreement of Tariffs and Trade (GATT) in 1947.

Yet, once again depression stuck in the 1930s disrupting the economies in all countries leading to an increase in import duties so it can be able to maintain a favorable balance of payments and import quotas or quantity constraints including import prohibitions and licensing.

Today the importance of international trade and the factors influencing global trade is much better understood. The context of global markets has been guided by the understanding and theories advanced by economists based on natural resources available to various countries which gives them a comparative advantage.

In the early 21st century, nations are more closely linked than ever before via trade in goods and services, flows of money, and investment in each other's economies. And the international economy created by these correlations is a turbulent place. For professionals who are occupying management or leadership positions in Organizations, understanding the background of the foreign trade and economic policies becomes necessary as it forms the backdrop for the business organizations to charter their path for growth¹.

2 Definition of the international commerce:

International trade permits countries to expand their markets and access goods and services that otherwise may not have been available domestically. As a result of global trade, the market is more competitive. This eventually results in more competitive pricing and brings a cheaper product home to the consumer. It offers opportunities and risks to countries, groups, and individuals.

According to Wasserman and Hartman « International Trade consists of transaction residents of different countries »

According to Anatol Marad and Edgeworth « International trade is a trade between nations »

3 Types of international Trade:

For practical purposes, international trade is divided into three different types. Which are:

3.1 Import Trade:

For a simple explanation, import trade means buying goods and services from a foreign country because they cannot be produced in sufficient quantities or at a competitive cost in your own country.

- **Example:**

India imports 82% of its crude oil requirements from countries like the UAE and Venezuela. This is because of these countries possess massive oil fields and are quite competent in exploring, processing, and transporting oil at an economical rate.

¹ PAUL.R (Krugman), MAURICE (Obstfeld), MARC J (Melitz) : International trade Theory and Policy, Eleventh Edition, Malaysia, 2018, P23

Chapter I: Introduction to the international commerce

Likewise, UAE imports agriculture and apparel-based products from India because it is easier and cheaper to import these, rather than produce them in their own country.

3.2 Export Trade:

- Quite like its import counterpart, export trade is a type of international trade that relies on selling locally fabricated goods and services to foreign countries. In theory, it is considered to be just the opposite of import trade.
- **Example:**

India exports inorganic chemicals, oilseeds, raw ores, iron and steel, and dairy products to a country like China. In return, China exports electrical equipment, organic chemicals, mineral fuels, and fertilizers to India. These goods are exchanged between both countries so that they can make the most of their respective production abilities.

3.2.1 Entrepot trade:

Entrepot trade, in simple terms, is a typical form of international trade that comprises both – import and export trade. Under this type, goods and services are imported from one country so that they can be exported to another country. This is a way to say that the imported goods are not used for consumption or sale in the importing country. Rather, the importing country just adds some value to the goods before exporting them yet again.

- **Example:**

If India imports rubber from Thailand, processes it, and re-exports it to other country like Japan, it would be referred to as Entrepot trade.

- ✓ Most countries deal in Entrepot trade because of the following reasons:
- ✓ Lack of access or direct relation between any two countries
- ✓ Better processing or logistical facilities available with a third country
- ✓ Absence of a trade agreement between two countries
- ✓ There is No trade finance in banking facilities available in the importing country¹

4 The importance of International Trade:

Countries go for international trade, when there are not enough resources or capacity to meet the domestic demand. So, by importing the needed goods, a country can use their domestic resources to make what they are good at. Then, the country can export the surplus in the global market. In Addition, a nation imports goods and services for the following reasons:

¹ <https://www.wallstreetmojo.com/international-trade/> (20/05/2022 at 17h)

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4.1 Price:

If foreign companies can produce or present goods and services more cheaply, then it may be beneficial to go for foreign trade.

4.2 Quality:

If the companies abroad can offer goods and services of excellent quality.

❖ For instance:

Scotch Whiskey from Scotland is considered to be superior. Scotland exports around 37 bottles of Scotch by second.

4.3 Availability:

If it is impossible to make that product domestically, like a special variety of fruit or a mineral.

❖ For instance:

Japan has no natural resources of oil, and thus, it imports all its oil.¹

5 Advantages and Disadvantages of International Trade:

5.1 Advantages of International Trade:

5.1.1 Optimal use of natural resources:

Every country get helps from international trade to make optimum use of its natural resources. Each country can focus on production of those goods for which its resources are best suited. Wastage of resources is avoided.

5.1.2 Availability of all types of goods:

It enables a country to obtain goods that it can't manufacture or which it is not producing due to higher costs, by importing from other countries at lower costs.

5.1.3 Specialization:

International trade leads to specialization and encourages the production of different goods in several countries. Goods can be produced at a comparatively low cost due to advantages of division of labor.

5.1.4 Advantages of large-scale production:

Due to foreign trade, goods are produced not only for home consumption but for export to other countries also. Nations of the world can dispose of goods that they have in surplus in the international markets. This guides to production at a large scale and the advantages of large-scale production can be obtained by all the countries of the world.

¹ <https://efinancemanagement.com/international-financial-management/international-trade>
(20/05/2022 at 17h)

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5.1.5 Stability in prices:

International trade protects the differences in prices. It equalizes the prices of goods throughout the world (ignoring the cost of transportation, etc.).

5.1.6 Exchange of technical know-how and establishment of new industries:

Underdeveloped countries can create and develop new industries with the machinery, equipment, and technical know-how imported from developed countries. It can help in the economics of the world at large and in the countries themselves.

5.1.7 Increase in efficiency:

Due to international competition, the producers in a country try to make better quality goods and at the minimum possible cost. This increases the efficiency and benefits to the consumers all over the world.

5.1.8 Development of the means of transport and communication:

International trade requires the best means of transport and communication. For the advantages of foreign trade, development in the materials of transport and communication is also made possible.

5.1.9 International co-operation and understanding:

The people of different countries come in contact with each other. Commercial relations amongst nations of the world encourages exchange of ideas and culture. It creates co-operation, understanding, cordial relations amongst different nations.

5.1.10 Ability to face natural calamities:

Natural calamities such as drought, floods, famine, earthquake etc., affect the production of the countries negatively. Deficiency in the supply of goods at the time of such natural calamities can be met by imports from other countries.

5.1.11 Other advantages:

International trade helps in a lot of ways such as benefits to consumers, international peace and better standard of living.

5.2 Disadvantages of International Trade:

Though foreign trade has many advantages, it has also disadvantage that can't be ignored:

Chapter I: Introduction to the international commerce

5.2.1 Impediment in the Development of Home Industries:

International trade harms the development of home industries. It poses a threat to the survival of infant industries at home. Due to foreign competition and unrestricted imports, the upcoming industries in the country may collapse.

5.2.2 Economic Dependence:

The underdeveloped countries have to rely upon the developed ones for their economic development. Such support often leads to economic exploitation.

- **For instance:**

Most of the underdeveloped countries in Africa and Asia have been hard done by European countries.

5.2.3 Political Dependence:

International trade often motivates subjugation and slavery. It impairs economic independence that endangers political dependence.

- **For example:**

The Britishers came to India as traders and eventually ruled over India for a very long time.

5.2.4 Mis-utilization of Natural Resources:

Exaggerated exports may exhaust the natural resources of a country in a shorter span of time than it would have been. Otherwise, this will cause the economy decrease of the country in the long run.

5.2.5 Import of Harmful Goods:

Import of spurious drugs, luxury articles, etc. Negatively affects the economy and well-being of the people.

5.2.6 Storage of Goods:

Sometimes the essential commodities required in a country and in short supply are also shipped to earn foreign exchange. This results in shortage of these goods at home and causes inflation.

- **For example:**

India has been exporting sugar to earn foreign trade exchange, therefore the exalting costs of sugar in the country.

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5.2.7 Danger to International Peace:

International trade allows foreign agents to settle down in the country which ultimately endangers its internal peace.

5.2.8 World Wars:

International trade breeds rivalries amongst nations due to competition in the foreign markets, this may eventually guide to wars and disturb world peace.

5.2.9 Hardships in times of War:

International trade boosts the lopsided development of the country as only those goods which have comparative cost advantage are produced in a country during wars, or when good relations do not prevail between nations, many hardships may follow.¹

¹ <https://www.yourarticlelibrary.com/international-trade/advantages-and-disadvantages-of-international-trade/42100> (22/05/2022 at 17h)

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Section 2: Documents used in the international trade:

6 Documents used in international trade:

The use of documents in international trade was born out of mistrust between partners, which is explained by:

- Their mutual ignorance and their geographical distance;
- Differences in laws and legislations in their respective countries;
- Cultural and linguistic differences.

Thus, in order to dissipate this mistrust, it is of the utmost importance to elaborate the commercial documents which must clarify the obligations and the rights of the contracting parties.

Given the importance of these documents, we thought it would be useful to present the most common ones of them:

6.1 Price documents

These are, in particular, the different types of invoices which must mention:

- The identity of the contractors;
- The address and registration number in the trade register;
- The country of origin and provenance of the goods;
- The nature of the goods or services provided;
- Their quality, unit price and total amount;
- The currency of invoicing and the currency of payment;
- The breakdown into transferable part and part payable in DA;
- Invoice date and delivery time;
- Terms of sale and delivery.
- Other information deemed useful by both parties. As for the types of invoices, we can mention

6.1.1 Pro forma invoice:

It is an estimate established in the form of invoice anticipating the final invoice which will be established with the realization of the commercial operation. It allows, generally to the purchaser (importer) to accomplish certain administrative procedures that require an import operation (direct debit, opening of a CREDOC, REMDOC).¹

It must include the characteristics of the goods: the quality, the price as well as the terms of payment.

6.1.2 The commercial invoice (final):

¹ AMLOUKKAS (A), GUEDDOUDJ (F) et ZELOUCHE (K) : Credoc comme seul instrument de paiement en Algérie, Bachelor's thesis, HEC, Alger, 2011, P.14.

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This is the basic element that concretizes any commercial transaction. It is established by the Seller. The Invoice presented for direct debit must include the following information:

- The names and addresses of the co-contractors;
- The country of origin, provenance and destination of the goods or services;
- The nature of the goods and services;
- The quantity, quality and technical specifications;
- The transfer price of the goods and services in the currency of invoicing and payment of the contract;
- The delivery period for goods and the completion period for services;
- The contractual provisions for the assumption of risk and other incidental costs;
- Terms of payment;
- Incoterms¹

6.1.3 The consular invoice:

This document must mention the detailed description of the goods in the national language of the consignee and according to the customs tariff of that country. It must also indicate the value, gross and net weight, and certify the origin of the goods. It must then be legalized by the Consul of the importing country.²

6.1.4 Customs documents:

Customs declarations are approved by the customs administration of the importing country and are drawn up on specific forms. These are mainly forms D6 for exports and D10 for imports. These documents include the customs tariff, the date of customs clearance and the value of the goods under customs.

6.2 Transport documents (shipping):

The transport documents are fundamental elements that ensure the acceptance of the goods by the carrier. These documents differ according to the mode of transport used for the shipment of the goods in question.

6.2.1 The bill of lading:

Nearly 90% of international trade in goods is carried out by sea, and for this purpose, a special document of value, called the "bill of lading" is used. The maritime bill of lading is the oldest transport document.

It is issued by the ship's captain who acknowledges having taken possession of the goods and undertakes to carry it to the port of discharge.

¹ CHABANI Saïd, NEBRI Younes : mémoire de fin d'étude « le financement du commerce extérieur par la remise documentaire » promo 2016/2017.

² BERNET (ROLLANDE) : principe de technique bancaire, 25 édition DUNOD, paris, 2008, p.355

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“The bill of lading is therefore a title deed to the carrier, it is negotiable; an original of this document signed by the company will be requested at the port of destination to collect the goods shipped”¹.

A-The particularities of the bill of lading:

This document has the particularity of being at the same time:

- A title deed;
- A shipment receipt for the shipper;
- A contract of carriage.

B-Particulars of the bill of lading:

In view of its importance, the bill of lading must contain certain Information, namely:²

- The name of the vessel;
- The port of shipment;
- Port of discharge;
- The name of the transport company or that of the ship's captain;
- Description of the goods transported;
- The conditions of transport (in litter, in collar, in cold room...);
- The terms of payment;
- The term of sale (Incoterm);
- The date of shipment;
- The mention "clean on board";
- The signature of the captain of the ship.

It should also be noted that a bill of lading may include other information specifically requested by the importer, such as

Received for shipment: this statement does not attest to the actual shipment of the goods; it only attests to the fact that the transport company has taken charge of them;

Loaded on board: this indication certifies that the goods are actually loaded on board the vessel;

Dirty (overloaded): this bill of lading contains the company's reservations about the quality or condition of the goods loaded and stored in an uncovered area of the vessel;

Transshipment (authorized/prohibited): the bill of lading may contain a statement transshipment is authorized or prohibited; the loading or unloading of goods from a loading or unloading of goods from one vessel to another during the course of maritime transport. The bill of lading can be issued either:

- **To bearer:** the bearer becomes the owner of the goods.
- **To a named person (straight consigned):** it designates by name the person who is to take possession of the goods (in this case it cannot be endorsed).

¹ MONOD (Didier-Pierre) : Moyens et techniques de paiement internationaux, edition ESKA, Paris, 1999, P.226

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- **An order (to order):** made out to the order of the importer or his banker who can be transmitted by endorsement

In Algeria, the bill of lading must be marked "clean" and "on board" in order to be accepted in remittances and documentary credits, however, the mention "received for shipment" (receipt for shipment) which does not constitute proof of shipment, is strictly prohibited.

In the absence of the bill of lading, the importer's bank issues a document called a "letter of guarantee" to enable him to take possession of the goods.¹

6.2.2 Air Waybill (AW):

All merchandise shipped by air must be evidenced by an air waybill "AW".

The AW is a non-negotiable shipping receipt, as it is nominative and does not represent a title to the goods. It does not represent a title of ownership. As soon as the goods arrive at the airport, the airline sends a notice of arrival to the owner of the goods, who can only collect the goods after presentation of the AW.

If this notice is issued in the name of the bank, the bank must in turn issue a bank transfer note (BTN) to the importer to allow him to take possession of his goods. On the AW are generally mentioned: the name and signature of the carrier, the carrier's name and signature, the airport of departure, the airport of arrival and the date of shipment. It should be noted that the AW not only certifies that the goods have been taken over in good condition, but also that they have been but it also certifies that the goods have actually been shipped.

6.2.3 The Road Waybill (RWB):

The RW is a road transport document issued by the shipper, which is generally the carrier, who undertakes to deliver the goods to the agreed destination point. As for the RW, the RW attests on the one hand the taking over of the goods in good condition and on the other hand its effective dispatch as soon as it is signed by the carrier. The RW is not negotiable and does not constitute a title of ownership.²

6.2.4 The duplicate of international consignment note (DICN):

This is a receipt for the shipment of goods by rail (International Convention of Rome 1933). This document is made up of six sheets, one of which, stamped with the date of the station of departure, bears the overprint "duplicate consignment note" and constitutes the proof of the shipment of the goods.

It is established by the sender and the transport company, in named person. It is therefore not endorsable and does not constitute a title of ownership.

¹ BAAZIZ (R), et BENDAOUD (S) : Financement des opérations du commerce extérieur par la remise et le crédit documentaire, Bachelor's thesis, INC, Alger, 2007, P.35.

² BAAZIZ (R), et BENDAOUD (S) : Op.cit., P.37

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6.2.5 The postal receipt (dispatch note):

This is a document issued by the postal services to a named person. It concerns the shipment of goods not exceeding twenty (20) kilograms.

6.2.6 Combined transport document:

This document is used when more than one mode of transport is used to move the goods.

It is issued by the combined transport contractor to certify that the products have been taken over in good condition.

6.3 Insurance documents:

The goods that travel is subject to numerous risks of destruction, deterioration, loss, theft, etc. These accidents must be insured either for the benefit of the seller or for the benefit of the buyer, depending on whether it is one or the other who runs the risk of transport.

The insurance certificate certifies the coverage of the mentioned risks, depending on the type of contract (CIF - FOB, etc.), the goods travel either at the seller's risk and expense, or at shared risk. For simplicity's sake, it is the seller who usually takes out the insurance contract, the beneficiary of which may be either the seller or the buyer, depending on how the risks are shared.¹

In Algeria, all importers are required to insure their goods with an Algerian insurance company.

Among the main insurance documents, we can mention:

6.3.1 The insurance policy:

This is a contract drawn up between the insurer and the insured, setting out the obligations of each party.

This policy can be:²

- **A trip policy:** covers a given expedition, for a specific journey.
- **A supply policy:** covers several shipments of goods of the same nature for an indefinite for an indefinite period.
- **A floating or subscription policy:** covers all shipments of the same exporter, regardless of exporter, regardless of the goods and modes of transport used.
- **A third-party shipper policy:** taken out by a forwarder or a carrier, covers goods that shippers request to be insured on their behalf. This is a very frequent case in air transport.

This is a very frequent case in air transport.

6.3.2 The insurance certificate:

¹ Convention of Warsaw of 12.10.1929.

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This document certifies the existence of an insurance policy for the goods concerned.¹

6.4 Miscellaneous documents:

In addition to the documents presented above, other documents may be required.

They mainly concern the quality and nature of the goods.

6.4.1 Customs documents:

These documents concern the customs declarations, made on specific forms, which are endorsed by the customs administration, whether for import or export, certifying that the goods have been shipped under the agreed conditions.

6.4.2 Packing and weight lists:

They provide information on the various characteristics of the packages making up the shipment, in particular the number of packages, the contents of each package, the weight.¹

6.4.3 The certificate of origin:

This is a document established only in the case where the goods must transit through a third country. It certifies the real origin of the goods.²

6.4.4 The certificate of origin:

This is a document drawn up by the customs administration, by a chamber of commerce or by experts agreed between the parties, in order to certify the country of origin of the goods, i.e., the country where they were produced.³

6.4.5 The health certificate:

It attests to the soundness of the goods of animal origin. It is issued by a by a veterinarian or an official health organization.

6.4.6 The phytosanitary certificate:

This document guarantees the good health of products of plant origin imported for consumption or cultivation in the agricultural sector. It is issued by a special medical organization. This document certifies the quality or composition of a product. It is established by a laboratory or by an expert, mainly used for precious metals and cosmetic products.¹

¹ PAVEAU(J), DUPHIL(f) and the others « exporter, pratique de commerce international »,2008 p 201

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Section 3: The evolution of international trade in Algeria:

7 The evolution of foreign trade in Algeria:

The geographical diversification of trade partners is the main objective of the Algerian trade policy; but the colonization of Algeria by France during more than a century and the exclusive nature of the latter have hardly favored this desire.

Thus, the commercial strategy of Algeria was focused on "the detour of the former French colonizer towards the search for other partners". Algeria did not seek to diversify for the sole purpose of diversifying; the words of the Minister of Commerce at the time "Algeria must buy from countries that import its products and for the suitable amounts", explain clearly that Algeria sought above all of the partners guaranteeing him the most profiles.

The period from 1980 to 2005 is a phase rich in events; the national economic scene is marked by various situations which, by their intensity, obliged the Algerian authorities to review their economic policy in general and that of the foreign trade in particular. The situation of cessation of payment which characterized the beginning of the decade 1990, which, in return for its valuable assistance, encouraged the Algerian authorities to accept certain conditions, among others, the liberalization of foreign trade considered until then as the biggest step in the liberalization process. This small step towards the new liberal world economic data is, indeed, one of the elements that negotiations with the World Trade Organization (WTO) as well as the signing of an association agreement between Algeria and the European Union.¹

8 Algeria's foreign trade legislation:

The monopoly on foreign trade is given to the state. And from there, any import operation is made in accordance with the global plan of import which recommends forecasts established by the ministry of the trade and on the basis of which it delivers global authorizations of import (GAI) to the only companies authorized to make it, and any operation of export requires a license granted by the state to the operators to export their goods.¹

However, the foreign trade legislation and regulations that the reforms initiated in 1988 are based on the principle of liberalization of foreign trade. This liberalization was manifested by the transformation of the state's monopoly on foreign trade into a monopoly of companies.²

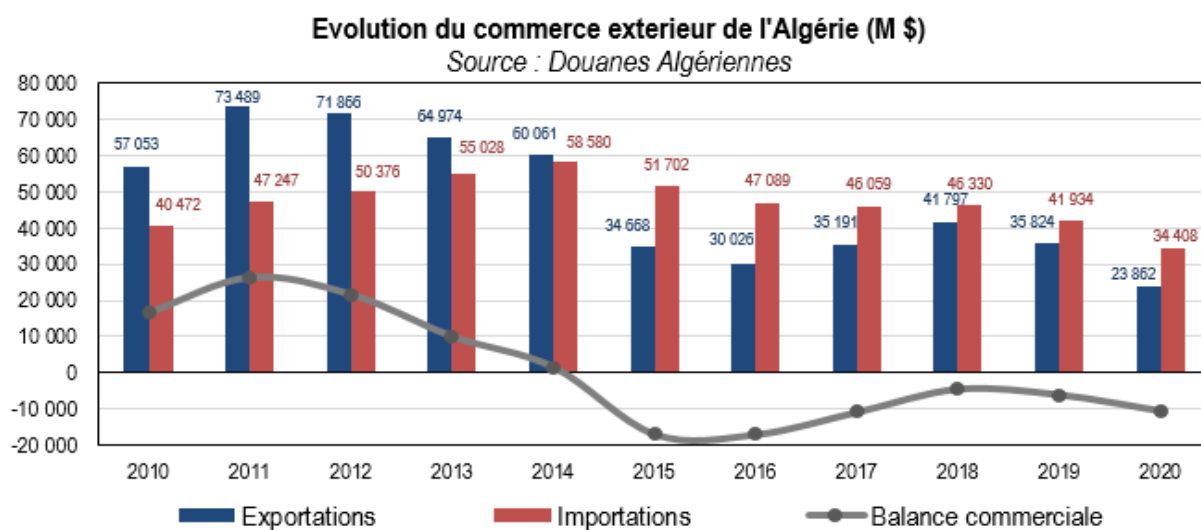
Indeed, the law 88-01 of January 12, 1988 confers an autonomy of management to companies with the need to adapt the processes in matters of decision and financing of investment and exploitation activities to the exercise of the state monopoly on foreign trade.

¹ CHERIGUI. (C) «The financing of foreign trade by Algerian banks " Master's thesis in Banking and Financial Law, university of Oran promo 2013-2014

² Law 88-04 modifying and completing the ordinance 75-59 of September 26, 1975 on the commercial code and fixing the particular rules applicable to the economic public companies.

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Figure N° 01: Monthly evolution of Algeria's foreign trade:



Source: Internet

➤ The regulation of the budget – currency:

Since foreign trade involves the regularization of payments in foreign currency for public enterprises, it was necessary to implement planning works that determine the combination between the volume of foreign trade and the levels of activities retained. Indeed, the legislative text has put a device for the benefit of companies. It is an arbitration tool called the foreign exchange budget by which the company autonomously adjusts its transactions with external markets. The currency budget is different from the GAI, and covers foreign currency flows in all origins and destinations. It is also a system that allows the public economic enterprise to program its resources and uses in foreign currency for all import, export, and foreign debt operations.¹

The volume of this budget is determined within a framework of company/state negotiation, and its allocation is dependent on plans adapted by the companies, and exempt from any control but its execution is controlled a posteriori according to the respective company plans within the legislative and regulatory framework²

➤ The elimination of the obligatory character of the use of monopolies

Within the framework of reformulation of the monopolistic character of the State on the foreign trade, two new devices have been created:

The modification of the exercise of the State monopoly on foreign trade 1988, the delegation of the monopolistic power of the state on the foreign trade adopts a new legal framework traced by the agreement of the technique of concession of service to public companies in order to obtain an economic efficiency in the execution of the operations of the foreign trade.

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The state monopoly is still preserved under conditions determined by the means of a schedule of conditions which also defines the field of application of the rights and obligations related to the exercise of this monopoly by the company.³

As a result, firms must keep their microeconomic under the general orientations of the state, which ensures the execution of the expected object of this modification.

➤ **The new forms of intervention of the economic public enterprises on the external markets**

Thus, the legislative text recommends two instruments which allow the economic companies economic companies to better penetrate the external markets. It is firstly about the creation of common interest groups, by which companies can pool their purchases from foreign their purchases from external markets around a single structure that they organize on their behalf and under their and under their direct control in order to save their resources.

The grouping offers better quality services (preparation of negotiations, conclusion of contracts, market prospection...), and advantages (participation in the capital of foreign capital of foreign companies) to the companies which can choose freely between the offers of several competing groups.

After independence, Algeria adopted a planned economy system. The economy was characterized by the intervention of the State in all sectors of activity.

The State laid the foundations of a control which was intended to be total at the time: it corresponded to the "socialist option" that was chosen.

This policy lasted until the beginning of the 1990's when the necessity to engage reforms in reforms in the organization and functioning of the economy proved to be indispensable in view of the emergence of the private sector and the financial restructuring of most of the of the majority of the public companies of distribution as well as the steps of the transition towards the market economy.

In this section, we attempt to review the evolution of import regulations in Algeria of imports in Algeria and their general trend.

9 Evolution of the regulation of imports in Algeria:

The evolution of the regulation of imports in Algeria has known several periods which go from the period of organization of the monopoly of the State on the imports to the liberalization of foreign trade in Algeria.

9.1 Period of organization of the State monopoly on imports:

Two major periods have marked the evolution of imports in Algeria, namely:

the period 1963-1970 and, the period 1970- 1988.¹

9.1.1 The period 1963 – 1970:

¹ The Banking Ordinance No. 10 -04 of August 26, 2010 on money and credit

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On May 16, 1963, Algeria has put in place protectionist measures in order to overcome the difficulties encountered and to protect the national economy and the pursuit of a policy of autonomous growth. These measures were taken at two levels, concerning control procedures and control bodies.

9.1.1.1 Control procedures:

- **Import quotas:**

On May 16, 1963, a regulatory framework for import quotas was defined, determining the products that are subject to import licenses. This procedure has as objective:

- ❖ To protect the national production and employment,
- ❖ To limit the import of luxury goods in order to promote the economy of its currency

- **The tariff policy:**

During the period from 1963 to 1967 the tariff policy was inadequate because the customs duties were too low to compensate for the low prices of the most competitive partners, especially European. In February 1968, a new tariff was introduced

In February 1968, a new tariff was introduced with new customs duty rates.

- **Exchange control:**

Algeria left the "Franc" zone system¹⁰⁶ and set up a central bank (the Banque de France). a central bank (the Bank of Algeria) and consequently created the dinar as the national currency. The Bank of Algeria has required that all commercial transactions with foreign countries and transfers of funds be subject to prior authorization

9.1.1.2 Control bodies:

- **National Marketing Office (NMO):**

This is a public body that originally had a monopoly on the sale of goods. originally had a monopoly on imports for a number of products. In general, these are These are products of current consumption in Algeria: sugar, coffee, tea...

- **The Professional Purchasing Groups (PPG):**

Bringing together the State and private importers and constituting companies with a majority of public capital enjoying an import monopoly on imports for products in their sectors (wood, textiles, shoes, etc.). shoes etc.).

9.1.2 The 1970-1988 period: the monopoly phase

The monopoly phase is divided into three periods: 1970-1974, 1974-1978 and 1978-1988. 1978 and the period 1978-1988.¹

¹ Decree 63/188 of May 16, 1963, on the quota regulations for the import of goods designed by the Ministry of Commerce.

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9.1.2.1 The 1970-1974 period: the monopoly as an instrument of planning

The regulation of import financing worked by granting public enterprises an import monopoly for products in their branches such as (SONACOME), building materials and steel products.

Since 1972, the monopoly has been reorganized through the distribution of import licenses in order to promote the development of the licenses in order to encourage the programming of foreign purchases by monopoly companies. monopoly companies. The purpose of this system was to regulate trade flows in order to promote the economic policy.

9.1.2.2 The 1974-1978 period:

The Global Import Authorization (GIA) system In January 1974,107 foreign trade entered a phase of In January 1974,107 foreign trade entered a phase of organization through the establishment of programs known as the "General Import Program" (GIP), which provides for the following import regimes as follows:

- Goods imported under a Global Import Authorization (GIA) issued to a company;
- Goods without payment;
- Quota goods.

Under the GIA regime,108 domestic firms received a currency envelope denominated in Algerian dinars. This envelope was in fact a title. of import while specifying:

- The products to be imported with their tariff subheading;
- The amount authorized for each good.

9.1.2.3 The 1978-1988 period: the actual functioning of the State monopoly

In February 1978, law 78 /02109 overturned the organization of foreign trade and quickly outlined its contours, nationalizing all transactions on purchases and sales the first article of this law confers the exclusive character of the monopoly of the foreign trade to the state bodies, the only ones that can intervene in foreign trade. foreign trade. This law puts forward three fundamental principles:

- ✓ The formal confirmation of the principle of "exclusive" state intervention in foreign trade foreign trade;
- ✓ The prohibition of any form of intervention at the level of foreign trade of private national or foreign private national or foreign operators acting on their own account;
- ✓ The prohibition of any form of intervention at the level of foreign trade of private operations exercising an activity of intermediary with foreign companies.

9.2 The period 1988-1990:

The period 1988-1990 is one of the most eventful for the Algerian economy, despite its short duration. Indeed, many economic reforms were initiated, with the objective of cleaning up the national economy. The most important of these reforms is the promulgation of legislative and regulatory texts referring to the autonomy of the

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economic public company (EPC). Thus, the advent of the autonomy of companies has led to significant changes, such as: the abolition of the Global Import Authorizations (GIA) and the general import plan.

9.3 The promulgation of the finance law relating to foreign financing techniques:

For Algeria, the means that remains as a payment technique is the CREDOC, through which the State intervenes to arrange and regulate its foreign trade operations according to the complementary finance law 2009. The latter contains important provisions on the conduct of imports on Algerian territory.

The introduction of CREDOC as the only means of payment was motivated by the increase in imports in 2008 compared to 2007. This increase in imports has pushed the government to provide several measures to slow the rise of the import bill. Thus, the CREDOC was presented as the best means of guaranteeing the seamless traceability of commercial and financial flows.

9.3.1 The modification of the complementary finance law of 2009 - Art 69 CFL:

The payment of imports intended for sale in the state is carried out obligatorily by means of the documentary credit alone. The complementary finance law (CFL) July 29, 2009 intends to make the documentary credit the only method of payment of Algerian imports, an application that has remained more or less problematic with regard to commercial banks. Long before the LFC 2009, Algerian importers used much more the documentary remittance in their commercial operations than the documentary credit. The implementation of the provisions of this article shall be determined, as necessary, by the monetary authority and the minister responsible for finance.¹

The reasons for the promulgation of this law are to reduce the volume of imports from the imposition of the documentary credit as a single means of payment, the state hopes to see its companies switch to production and aims to hinder importers to promote domestic production. Thus, it serves to fight against the transfer of currency and money laundering, where the state aims to reduce informal financing generating capital flight. Article 69 of the CFL 2009 should, as an imperative, respond to an essential objective essential objective which is to put an end to the free transfer which constitutes a means of absorption of the Algerian foreign exchange reserv

9.3.2 The complementary finance law for 2010 - Art 44 CFL:

The payment of imports is still made only by means of documentary credit. documentary credit. The companies concerned remain subject, like any other company, to the obligation to the companies concerned remain subject to the same obligation as any other company, namely the obligation to direct debit the import

¹ CHERIGUI.CH, "le financement du commerce extérieur par les banques algériennes", mémoire de magister, Oran University, 2014, p 220

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operation. This is an obligation regardless of the payment method. Excluded from the obligation of documentary credit are imports of services.

It is to be specified that if the documentary remittance as well as the free transfer have been reinstated in the complementary finance law of 2011 as a method of payment of imports, but it remains imports, but it remains that their scope has been limited to production companies that resort to emergency imports whose annual amount should not exceed annual amount should not exceed 4 million dinars.

9.3.3 The complementary finance law for 2014 - Art81

The 2014 finance law stipulates: "the provisions of Article 69 of Ordinance No. 09-01 of 22 July 2009 on the law of finance. 01 of July 22, 2009 on complementary finance law for 2009 are amended, supplemented and written as follows: the payment of imports intended for sale in the state can be carried out only by means of the documentary credit or the documentary handing-over ". Also, and as a reminder, the use of these two payment instruments documentary remittance and documentary credit must be subject to the usual precautions for the control of the level of short-term debt.¹

In this respect, and in compliance with the indications prescribed by the bank of Algeria in this the agencies will have to engage actions of advice and sensitization of the customers, particularly those using particularly those using the documentary remittance backed by deferred payments, in order to avoid excessive lengthening of the settlement periods and to respect the payment deadlines for accepted bills of exchange.

The reasons for the promulgation are the institution of the documentary credit as the only means of payment of imports has generated cash flow difficulties for small businesses operating in the companies operating in the production sector, which have been forced to pay their invoices by mobilizing their assets, before receiving their goods three or four months later.

The documentary credit has indeed been an opportunity for foreign suppliers who make the money of the Algerian companies turn during the long periods of order periods. The return to the documentary remittance should relieve these companies that will no longer be forced to pay for their imports before the delivery of the goods.

The expansion of the application of the documentary remittance will undoubtedly facilitate transactions to input importing companies and encourage them to focus on increasing production and improving working conditions.

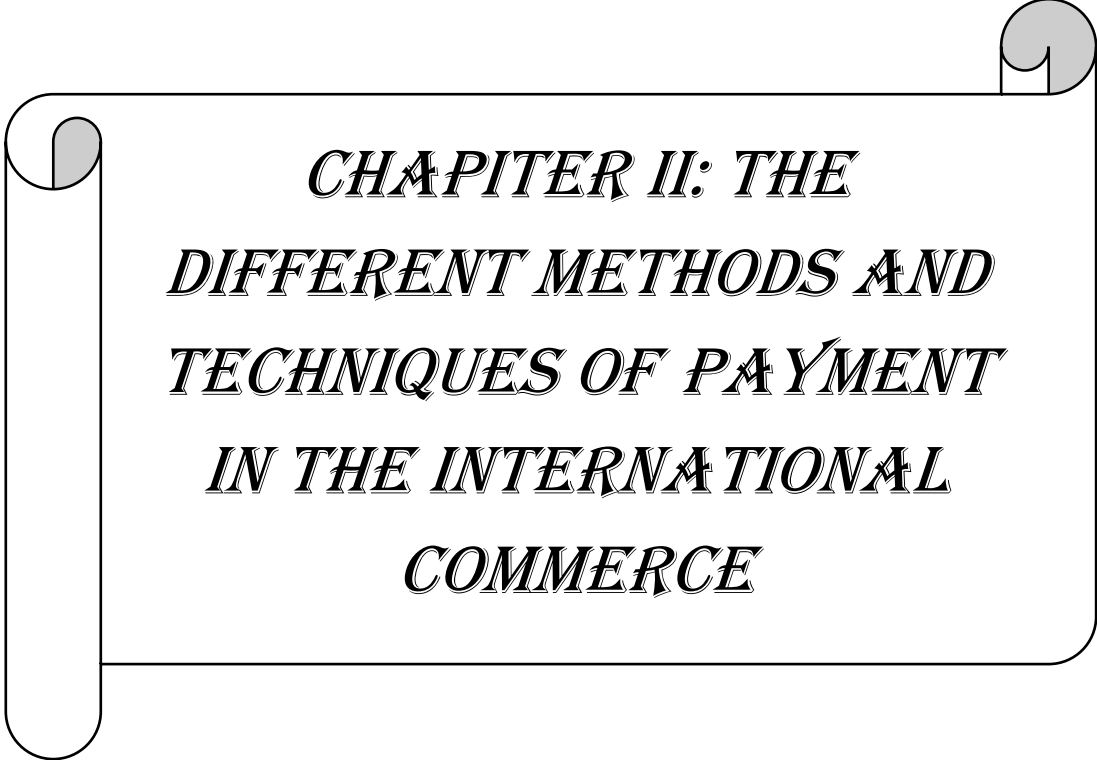
¹ Article 81 of Law No. 13-08 of December 30, 2013 on the Finance Law

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Conclusion Chapter I:

Through this chapter, we have tried to present the basic concepts of international trade that allow for a better conduct of an import-export operation, as these uses facilitate the settlement of the operation. But also, they allow the user a better control in the treatment of financing of the imports or exports and to know well to distinguish the documentary credit and the documentary remittance.

*Chapter II: The different methods and techniques of payment
in the international commerce*



*CHAPTER II: THE
DIFFERENT METHODS AND
TECHNIQUES OF PAYMENT
IN THE INTERNATIONAL
COMMERCE*

Chapter II: The different methods and techniques of payment in the international commerce

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Introduction Chapter II:

After we presented the Organization and its characteristics, we knew that the company uses some of the several methods of payment in the international field.

In this chapter we will present those different methods and we will define more the ones that the organization uses, also we will talk about the advantages and disadvantages of each one, and last but not least we have the risks that are related to the financing of foreign trade.

Chapter II: The different methods and techniques of payment in the international commerce

Section 1: The several instruments of payment used in the foreign trade:

When it comes to trading of commercial goods, there is always a particular level of risk and trust involved. Whether you're a buyer or seller, you are bound to be exposed to few risks when dealing with international transactions. In large part, the amount of risk involved highly depends on the way of payment you use.

There are plenty of international paying methods for importers and exporters across the globe. And as the world continues to globalize, we're seeing a growth in foreign payment modes. But as with Incoterms, the parties lying at the split ends of the range have clashing agendas and priorities to fulfill and to look out for.

When it comes to cross-border payments, shoppers tend to prioritize the cheapest and most straightforward payment method. In other words, anything that can help decrease cost. Another priority is guaranteeing they receive the goods specified.

While customers prefer paying as late in the transaction process as possible, vendors will want to be paid in full, as fast as possible, and via a secure option. Sellers who propose attractive payment terms and varying methods will have an advantage over those who limit themselves. We are going to see the payment instruments and the payment techniques.¹

¹ <https://www.icontainers.com/help/international-payment-methods/> (23/05/2022 at 17h)

Chapter II: The different methods and techniques of payment in the international commerce

1 The payment instruments:

1.1 Definition:

Under the definition "means of payment", we distinguish the monetary vehicle that cancels the contracted debt. It is either divisional money "coin" or "bank bill" or scriptural money "check, bill of exchange, transfer".

The payment techniques explained below, are devoted to the methods used to "repatriate" the means of payment agreed in the contract

❖ Their use:

Divisional or fiduciary money is used for limited amounts. The internal law of many countries obliges contractors to provide for payment of the amount of the transaction by a scriptural means in order to control the accounting of companies in order to limit tax fraud and capital evasion.

❖ Their legal framework:

Each state has made provisions through various domestic laws to protect the various stakeholders. Each country has its own regulation, either through an organic law or through the commercial code.

Chapter II: The different methods and techniques of payment in the international commerce

1.2 The different payment instruments:

1.2.1 The bank transfer:

The international bank transfer is the transfer of funds from one account to another, operated by a bank on the order of the debtor (in our case the importer), to the benefit of the creditor (the exporter). The order can be denominated in national or foreign currency (the one specified by the debtor).

It is thus the most used and the oldest means, it uses the protected network of the SWIFT, a standardization was set up, everywhere in the world, the IBAN (International Bank Account Number) identifies the account holder, its bank is identified by its BIC (Bank Identifier Code).

1.2.1.1 Actors of the international credit transfer:

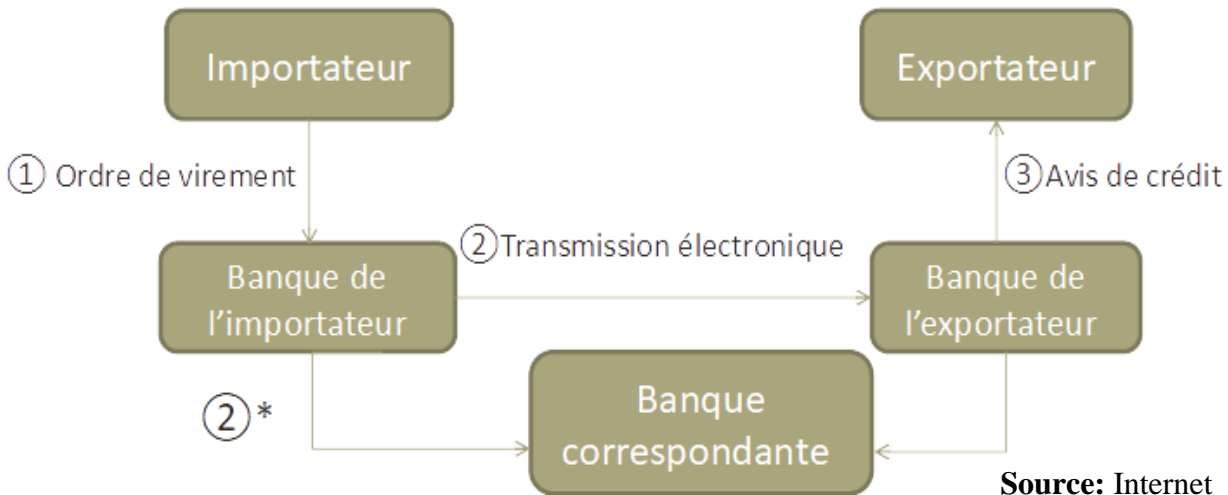
- ✓ **Importer:** originator, debtor
- ✓ **Exporter:** the one whose account is credited, creditor.
- ✓ **Importer's bank:** operator, it debits the account of its customer (importer).
- ✓ **Exporter's bank:** operator, it credits the account of its customer (exporter)¹

¹ [https://epayments.developer-ingenico.com/payment-product/bank-transfer#:~:text=Bank%20transfer%20\(or%20wire%20transfer,they%20can%20make%20their%20payment.](https://epayments.developer-ingenico.com/payment-product/bank-transfer#:~:text=Bank%20transfer%20(or%20wire%20transfer,they%20can%20make%20their%20payment.) (23/05/2022 at 17h)

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1.2.1.2 Bank transfer circuit:

Figure N° 01: Bank transfer Circuit:



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Figure N° 02: Example about order of the bank transfer:

The form is titled "Banque de la Réunion ORDRE DE VIREMENT" and includes a date field "Le : / /". It is divided into two main sections: "DONNEUR D'ORDRE" and "BENEFICIAIRE".

DONNEUR D'ORDRE

NOM ET ADRESSE
[Text Field]

N° DE COMPTE (11 CARACTERES)
[Grid of 11 boxes]

SOMME EN TOUTES LETTRES
[Text Field]

MONTANT EN CHIFFRES
[Text Field]

MOTIF DU VIREMENT OU REFERENCE
[Text Field]

BENEFICIAIRE

NOM ET ADRESSE
[Text Field]

BIC
[Grid of 11 boxes]

IBAN
[Grid of 27 boxes]

BANQUE BENEFICIAIRE ET ADRESSE
[Text Field]

ATTENTION : L'exactitude des n° de comptes et informations du donateur d'ordres et du bénéficiaire est la garantie d'une exécution rapide, à défaut des frais complémentaires pourraient vous être facturés.

SIGNATURE DU CLIENT [Text Field]

CADRE RESERVER A LA BR : BAO/SIGNATURE VERIFIEE [Text Field]

BRF - REF 0028201

Source: Internet

* The international transfer can be transmitted by mail, telex or even by a private telecommunications network managed by computer: the SWIFT transfer (Society for Worldwide Interbank Financial Telecommunications).

* **The SWIFT transfer:** The Swift system is a tele-transmission network that eliminates the distances between the banks of the different countries connected by this system. It allows a fast and inexpensive payment. It is to be preferred whenever relations allow it: it is the fastest and most flexible means of transmission and it is not very expensive. Other advantages are that it is impossible to lose, steal or falsify since there is no paper medium, and it is impossible to default on payments. One of the main disadvantages is that it is issued at the initiative of the buyer.

* It is therefore the most widely used and oldest method, using the secure SWIFT network. A standardization has been set up, all over the world, the IBAN (International Bank Account Number) identifies the account holder, his bank is identified by its BIC (Bank Identifier Code). It allows a fast and inexpensive payment.

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Figure N° 03: Example of The Bank transfer SWIFT:

The screenshot shows a web interface for a bank transfer. At the top, it says "Virement" with a lock icon and an "Aide" link. Below that, there are two tabs: "Virements à venir" and "Liste des bénéficiaires". A progress bar shows four steps: 1. Saisie Virement (highlighted), 2. Informations complémentaires, 3. Confirmation, and 4. Récapitulatif. The main form area is divided into sections: "Compte émetteur" with a dropdown menu; "Compte bénéficiaire" with fields for "Nom / Raison sociale", "IBAN" (split into boxes), "Pays de domiciliation du compte" (set to FRANCE), "Code BIC/Swift", and a checkbox "Ajouter ce compte bénéficiaire à la liste". A red arrow points to the "Code BIC/Swift" field with the text "Le code BIC/Swift se renseigne automatiquement". Below this is the "Montant" section with a text input field and a currency dropdown set to "EUR", with another red arrow pointing to it. At the bottom right, there are "Suite" and "Annuler" buttons.

Source: Internet

1.2.1.3 The costs of the transfer:

The costs and commissions related to the international transfer are divided into two parts:

- The first part concerns the costs of issuing the transfer: these are the costs for the benefit of the bank issuing the transfer (the importer's bank). They will most often be charged to the importer.
- The second part relates to the collection costs which are claimed by the banker who receives the payment (the exporter's bank). This second part is borne by the importer or the exporter, depending on the arrangements made between them and the notification made to the bank that will send the funds.

*The costs are mainly composed of an exchange commission and a collection commission. These two commissions are characterized by a sliding scale of charges, varying according to the country. To this, one must add the SWIFT transmission fees (if the company uses it) which vary according to the bank, the country of destination and according to the requested speed (normal order or urgent order).

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1.2.1.4 Advantages and disadvantages of the international transfer:

Table N° 01: Advantages and disadvantages of the international Bank transfer:

Advantages	Disadvantages
<ul style="list-style-type: none">-The security of the transfer is ensured by very sophisticated control procedures-This transfer is fast and not too expensive-Its use is very easy-The system works continuously and ensures traceability of the operation	<ul style="list-style-type: none">-Its issue is on the initiative of the buyer with a possible exchange risk-Variable bank cost-It is the buyer who guarantees the initiative of the payment = Risk of non-payment-This transfer can be slow if the transfer is done by mail

Source: Internet

1.2.2 The check:

1.2.2.1 Definition:

The check was introduced in France by a law of June 14, 1875, the goal was a tax relief: a holder of a check account could withdraw money or pay a transaction without having to affix a tax stamp on the form, unlike the bill of exchange.

A cheque is a demand instrument by which the holder of a bank account (drawer) instructs his or her bank (drawee) or another financial institution (e.g., the post office) to pay an amount from the credit of his or her account to another person (the payee).¹

¹ MONOD (Didier, Pierre) : « International payment methods and techniques », 2nd edition, Paris, 1986, p62.

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1.2.2.2 Types of checks:

- **The company check:** the drawer is the account holder; it does not offer any guarantee of collection. The funds in the importer's account may be insufficient or non-existent at the time the check is presented by the exporter to his bank. The banks that receive this type of check only settle it after having received the funds from the importer's bank.
- **The bank check:** the drawer is the bank on its own funds by debiting the account of its customer. It offers a guarantee of collection.

1.2.2.3 Actors of the check:

- Importer: drawer.
- Exporter: beneficiary.
- Importer's bank: drawee

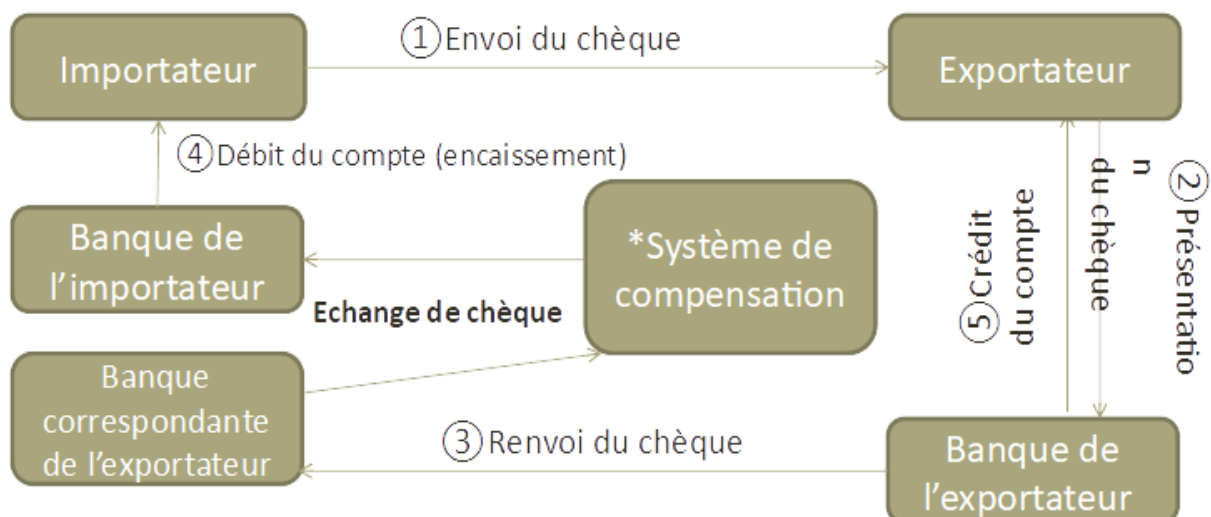
1.2.2.4 Cashing of the check:

The exporter can carry out two types of collection:

- Collection Except in Good Standing (CEGS): the exporter is paid by its bank upon presentation of the check provided that the importer's bank settles the amount due.
- Credit after encashment (CAE): The credit to the exporter's account is only made after the receipt of the funds from the drawee bank (B of the importer)

Circuit (process) for cashing the check:

Figure N° 04: Circuit for cashing the check:



Source: Internet

1.2.2.5 Advantages and disadvantages of the check:

Table N° 02: Advantages and disadvantages of the check:

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Advantages	Disadvantages
<p>-Good market (it is not expensive)</p> <p>-Very common in some countries (e.g. USA)</p> <p>-The risk of unpaid invoices can be avoided by the exporter by requiring a certified bank check.</p>	<p>-Issued at the initiative of the buyer, therefore subject to the goodwill of the debtor.</p> <p>-No certainty of final payment (lack of funds) unless a certified check is used (a delicate commercial procedure).</p> <p>-if the check is denominated in foreign currency, the exporter is exposed to the exchange rate risk</p> <p>-the legal status of the check offers the possibility of making a stop payment varies greatly from one country to another.</p> <p>-foreign exchange regulations may limit the use of checks in international trade*.</p> <p style="text-align: center;">1</p>

¹ Personal documents from the supervisor of the company

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1.2.3 The effects of commerce:

1.2.3.1 Definition:

1.2.3.1.1 The bill of exchange or draft:

It is a written document by which the seller (exporter, drawer) gives an order to the buyer (importer, drawee) to pay at sight or at term (on a given date) a certain sum to himself or to a third party (beneficiary).

1.2.3.1.2 The promissory bill or promissory note:

is also a written document, but it is issued by the buyer (importer, called "subscriber") to the seller (exporter, "beneficiary"). Apart from this essential difference, it has the same characteristics as the bill of exchange.

- ✓ **The bill of exchange:** is an instrument commonly used in international relations because, unlike the promissory bill, it is issued at the initiative of the seller. It has the great advantage of materializing the debt and of specifying exactly the payment term granted. However, the risk of non-payment remains (although it can be practically cancelled if the drawer obtains the endorsement of a bank on the letter, i.e. the joint and several commitment to pay). Nevertheless, the risks of loss, theft and forgery and the slowness of collection remain.
- ✓ **A draft:** issued by an exporter is communicated to the importer by an intermediary (bank or agent of the exporter). On the due date, it will be paid by bank transfer. ¹

¹ Personal documents from the supervisor of the company

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Figure N° 05: Example of the bill of exchange:

The diagram shows a bill of exchange form with the following fields and callouts:

- Coordonnées du tireur (fournisseur):** L'ÉTOILE SPORTIVE, 774 avenue de Claret, 83000 TOULON
- Date de création de la lettre de change:** 20/01/N
- Bénéficiaire du montant de l'effet:** GARDIA CLUB, 285 avenue Jean Tourès, 83130 LA GARDE
- Date d'échéance de la créance:** 31/03/N
- Montant de la créance du tiré (client):** 2 302,30
- Montant de la créance du tiré pour contrôle:** 2 302,30
- Coordonnées bancaires du tiré:** CIC Lyonnaise de Banque NICE
- Domiciliation (nom et lieu) de la banque du tireur:** CIC Lyonnaise de Banque NICE
- Acceptation de la lettre de change par le tiré:** Acceptée aux 31/03/N Le 22/01/N
- Signature du tiré:** Bénédict
- Coordonnées du tiré:** 285 avenue Jean Tourès, 83130 LA GARDE
- Signature du tireur:** Bénédict

Legend:

- Rubriques renseignées par le tireur
- Rubriques renseignées par le tiré

Source: Internet

Figure N° 06: Example of the promissory bill:

Contre le présent BILLET À ORDRE stipulée SANS FRAIS
 Nous paierons la somme indiquée ci-dessous à

Société (Bénéficiaire)
 20 Rue d'Exemple
 94400 Vitry-sur-Seine

A Paris Le 28/03/2014

Code Monnaie €

Montant pour contrôle 25 000 €	Date de création 28/03/2014	Échéance 30/05/2014	BOR seulement	Montant 25 000 €
			REF Tiré	

RIB du souscripteur

30076	02020	187638200200	59
Code Banque	Code Guichet	N° de compte	Clé RIB

Domiciliation
 Crédit du Nord
 50 Rue d'Anjou, 75008 Paris

Bon pour Aval
 Signature (avaliste)

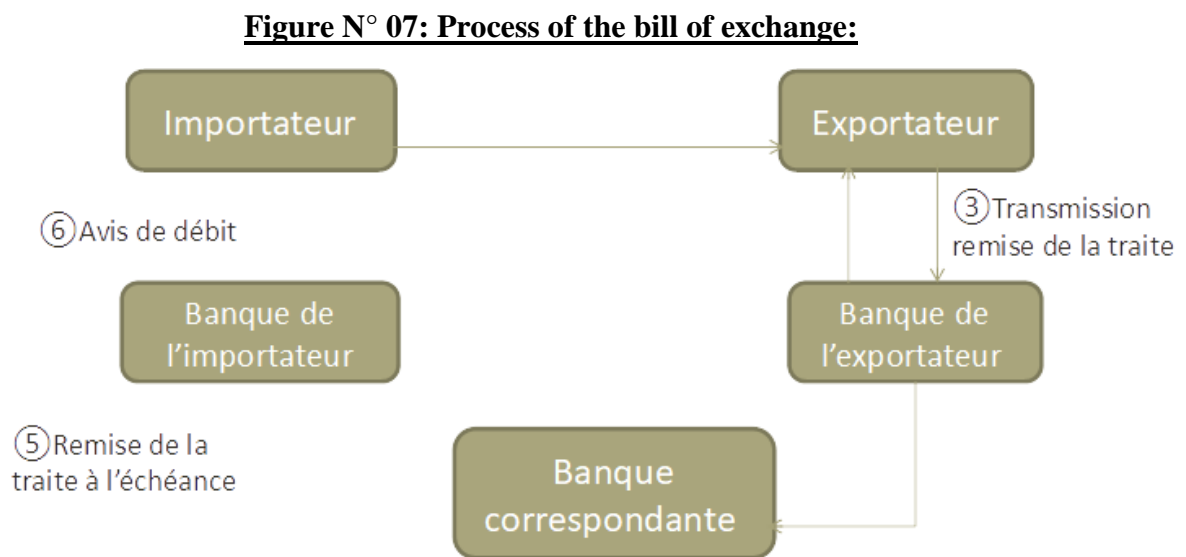
Nom et adresse du souscripteur
Société (souscripteur)
 12 Rue de l'étoile
 75001 Paris

Signature du souscripteur
 Signature (souscripteur)

Source: Internet

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The processing circuit of the bill of exchange:



Source: Internet

1.2.3.2 Characteristics of the bill of exchange and the promissory bill:

- They are commercial instruments (commercial acts)
- They play the role of means of payment and means of credit
- They are negotiable and transferable in case of refusal of payment by the debtor.
- They are subject to the general conditions of validity of contracts.
- Commercial bills can only be issued by a person with merchant status. Otherwise, it will be declared void. Minors, for example, cannot issue bills of exchange.
- There must be a provision of the bill of exchange and promissory bill.

1.2.3.3 Advantages and disadvantages of the effects of commerce:

Table N° 03: Advantages and disadvantages of the effects of commerce:

Advantages	Disadvantages

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<ul style="list-style-type: none">-It materializes a claim that can be negotiated (discounted) with a bank.-The exporter can be assured of the payment of his claim by requesting the importer's bank guarantee, this bank guarantee is obviously not given automatically and free of charge.-The bill of exchange can be transmitted by endorsement to settle a debt.-The bill of exchange is issued at the initiative of the seller and not of the buyer, which is always more interesting for the former.-The bill of exchange precisely sets the date of payment.-It eliminates the exchange risk.-It guarantees the seller to benefit from the advantages of the right of domiciliation in case of payment problems.	<ul style="list-style-type: none">-It does not eliminate the risk of non-payment.-The collection period can be long-The drawee can refuse a bill of exchange.-Stamp fees and commissions are sometimes very high.-The issuance of a bill of exchange may be accompanied in some countries by particular legal measures (price, language.)¹
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¹ Personal documents from the supervisor of the company

***Chapter II: The different methods and techniques of payment
in the international commerce***

Chapter II: The different methods and techniques of payment in the international commerce

Section 2: The different and most useful techniques of payment in the international field

2 The Techniques of payment or the documentary techniques:

Payment techniques concern the methods used to activate the means of payment provided for in the contract. They are related to the organization and security of the payment as well as the speed with which it is made. Thanks to these payment security techniques, the exporter ships the goods with a near certainty of being paid. The importer can only take possession of the goods in exchange for a payment instrument.

The complexity of the payment technique increases with the level of security desired by the exporter. The more secure the payment guarantee, the more elaborate the technique will be and the more expensive it will be to implement. A technique cannot be adapted to all situations and must be chosen on a case-by-case basis.

It is also important to note that a payment technique provides security for both parties and not just one. This is why the banks of both parties charge a fee for the use of a payment method. This reinforces the importance of clearly stating in the contract which technique and which instrument will be used. There will be financial consequences on both sides.

The use of payment instruments or techniques depends on the degree of trust between the importer and exporter. If the level of trust is high, a payment instrument will suffice. If not, a safety net, a payment technique, will be needed.

The payment technique is the application of a rational and specific method, used to collect payment for a transaction by one of the means described above.¹

¹ <https://www.trade.gov/methods-payment> (23/05/200 at 17h)

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There are two types of techniques:

2.1 non-documentary techniques:

2.1.1 Direct collection (Direct cashing)

- Simple cashing.
- Payment on order.
- Payment upon invoicing.
- Payment ex-factory.

2.1.2 Cash on delivery.

2.2 Documentary techniques:

- The Stand-by letter of credit.
- The documentary remittance.
- The documentary credit and its variations.

2.1 non-documentary techniques:

2.1.1 Direct collection (Direct cashing):

-It is the whole of the operations of collection in which the payment of the salesman is not conditioned by the handing-over in bank of document intended to prove that it filled its obligations.

-The payment is made on the buyer's initiative.

-This payment technique can only be used between partners who have known each other for a long time or between whom the balance of power is necessarily unbalanced.

-There are different types of direct cashing that we already mentioned:

- Simple cashing.
- Payment on order.
- Payment upon invoicing.
- Payment ex-factory.¹

¹ Personal documents from the supervisor of the company

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Simple Cashing:

Definition:

-The simple collection refers to a collection of financial documents (usually a draft) by the seller's bank. The exporter sends directly to his buyer all the documents representing the shipped goods (invoices, transport documents or titles representing the right of ownership on the goods) by drawing a sight draft on him which he gives to his banker for collection.

-By this procedure the buyer usually pays the exporter directly without waiting for the receipt of the goods.

The means of payment related to this technique:

- The bank transfers.
- The check
- The bill of exchange¹

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Payment on order:

- Corresponding to an advance payment, this method of payment assumes that the buyer has absolute confidence in his foreign supplier, because he is paying for goods that he has not yet received and which may not even be manufactured.
- For the exporter, this is the simplest and safest payment technique (the risk of non-payment is almost non-existent), but it is one of the worst from a commercial point of view and one of the most difficult to make the buyer accept.
- They are in fact completely to the detriment of the importer's interests who bears all the financial burden of the operation
- Moreover, it is often translated by the latter (the importer) as a feeling of distrust of the exporter towards him.

Payment upon invoicing:

- The exporter sends a commercial invoice to his customer, which can be payable at sight or at maturity with one of the payment instruments. It is the customer who keeps the initiative of the payment.
- This technique is therefore not recommended, as the exporter does not retain control of the payment, unless a bill of exchange is attached to the invoice.

Ex-factory payment:

- Some manufacturers require that goods be paid as soon as they are ready for shipment.
- They want to avoid that the payments of their goods are tributary of the dates of departure of the transports, and their duration.
- The buyer must therefore pay for the goods as soon as they leave the factory and take care of their routing.

❖ **THE PARTICIPANTS:** For this different type of direct collection: there are two main participants who are:

>> The exporter:

- He sends the goods as agreed.
- He sends his invoice of the agreed amount.

>> The importer:

- He receives the goods.
- He pays on receipt of the invoice or on the due date.

2.1.1.1 Advantages, disadvantages and risks of direct cashing:

Advantages:

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-There is no administrative burden

-Easy to use

Disadvantages:

- The direct payment technique is used when there is trust between the exporter and the importer (a long-term acquaintance, parent company and its subsidiaries, etc.) because it involves a risk of non-payment unless the shipment is guaranteed by a credit insurance.

Risks:

Moreover, this technique involves risks for both parties (the exporter and the importer):

>> For the exporter:

-There is a commercial risk (default of the debtor, etc.).

-The political risk (war, non-transfer of funds ... etc.).

>> **For the importer:** non-conformity of the goods, late delivery.

2.1.2 Cash on delivery:

2.1.2.1 Definition:

Cash on delivery, or COD, consists of requiring in writing that a carrier or a forwarding agent deliver the goods to the importer only against payment in cash by the consignee (the importer). The carrier will therefore collect the price and transfer it on behalf of the seller, in return for payment.

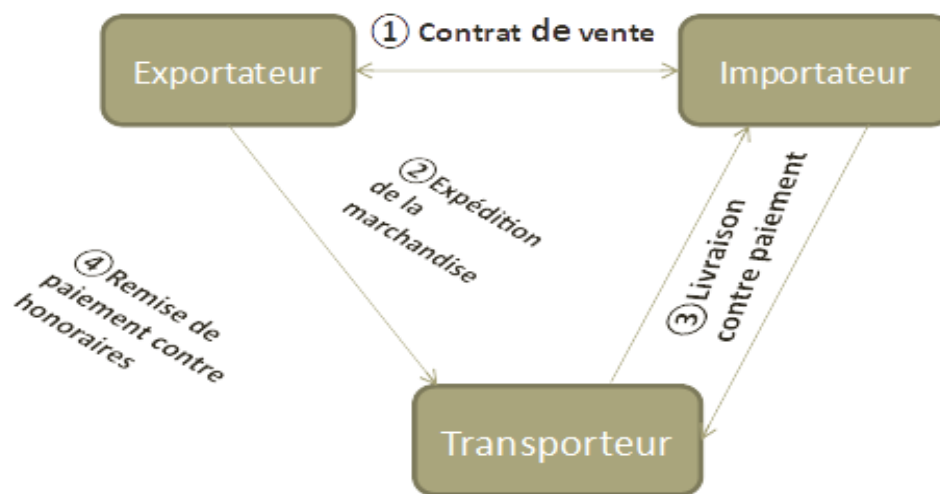
This method of payment has the advantage of being easy. It is mainly used for small amounts. It is advisable to use it only if the business relationship between the two partners is stable.¹

¹ MONOD (Didier, Pierre) : « International payment methods and techniques », 2nd edition, Paris, 1986, p62.

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2.1.2.2 The process of the cash on delivery:

Figure N° 08: The process of COD:



Source: Internet

Explanation:

Act I: the exporter sends the goods through a forwarder to the buyer with the irrevocable instruction to the forwarder to deliver the goods only against payment received.

Act II: the forwarder, when presenting the goods to the consignee, requests payment.

Act III: as soon as the payment is made, the forwarder hands over the goods to the importer: this is the delivery.

Act IV: the forwarder transmits the payment to his principal: the exporter.

2.1.2.3 The risks of cash on delivery:

The main risks for the exporter are that his goods are refused by the buyer. Several reasons could explain this refusal:

- The goods are damaged
- The goods do not conform to what was ordered

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-The buyer has not obtained an import license

-The buyer has not been able to obtain the requested currency.

If the buyer refuses to take delivery, the exporter will be obliged to store the goods until they are repatriated or put up for sale on the spot, often on less advantageous terms. A refusal will therefore inevitably have financial consequences for the exporting company.

>> There is also a political risk of non-transfer of funds collected and a risk of bounced checks.

2.1.2.4 Advantages and disadvantages of Cash on delivery:

Table N° 04: Advantages and disadvantages of COD:

Advantages	Disadvantages
<ul style="list-style-type: none">-Very flexible.-Simple and fast.-Often used in the case of mail order.	<ul style="list-style-type: none">-High cost: 2% to 5% of the invoice amount claimed.-Refusal of payment by the importer.¹

¹ <https://www.shiprocket.in/blog/cash-on-delivery-pros-cons-ecommerce/> (22/05/2022 at 17h)

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2.2 Documentary techniques:

2.2.1 The Stand-by letter of credit:

2.2.1.1 Definition:

The stand-by letter of credit is an international bank guarantee considered as a "first demand" and documentary issued in the form of a letter of credit to secure the performance of a contract or obligation.

2.2.1.2 The circuit of Letter of credit Stand-by:

Figure N° 09: The process of Letter of credit Stand-by:



Source: Internet

Step 1: Contract negotiation: Importer and exporter contractually agree on the terms of the transaction and the settlement with a stand by.

Step 2: Request for issuance of the stand-by: The importer or exporter requests its banker to issue a stand-by letter of credit in accordance with the terms of the transaction.

Step 3: Issuance of the stand-by letter of credit:

- If it is a direct stand by, the bank issues the stand by and notifies the beneficiary directly.
- In the case of an indirect stand by, the bank issues and transmits the stand by to the correspondent bank in the beneficiary's country.

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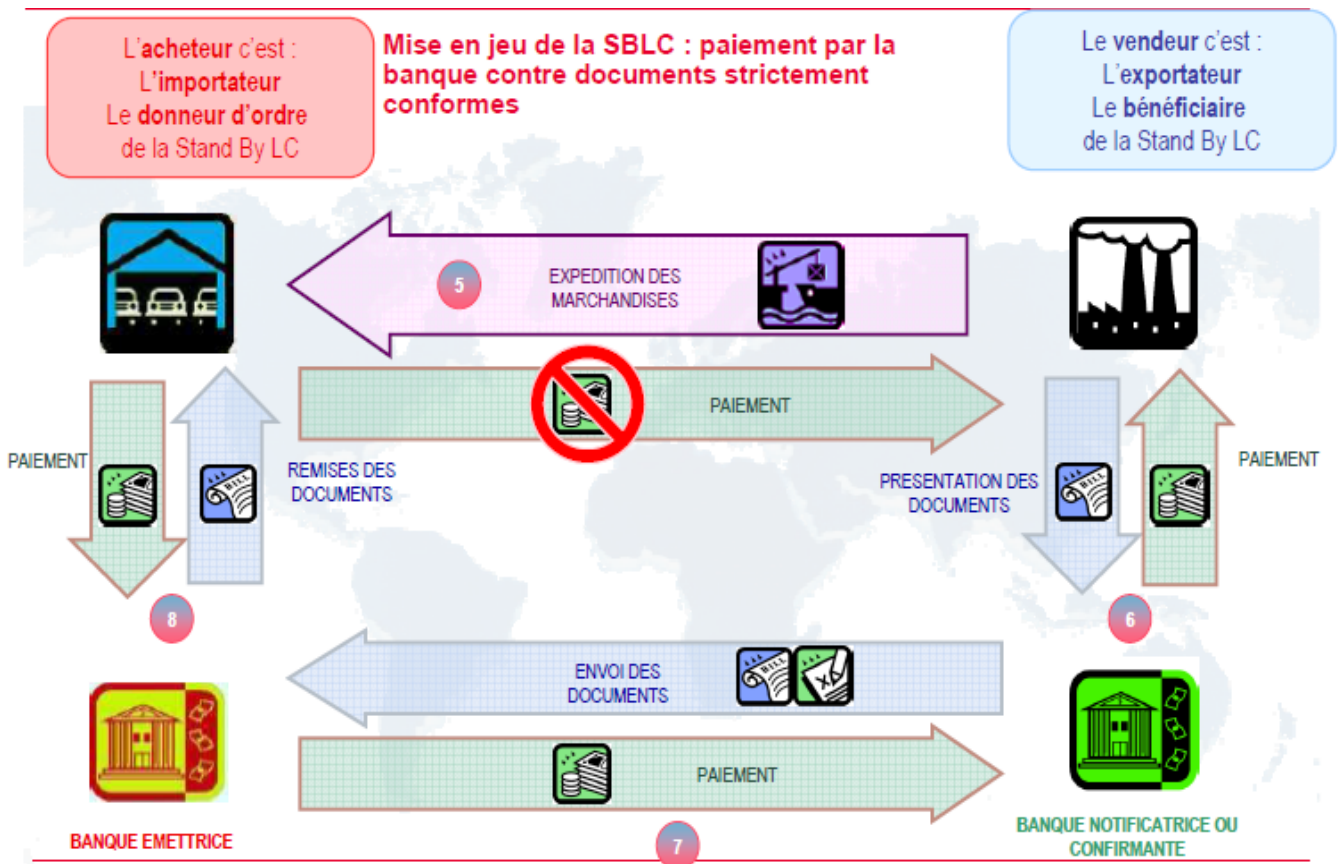
Step 4: Notification or confirmation of the stand by: In an indirect stand by, the local correspondent bank notifies the beneficiary or adds its own confirmation.

Step 5: Enforcement: In the event of non-performance or non-payment, the beneficiary asserts his rights against the confirming bank (in the case of indirect stand-by) or the issuing bank (in the case of direct stand-by) simply by submitting a written statement mentioning the failure to perform or pay, accompanied by the documents provided for in the stand-by letter of credit (copy of the shipping bill, copy of the invoice relating to the order, etc.). If the documents are in apparent conformity, the confirming or issuing bank is obliged to compensate the beneficiary at first request even if the customer gives certain reasons for refusing payment, such as a non-compliant order, a defective order or other disputes.¹

¹ Personal documents from the supervisor of the company

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Figure N° 10: The new process of SBLC:



Source: Internet

2.2.1.3 Advantages and disadvantages of Letter of credit Stand-by:

Table N° 05: Advantages and disadvantages of SBLC:

Advantages	Disadvantages
<ul style="list-style-type: none"> -It protects the seller against the default of the buyer for non-payment. -The importer can attach terms and conditions such as a performance clause with an SBLC securing interests. -The bank is obliged to pay just if the applicant defaults on the payment. -The importer can also feel secure as the seller still needs to fulfill the terms specified in the trade and commercial LC as well. 	<ul style="list-style-type: none"> -Low protection in the event of default. -Time constraints. -Used for a shorter duration. -Less frequently utilized as the documentary credit, thus it can be prone to errors.

Source: Internet

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2.2.2 The documentary remittance:

Documentary remittance is a method of payment used when there is trust and good business relations between the partners (buyer and seller), and political, economic and monetary stability in the importer's country.

2.2.2.1 Definition:

“Documentary remittance is subject to the Uniform Rules for Collections of the International Chamber of Commerce, publication 522, which defines documentary remittance as a payment technique or collection procedure whereby an exporter (principal) mandates (collection order) his bank (remitting bank) to present under certain conditions and instruments to the buyer's bank (presenting bank) the documents against collection or payment of the goods.¹

¹ http://www.esandis.com/uk/import_export_training/documentary_remittance.php (23/05/2022 at 17h)

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2.2.2.2 The actors of the documentary remittance: They are in order of four:

- **The originator:** It is the seller (exporter) who gives the documents to his bank and gives him a collection order taking care to ship the goods.
- **The remitting bank:** It is the exporter's bank, it transmits the documents to the bank in charge of the collection in the buyer's country, but it does not ensure any commitment or responsibility.
- **The presenting bank:** It is the bank abroad, in charge of the collection, which carries out the presentation of the documents to the buyer and will give them only after payment.¹

¹ Personal documents from the supervisor of the company

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- **The drawee:** The buyer or importer receives the documents from the presenting bank against payment or acceptance of bills drawn on him.

2.2.2.3 The methods (forms) of payment of the documentary remittance:

The documentary remittance is carried out according to several forms:

Documents against payment (D/P)

The presenting bank only remits the documents to the drawee against immediate payment, i.e., at the latest on arrival of the goods. In practice, some buyers prefer to postpone the remittance of the documents and the payment until the goods arrive.

Documents against acceptance (D/A)

The presenting bank only hands over the documents to the drawee if the acceptance of the bill(s) is attached to the documents. The remittance against acceptance can be at sight or with a deferred settlement. This formula does not offer a sure guarantee to the seller, since the payment of the buyer will only take place at the maturity of the draft.

Documents against acceptance and guarantee

In order to mitigate the risk of the importer's insolvency and to have a guarantee of payment, the exporter, in addition to the acceptance of the drafts by his customer, can require a guarantee from the importer's bank on these drafts.

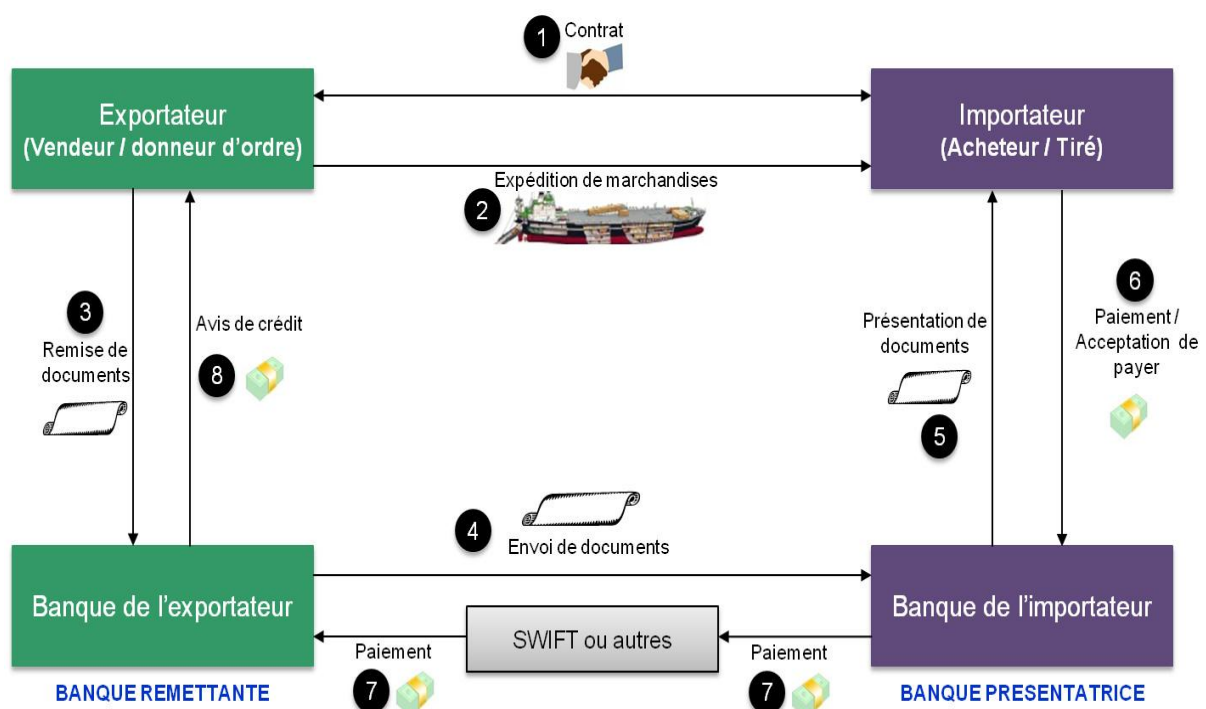
2.2.2.4 Operation and progress:

The operation of the documentary remittance takes place according to several sequences of techniques.

a- **Functioning:**

The following diagram allows us to better understand the functioning of the documentary remittance:

Figure N° 11: The functioning of the documentary remittance:



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Source: Internet

b- Process of the documentary remittance:

The originator (or remitter): it is the seller who gives a mandate to his bank. He gathers the documents relating to the collection and transmits them to his bank with the collection order.

The remitting bank: It is the bank of the principal. It checks the documents submitted by the seller and forwards them to the corresponding foreign bank responsible for collection in accordance with the originator's letter of instruction to the buyer. The remitting bank's responsibility is limited to the proper execution of the instructions given. It assumes no obligation or liability in the event that the instructions it issues are not followed. The same applies to delays, losses during transmission, the quality of the translations, the quality of the correspondent bank, etc. It is this fundamental point that distinguishes the documentary remittance from the documentary credit. In the case of the Credoc, it is a real commitment of a bank that guarantees in case of default of payment by the buyer.

The presenting bank: This is the foreign bank in charge of collection, which presents the documents to the buyer and will only remit them if it receives payment or a draft, in accordance with the instructions received from the remitting bank.

The drawee: It is the one to whom the draft must be made according to the order of collection. It is the importer.

2.2.2.5 Advantages and disadvantages of the documentary remittance:

Table N° 06: Advantages and disadvantages of the documentary remittance:

Advantages	Disadvantages
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Chapter II: The different methods and techniques of payment in the international commerce

<ul style="list-style-type: none"> ➤ The buyer will not be able to collect the goods if the documents necessary for the customs clearance or the handing over of the goods by the carrier are included in the documentary remittance without having first paid the amount of the documentary remittance to his bank. ➤ It is a flexible and less expensive method of payment than a documentary credit. ➤ For the importer, it offers practically the same guarantees as a documentary credit. ➤ By using the draft, the importer can take possession of the goods before the payment has actually taken place. He can make a profit on the sale and acquire sufficient funds to pay his bill of exchange. The documentary remittance can therefore be a method of financing. 	<ul style="list-style-type: none"> ➤ This technique does not protect the exporter from foreign exchange risk. ➤ If the customer does not show up, the goods are immobilized. It will have to be sold locally at a low price or repatriated and therefore pay transport costs again. In this context, it is important that the seller give the presenting bank in the letter of instruction the procedures to be followed to preserve the goods in the event that the customer does not raise the documents. ➤ There are many reasons why the buyer may not pay. This is why a deposit at the time of order is strongly recommended to avoid this situation. ➤ There is no commitment from the intervening banks. The company can overcome this difficulty by asking the importer for a bank's endorsement on its draft (in the case of a D/A remittance). ➤ The mechanism is unbalanced between the importer and the exporter. The latter risks much more in the operation. ➤ This technique is highly subject to political risk. If the company destines it towards an unstable market, it is advised to contract a credit insurance.
---	--

Source: Internet

2.2.3 The documentary credit and its variations:

2.2.3.1 Definition:

It is an irrevocable commitment of payment at sight or at term, limited in time, made by the buyer's bank in favor of the seller against presentation of documents strictly in conformity with the terms of the credit. It is an autonomous procedure independent of the basic contract where the banker's only obligation is to verify the conformity of the documents without having to check whether the contract has been correctly executed. The documentary credit is governed by the "Uniform Customs and Practice" (UCP 600) which are rules elaborated and periodically revised by the ICC (International Chamber of Commerce).

2.2.3.2 The actors of the documentary credit and their role:

Table N° 07: The actors of the different credit and their role:

Actor	Role
-------	------

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Ordering Party	It is the buyer. He is the one who gives instructions to his bank to open the credit. It is with him that the seller must negotiate the terms of the L/C
Issuing bank	It is the buyer's bank that issues the credit and makes an irrevocable payment commitment to the seller
Notifying bank	It is usually a correspondent of the issuing bank in the seller's country. His role can range from simple notification to the role of guarantor depending on the case.
Designated bank	It is the bank that has been mandated by the issuing bank to analyze the documents and pay the seller
Confirming bank	It is a second bank that adds its irrevocable payment undertaking to the undertaking of the issuing bank. This is usually the same bank as the nominated bank. The confirmation is essential whenever the seller deals with risky countries.
Reimbursing bank	It is a bank that has been mandated by the issuing bank to reimburse the designated bank after negotiating the documents
Beneficiary	It is the seller in whose favor the documentary credit has been opened ¹

¹ Personal documents from the supervisor of the company

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Source: Internet

2.2.3.3 The functioning of the documentary credit:

The different forms of realization the documentary credit can be realized according to 5 modes of realization.

Table N° 08: The different forms of realization the CREDOC:

Method of realization	Principle
Realization by demand payment	The seller is paid at sight by the designated bank against presentation of the correct documents. The designated bank has 5 working days to analyze the documents. In addition to this period, the repayment clause may delay the payment by a few more days
Realization by deferred payment	The seller is paid on the due date indicated subject to the presentation of the correct documents
Realization by acceptance	The seller presents the documents together with a bill of exchange drawn on the designated bank. In exchange, he receives a bill accepted by the latter which he can discount at his bank
Realization by negotiation	The seller presents the documents together with a bill of exchange drawn on the issuing bank. The designated bank negotiates the documents and settles the seller at sight by paying an agios
Realization by mixed payment	This embodiment combines several of the preceding embodiments

Source: Internet

2.2.3.4 Types (Categories) of documentary credit:

- **Revocable documentary credit:**

can be cancelled or amended (revised) at any time by the issuing bank, at the request of the buyer and without notice to the seller. The exporter should avoid using this type of documentary credit as there is no guarantee that he will be paid.

- **Irrevocable documentary credit:**

It includes a firm commitment by the issuing bank to the beneficiary and can only be cancelled or amended with the agreement of all parties.

- **Irrevocable and confirmed documentary credit:**

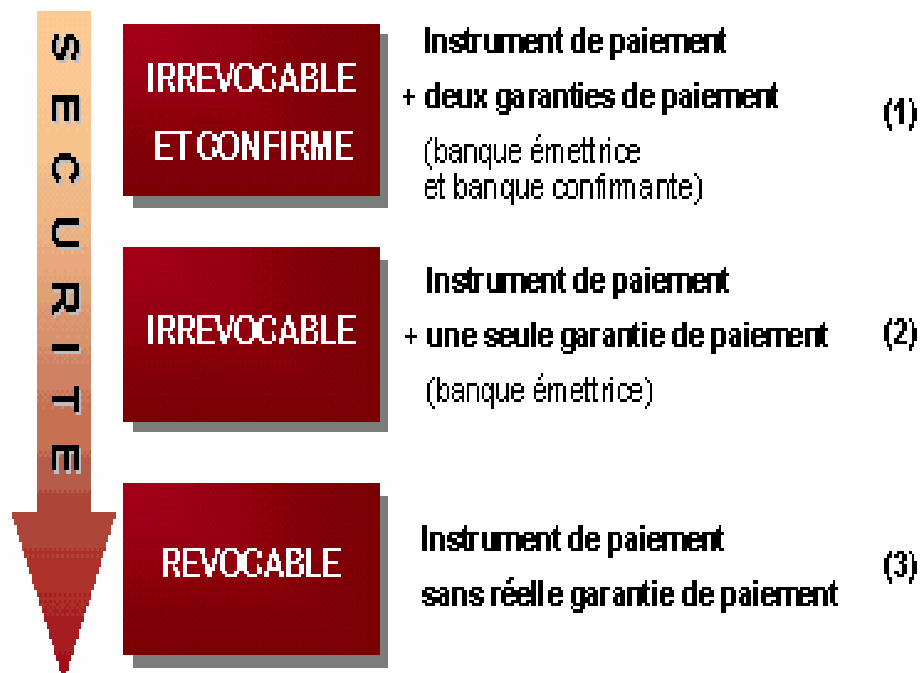
implies not only the commitment of the issuing bank, but also that of the notifying bank. As this confirmation covers the political risk, the exporter has a total guarantee¹

¹ Personal documents from the supervisor of the company

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in the international commerce***

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Figure N° 12: Categories of documentary credit:

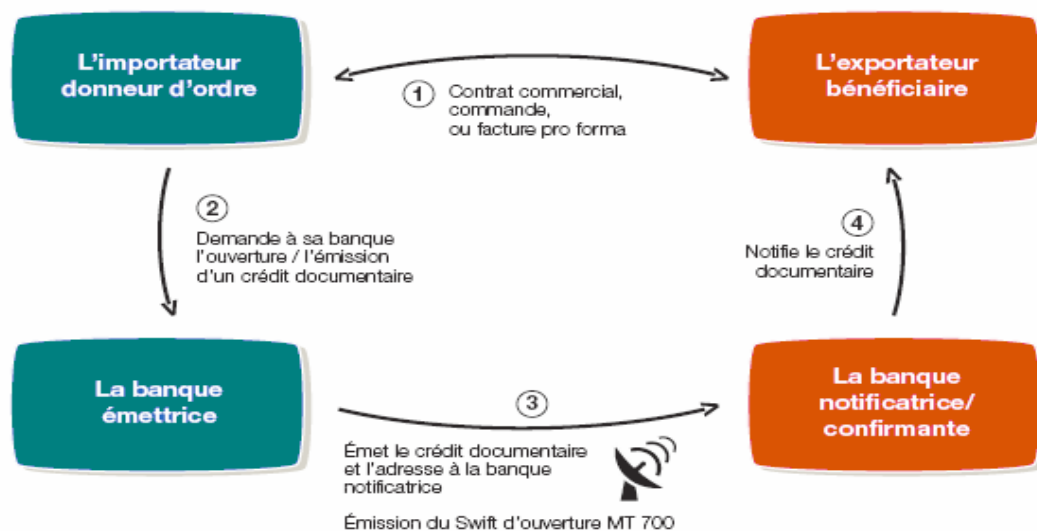


Source: Internet

2.2.3.5 The phases of documentary credit realization:

Figure N° 13: opening/ issuing the documentary credit:

PHASE 1 : L'OUVERTURE / L'ÉMISSION DU CRÉDIT DOCUMENTAIRE



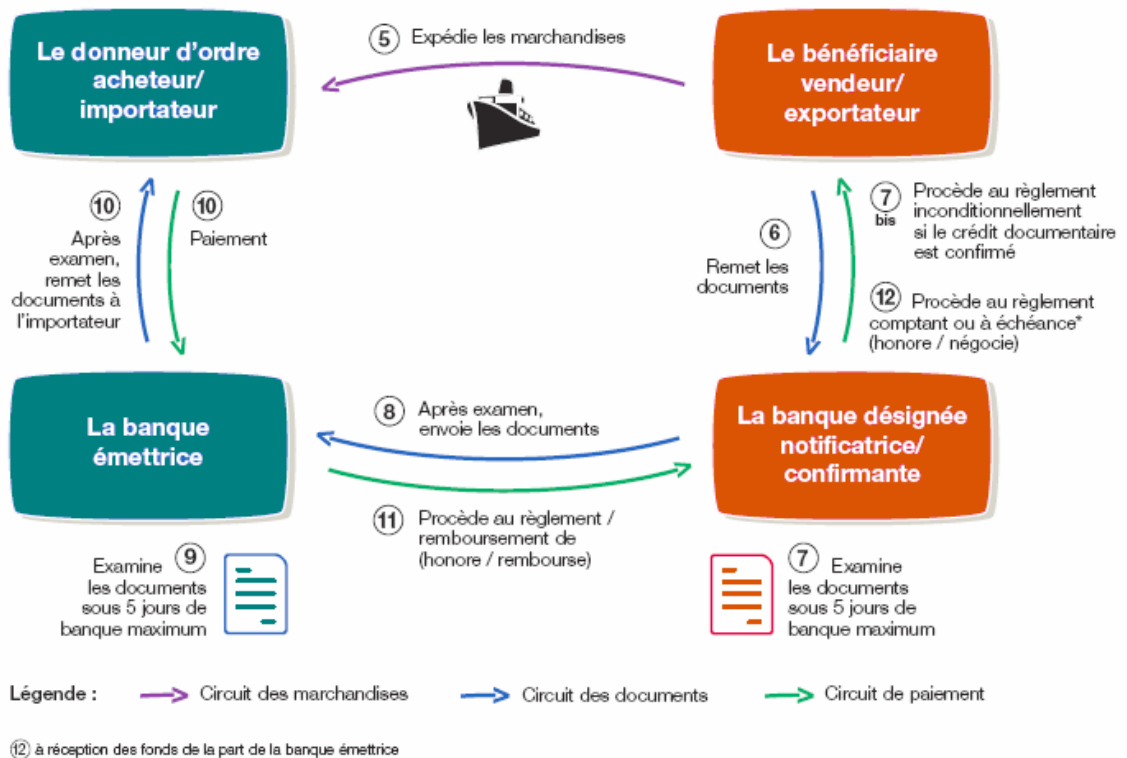
Source: Internet

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Figure N° 14: The realization of the documentary credit:

PHASE 2:

LA RÉALISATION DU CRÉDIT DOCUMENTAIRE



Source: Internet

2.2.3.6 Characteristics of the documentary credit:

- ✓ A documentary credit is an agreement between a bank and an importer to guarantee payment to the exporter in exchange for the presentation of a series of documents that must be returned on time (because there are deadlines).
- ✓ In addition, the terms and conditions of the credit must be agreed upon by both parties.
- ✓ However, the documentary credit is more advantageous for an exporter than for an importer.
- ✓ Documentary credits are regulated by the International Chamber of Commerce (ICC) through the Uniform Customs and Practice for Documentary Credits (UCP 600).
- ✓ Documentary credits are notified through SWIFT transfer (telematic message).
- ✓ The documentary credit is the safest form of payment for the exporter and therefore the most expensive for the importer.

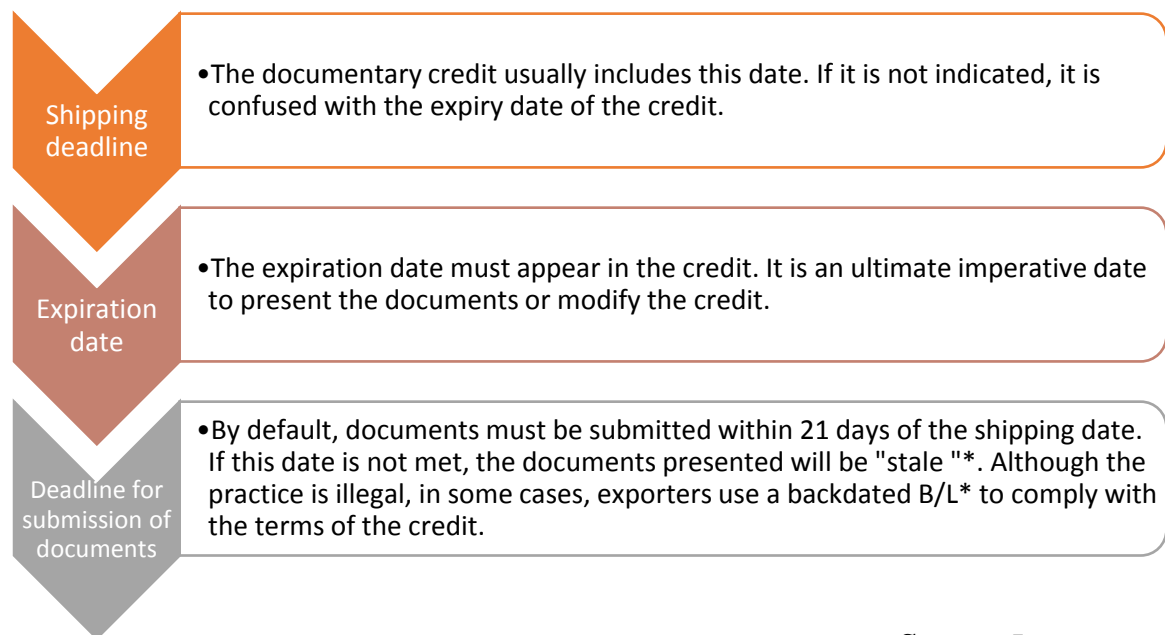
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- ✓ The guarantee of payment of a documentary credit (irrevocable and confirmed) is almost absolute.
- ✓ According to the UCP (Uniform Customs and Practice), the documentary credit must specify the person who is to issue the documents and/or the detailed text, when documents other than transport documents, insurance documents and commercial invoices are required.
- ✓ If the credit does not specify it, the bank accepts the documents as they are
- ✓ We will speak of reservations, if the documents sent by the exporter do not strictly fulfill the terms and conditions established in the credit.
- ✓ The credit is at the same time: a means of payment a guarantee of payment a financing instrument.

2.2.3.7 The "cut-off" dates:

The documentary credit has 3 deadlines:

Figure N° 15: The “Cut-off” dates of the documentary credit:



Source: Internet

2.2.3.8 Required documents:

They are various and varied:

- Invoice
- Packing list (packing list)
- Transport document (Bill of lading)
- Certificate of origin
- Sanitary certificate
- Inspection certificate
- Provisional acceptance certificate
- Sanitary certificate

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The documents to be presented will be negotiated between the seller and the buyer as part of the contract. Their function is to prove the proper execution of the contract and thus ensure the security of the buyer.

2.2.3.9 Advantages and disadvantages of Credoc:

Table N° 09: Advantages and disadvantages of documentary credit:

Advantages	Disadvantages
<p>The documentary credit technique therefore meets a double requirement:</p> <ul style="list-style-type: none"> ❖ To provide the exporter with the benefit of a bank commitment from the importer's bank, distinct from the importer's actual payment (the bank committing itself to pay, even if the importer experiences any difficulty in doing so); ❖ To assure the importer that payment by his bank will only be made if the seller can show that he has properly performed his own contractual obligations. 	<ul style="list-style-type: none"> ❖ Complex procedure with rigorous formalism Many irregularities in the documents presented (60% to 70% of presentations contain irregularities) ❖ The documents often arrive after the goods, obliging the buyer to wait and pay storage fees

2.2.4 Special documentary credits:

- **The transferable documentary credit:**

It is an authorization given by the importer and his bank to the exporter, to transfer all or part of the documentary credit in favor of one or more second beneficiaries in his own country or abroad. The exporter cannot change the terms of the documentary credit except for the unit prices and not the quantities (to take a margin), the validity of the documentary credit and the shipment deadline.

- **The revolving documentary credit:**

This is a credit whose amount is divided into several automatically renewable tranches. It allows successive payments to be made in the case of staggered deliveries, in particular for similar shipments of the same amount made on a regular basis.

- **The back-to-back documentary credit:**

This is a second documentary credit given by the bank, for which the principal is the beneficiary of an initial documentary credit, in order to allow the transaction to be carried out.

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The seller, as beneficiary of the first credit, offers the notifying bank a "guarantee" for the issuance of the second credit. As the principal for this credit, he is liable to this bank for the repayment of the payments, whether or not he himself has been paid in the case of the first credit.

- **The red clause documentary credit:**

This is a documentary credit which authorizes the notifying bank to give advantages to the exporter before the receipt of the documents in order to satisfy his cash flow needs, in return for the guarantee of an advance payment commitment. These advances can go up to 8% of the amount of the credit. In Algeria, they do not exceed 15% of the amount of the documentary credit.

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Section 3: The management of banking risks that is related to the financing of foreign trade:

3 Risks inherent:

- ✓ Country risk (political and economic)
- ✓ Commercial risk
- ✓ Banking risk
- ✓ Corporate risk
- ✓ Financial risk (currency risk)

3.1 Country risk:

It can be defined as the risk of a loss materializing, resulting from the economic and political context of a foreign country, in which a company carries out part of its activities:

$$\text{Country risk} = \text{Political risk} + \text{Economic risk}$$

a) Political risk:

this risk is linked either to a decision of a State to suspend any transfer to a third country because of the rupture of diplomatic relations (embargo), war, coup d'état...or to a rupture of the foreign exchange reserves of the buyer country which prevents the capacity of the transfer.

b) The economic risk:

Impossibility of the Central Bank to provide against local currency the necessary currencies to the debtors in foreign currencies: the bank of the foreign importer cannot pay the supplier: Devaluation, lack of currencies.

The country risk for the exporter can be the non-payment and the breach of contract, and for the importer can be the loss of the installments and the non-delivery.

3.2 Commercial risk:

This risk comes from the insolvency of the buyer and results either from his financial deterioration or his refusal to honor his commitments, so risk management plays a very important role for the company because the smaller the company, the more imperative this necessity becomes.

The causes of business failure are multiple. They are linked to the state of the economic situation and the absence of a preventive risk policy, it should also be added that the cash flow crisis is one of the causes of failures.

Chapter II: The different methods and techniques of payment in the international commerce

3.3 Banking risk:

It can be defined as the risk of a loss materializing, resulting from the failure or negligence of a foreign bank.

The negligence can be summarized in the delay or blockage in the execution of a payment order, or in the loss of a payment medium (check, draft).

It can also be a situation of insolvency as a consequence of the bankruptcy of this banking establishment, as there can be an embargo or withdrawal of approval for example.

The banking risk for the exporter is the non-payment The banking risk for the importer can be the loss of the installments, and the non-delivery.

3.4 Corporate risk:

The insolvency or behavior of the foreign company generating non-payment or delay in payment, or non-performance of the contract.

The corporate risk for the exporter can be:

- ❖ **Breach of contract:** The foreign buyer cancels his order
- ❖ **Late payment:** Late payment by the importer can put the company's cash flow in difficulty.
- ❖ **Collective procedure or liquidation:** Judicial liquidation pronounced; the company is dissolved.

The corporate risk for the Importer can be:

- ❖ Non-respect of contractual obligations
- ❖ The price and quality of the goods
- ❖ The conditions and deadlines of delivery
- ❖ The conditions and deadlines of payment

3.5 Financial risks:

The occurrence of external financial events generating a financial loss in the execution of a contract.

As an example, we cite the exchange risk (the rise or fall of an exchange rate generating a financial loss). To protect yourself from the exchange rate risk, it is advisable to:

- ❖ Sell and buy (or produce) in the same currency
- ❖ Set up a currency hedge with a bank

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Also, the risk of a rise or fall in a rate (loan rate) generating a financial loss (the rise in the rate of a loan used to finance an export: rise in the cost of the contract). To protect yourself, it is preferable to:

- ❖ Borrow at a fixed rate
- ❖ Set up an interest rate hedge with a bank¹

¹ Personal documents from the supervisor of the company

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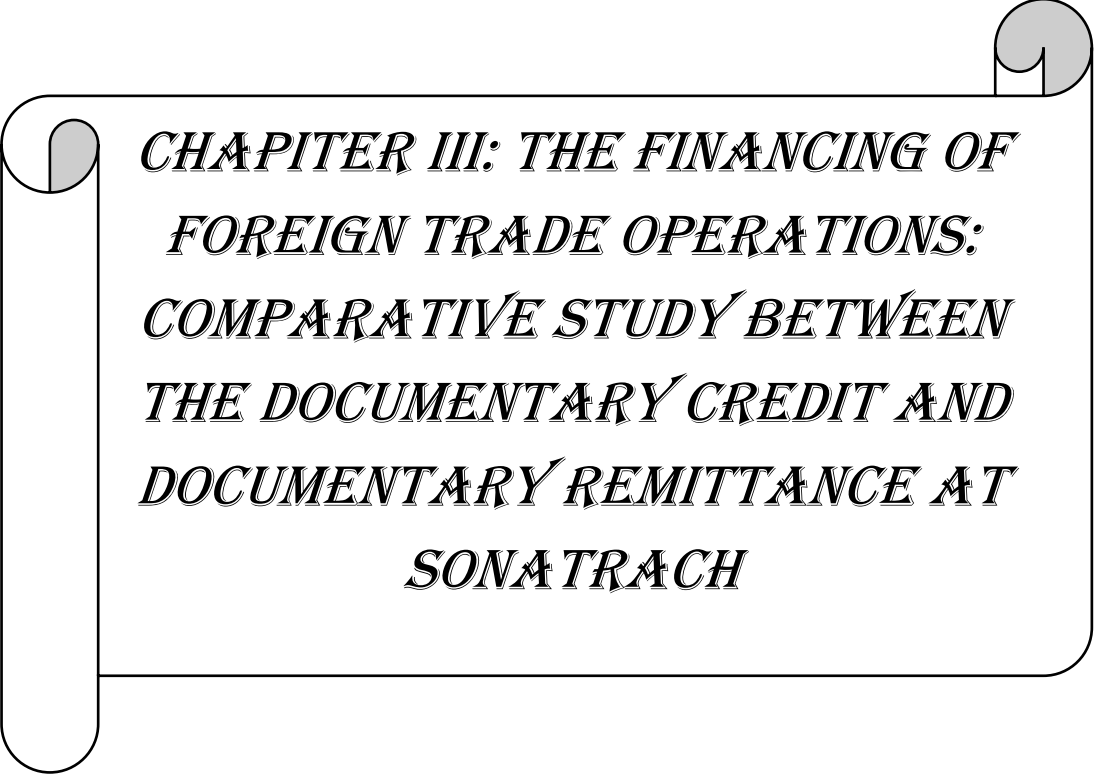
Conclusion Chapter II:

In this first chapter, we have presented the different instruments and means of payment in international trade, which the seller (exporter) and the buyer (importer) must know and apply in order to choose the best technique to use in the various operations of different import/export operations, whatever its advantages, disadvantages and it's the process.

Chapter II: The different methods and techniques of payment in the international commerce

We can conclude that the method of payment is necessary in the international trade operations, the choice of the best technique to use depends on several factors, the most important of which are: cost, speed and risk minimization.

*Chapter III: The financing of foreign trade operations:
Comparative study between the documentary credit and
documentary remittance at SONATRACH*



*CHAPTER III: THE FINANCING OF
FOREIGN TRADE OPERATIONS:
COMPARATIVE STUDY BETWEEN
THE DOCUMENTARY CREDIT AND
DOCUMENTARY REMITTANCE AT
SONATRACH*

*Chapter III: The financing of foreign trade operations:
Comparative study between the documentary credit and
documentary remittance at SONATRACH*

**Chapter III: The financing of foreign trade operations:
Comparative study between the documentary credit and
the documentary remittance at SONATRACH**

Introduction Chapter III:

In this chapter we will talk about the progress of the documentary credit and the documentary remittance, and which one the company uses in its operations of exchange. Then we will have a study case to compare between the two documentaries to see which one is more useful for the enterprise.

Chapter III: The financing of foreign trade operations: Comparative study between the documentary credit and documentary remittance at SONATRACH

Section 01: Presentation of the host organization “SONATRACH”:

The global demand about the natural limited resources has been increased and has had a deep impact on the conventional scene that has identified the global business of oil and natural gas industries for the last decades. In a world characterized essentially by a race among advanced and emerging economies to insurance energy commodities, important producing countries are going to play an important role, at regional if not on global level.

1 History of the organization “SONATRACH”:

The total adventure of Algeria begins in the Saharan sands. SONATRACH Petroleum Corporation was created in 1989, depending to the International Business Companies Ordinance of 1984, and registered in the British Virgin Islands (SPC BVI) and has been regularly growing.

SPC BVI organizes the purchase and sale of Liquids and Liquefied Petroleum Gas (LPG) products and chartering. These operations are done by SPC BVI through its two branches based in Algiers and London. The company of SONATRACH is the only Algerian state-owned oil and gas company. It has charge—both direct and indirect—over all aspects of the country’s hydrocarbons, and has guided Algeria into its present status as one of the world’s major suppliers of liquefied natural gas. The importance of the organization to the Algerian economy can be seen in the fact that it accounts for over 90% of all Algerian export income, and is thus by far the most important thing in the national economy.

In the period of its creation the role of transportation and marketing was given to the company, and was extended on September 22, 1966, making the title of SONATRACH as yet longer in an attempt to summarize all its activities: “Société Nationale pour la Recherche, la Production, le Transport, la Transformation et la Commercialisation des Hydrocarbures”. Particularly, it was a state-owned company with responsibility for all oil activity in Algeria. This responsibility grew between the 1960s and 1970s, with the nationalization of many of the country’s foreign-held oil assets, after all the adoption in July 1981 of a rather less cumbersome title—Enterprise Nationale SONATRACH—coincided with a reduction in the organization’s direct control over these assets.

The 1960s have seen the establishment of the company, with the nationalization of foreign interests and the acquisition of much of the necessary infrastructure, such as pipelines. The 1970s was a decade of consolidation, with SNC starting on several joint ventures with foreign partners in an effort to increase its exports of liquefied natural gas (LNG). 1980s saw the company embarking into full bloom, reaping the rewards of its previous labors and becoming one of the world’s major suppliers of LNG.¹

¹ <https://www.sonatrach.co.uk> (30/05/2022 at 20h)

Chapter III: The financing of foreign trade operations: Comparative study between the documentary credit and documentary remittance at SONATRACH

When the original SNC was created in 1963 by the government of the newly independent Algeria, its role was limited to building a third export pipeline from HASSI MESSAOUD to the city of ARZEW oil terminal on the Mediterranean.

The result of the protracted negotiations between Algeria and France was the Franco-Algerian Oil Agreement of 1965, the two main paragraphs of which provided for the Algerian state to take effective part in the exploration and exploitation of the country's hydrocarbons, while also raising the income tax on oil from 50% to 55%, so definitely gaining for Algeria a substantial growth in revenues from its oil and gas operations. In August 1967 the company took over the Algerian assets of the Esso and Mobil companies and in October 1968 it seized a 51% participation interest in the Getty Oil Company.

Concerning the transport, the Group has an extremely dense pipeline network that now covers nearly 22,000 kilometers in France. The Company has also set up three oil-loading oil ports: Algiers, ARZEW, BEJAIA and SKIKDA to allow the loading and unloading of large tankers with a capacity of 80,000 to 320,000 MT and LNG carriers.

The company, which employs about 50,000 people (130,000 with its subsidiaries), generates 30% of GNP from Algeria. For the year 2009, it produced 232.3 million PET, of which 11.7% (24 million TOE) for the domestic market.

The Group has 154 affiliates and participations, of which about fifteen are wholly-owned and operate on a daily basis to value the country's oil and gas value chain. These contain the National Geophysical Enterprise "ENAGEO", the National Drilling Company "ENAFOR", the National Company of Large Petroleum Works "ENGTP", or the national company marketing and distribution of products "NAFTAL" tankers. SONATRACH is the 12th oil group worldwide, the 1st in Africa and in the Mediterranean basin, the 4th natural gas explorer. LNG explorer, the 3rd explorer of GPL, and the 5th in the context of corporate restructuring decided in 1982.¹

¹ Annual Report of SONATRACH

Chapter III: The financing of foreign trade operations: Comparative study between the documentary credit and documentary remittance at SONATRACH



Figure N° 01: The main subsidiaries of SONATRACH.

Source: Internet

This division made it possible to reduce the workforce as well as the tasks of the company. To achieve this, the modernization process must revolve around:

- ✓ The culture and values of the organization;
- ✓ The principles of organization and operation;
- ✓ Management principles, human resources.

The development of SONATRACH is driven by a desire for challenge based on:

- ✓ Listening and technological competence.
- ✓ Enhancing the quality of the social environment.
- ✓ Customer satisfaction and marketing.
- ✓ Respect for suppliers and partners.

Chapter III: The financing of foreign trade operations: Comparative study between the documentary credit and documentary remittance at SONATRACH

2 Main missions of SONATRACH:

SONATRACH has the following missions:

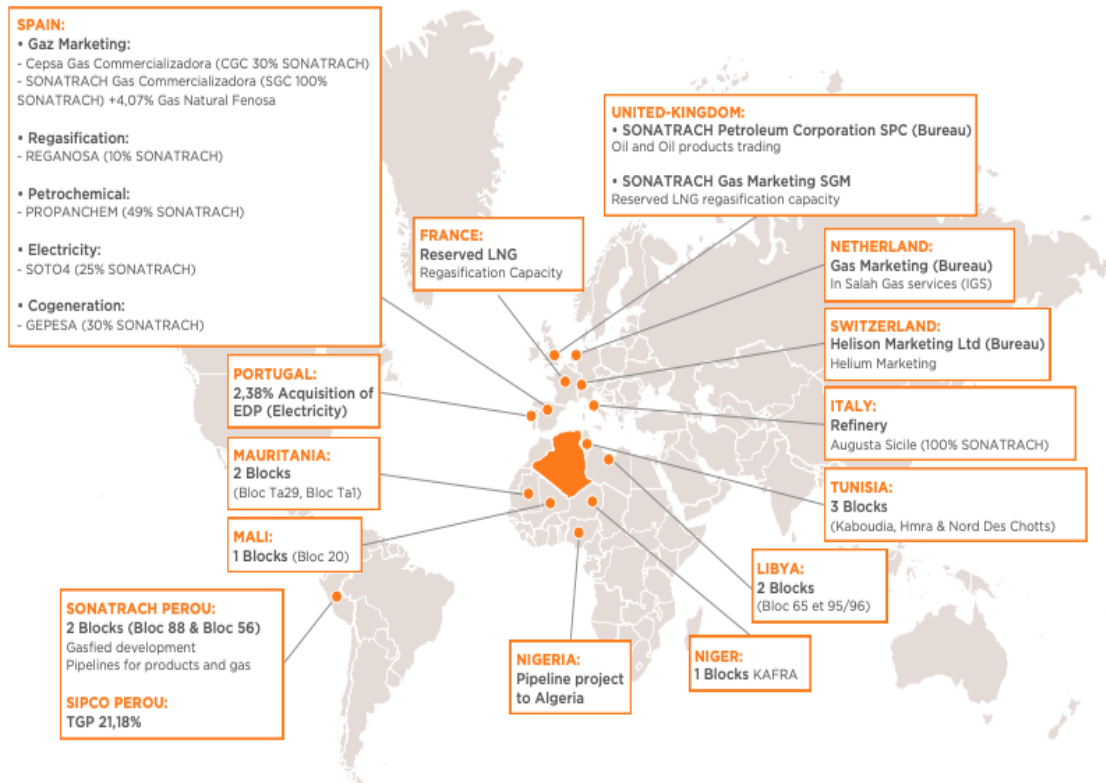
- The protection, research and exploitation of industrial and commercial solid, liquid and gaseous of hydrocarbons deposits as well as the maintenance of petroleum installations, derived substances, either by pipeline or by land, and maritime. The creation, acquisition, rental of any establishment and factory for the industrial processing of hydrocarbons. She is notably responsible for the creation and the development of the petrochemical industry.
- The development, operation and the management of transportation, storage and loading networks for hydrocarbons.
- Processing and refining of hydrocarbons.
- The variation of markets and export products.
- The development of modern management techniques through the continuous training of its executive's managers.
- Algeria's supply of hydrocarbons in the short, medium and long term.¹

¹ Interne documents of the company

Chapter III: The financing of foreign trade operations: Comparative study between the documentary credit and documentary remittance at SONATRACH

Figure N° 02: The international operations of SONATRACH

Les opérations internationales de SONATRACH



Pipelines internationaux de gaz

MEDGAZ : Beni Saf - Espagne (Almeria)

GALSI : El Kala - Italie (Sardinia)

TSGP : Nigéria - Algérie

Europe	Afrique	Amérique du Sud
Espagne	Tunisie	Pérou
France	Libye	
Italie	Niger	
Pays-Bas	Nigéria	
Portugal	Mali	
Royaume-Uni	Mauritanie	
Suisse		

Source: Internet

Chapter III: The financing of foreign trade operations: Comparative study between the documentary credit and documentary remittance at SONATRACH

3 SONATRACH's organization:

The new organizational scheme of SONATRACH's macrostructure is in line with the evolution of environment, both internal and external, which requires the Company to adapt its organization and management structure in order to face the challenges, in particular those included in its medium-term plan, namely the increase in the level of and reserves in the upstream and the realization of refining and petrochemical projects in the downstream.

The adaptation of the organization and the modernization of the management mode of the Company are among the priorities of the General Management in order to meet the needs of the national market in constant growth and to support the position of SONATRACH on the oil and gas markets,¹

¹ AYACH (Hana), AMARICHE (Ryma), « Essai d'analyse du budget d'exploitation et son incidence sur la performance financière de l'entreprise », thesis of finance and accounting, EHEC, 2018, P90

Chapter III: The financing of foreign trade operations: Comparative study between the documentary credit and documentary remittance at SONATRACH

3.1 Organizational chart:

An organizational scheme to meet SONATRACH's objectives:

- Strengthen the role of General Management in designing strategy, providing direction, coordination and management.
- Ensure the reactivity, transparency and fluidity of the information necessary for the conduct and activities in order to ensure the overall efficiency of the Company.
- Enabling decentralization with power control and clarity of responsibilities within a framework of well-established procedures while strengthening the control

and it revolves around the following structures:

- A) The General Direction
- B) The operational structures
- C) The functional structures

3.1.1 The General Direction:

The General Management is organized as follows:

- The Group is managed by the Chairman and Chief Executive Officer; the Chairman and CEO is assisted in the performance of his duties:

- An Executive Committee in accordance with article 11.3 of the statutes of SONATRACH.
- A General Secretariat responsible for:

*Assisting and providing the Chairman and Chief Executive Officer, the necessary administrative support in the follow-up and coordination of the Company's activities.

*It provides the secretariat for the Corporate Bodies and the Executive Committee.

- A Cabinet, placed under the responsibility of a director, it crosses the structures under his authority, in charge:

*Provide advice and technical support to the Chairman and CEO on specific issues;

* International and institutional relations of the Company;

*The communication;

*Public Relations

- The ethics committee, responsible for ensuring compliance with the provisions of the Code of Ethics and strengthening ethical practices within the Company. Internal security service of the establishment.

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- A "CEO" Review and Orientation Committee whose mission is to review files and make recommendations to the Chairman and CEO.

- The Chairman and Chief Executive Officer may reorganize the functioning of the General Management and create, as necessary:

* Specialized committees responsible for coordinating the study of specific issues. These committees may be either permanent or set up for a specific mission;

* Director positions in charge of launching new activities or handling and monitoring specific strategic files.

- The Audit and Compliance Department (AOC): Its mission is to conduct and manage audits, monitor external financial control operations and assess the compliance of procedures with the regulatory provisions in force.
- The Internal Security Department
- The Advisors

3.1.2 The operational structures:

The implementation of our integrated energy policy from Upstream to Downstream is based on an integration strategy that combines multiple priorities: increasing our energy resources, revitalizing our refining, liquefaction and petrochemicals activities, served by a large transportation and distribution network and marketed on the domestic and international markets.

From Upstream to Downstream, our Group is structured around four business lines.

A) The Upstream Activity (AMT):

Responsible for the elaboration and application of policies and strategies for the development and exploitation of the upstream oil and gas sector, it is also in charge of the international activities. It covers the following operational areas:

- Exploration
- Production
- Operations
- Research and Development of Hydrocarbons and new technologies
- Petroleum Engineering and Development
- Drilling
- Engineering and Construction
- Associations

✓ Exploration & Production (E&P) activity:

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Our priority objectives, through the E&P Activity, are to increase the level of output and reserves to meet the national demand for hydrocarbons and to develop our international markets.

Faced with an ever-increasing domestic and global demand for energy, oil and gas remain the necessary resources to meet this demand. Nevertheless, the exploitation of these resources will have to take into account new parameters and new challenges and new technical, economic, societal and environmental constraints.

For instance, clean and economical energy products such as natural gas whose reserves are still large, will have to be sought further and further away, deeper and deeper, using increasingly sophisticated technologies.

In 2015, the implementation by SONATRACH of its strategy to optimize exploration and production, has allowed an increase in hydrocarbon export volumes and national demand, estimated at 3 million TOE for the domestic market, and the domestic market.

✓ **The Pipeline Transport activity (TRC):**

The Pipeline Transportation business is an important link in the hydrocarbon chain from a historical, strategic and operational point of view. The history of SONATRACH began with this activity when it started in 1966 in the construction of the first Algerian oil pipeline, the OZ1, with a length of 805 KM, linking HAOUED El HAMRA to ARZEW. Since then, our pipeline transportation network has continued to grow in density and complexity as Upstream and Downstream oil and gas activities have developed. both nationally and internationally.

The length of our hydrocarbon transport network is now more than 19,000 km and the number of pipelines has increased from one (01) to thirty-seven. Three transcontinental gas pipelines connect us to Europe through the Maghreb countries.

Responsible for the development and implementation of policies and strategies related to the transportation of hydrocarbons. It covers the following operational areas:

- Storage of liquid and gaseous hydrocarbons upstream and downstream.
- Transport of liquid and gaseous hydrocarbons by pipeline from the primary production sites through the secondary and main network.
- Loading of oil tankers.
- Operation and maintenance of the pipeline transportation system.

B) Downstream activity (AVL):

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Responsible for the elaboration and application of policies and strategies for the development and exploitation of the downstream oil and gas industry. It is structured into five major business lines:

- Liquefaction of natural gas.
- LPG separation.
- Oil refining.
- Petrochemistry.
- Studies and development of new technologies.

✓ **The Liquefaction, Refining and Petrochemicals activity (LRP):**

In Liquefaction, Refining and Petrochemicals, essential links in the processing and valorization of hydrocarbons, SONATRACH has built more than twenty complexes and industrial units since 1964, when Algeria started production of the first natural gas liquefaction first natural gas liquefaction complex in the world, called GL4Z (ex CAMEL). Since then, SONATRACH has become a leader in the LNG industry, developed its gas fields and consolidated its role as a pioneer in the international gas industry, particularly in the output and marketing of LNG.

✓ **Marketing activity (COM):**

The commercial Activity, it is the main department of our subject that we will discover about more. It is placed under the authority of a Deputy General Manager, is responsible for the development and implementation of policies and strategies for the external marketing of hydrocarbons and on the national market.

2- The Marketing Activity covers, in particular, the following operational areas:

- The marketing of natural gas, LPG, petroleum products and derivatives, petrochemicals and industrial gases on the national market
- Marketing on the international market of natural gas, LNG, LPG, crude oil, refined products and derivatives, and condensate;
- The maritime transport of hydrocarbons.
- Importation of oil products, according to the demand.

The Marketing activity has common functional structures. In addition to their tasks within the business, these functional structures report to the central departments in their respective areas of competence.

The Marketing Division is also responsible for organizing information and reporting for the Division. In addition, it provides the contribution and expertise required to develop international activities and national and international subsidiaries and affiliates

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The COM activity is in charge of the management of sales and shipping operations in cooperation with the subsidiaries NAFTAL for the distribution of petroleum products shipping HYPROC Company for the maritime transport of hydrocarbons and COGIZ for the marketing of industrial gases.¹

¹ IHAB (Bella), ABDELHAK (Boussenia) : « Essai d'évaluation du système d'approvisionnement d'une entreprise du secteur public », thesis of Distribution and Supply Chain Management, EHEC, 2017, P63

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3.1.3 The functional structures:

- **Corporate Departments:**

- Strategy, Planning & Economics.
- Finance.
- Human Resources.

- **Central departments:**

- Subsidiaries & Investments.
- Central Activities.
- Legal.
- IT & Information Systems.
- Markets and Logistics.
- Health, Safety & Environment.

3.2 Presentation of the finance department in the marketing division:

3.2.1 Organization of the Finance Department:

In order to carry out the various tasks assigned to the corporate finance department, given its complexity, the department is structured and equipped at the headquarters level with three (03) department, and each department has its services. The finance department is organized as follows:

-Three department of finance:

- Accounting Department.
- Finance and Treasury Department.
- Budget Department.

a) Accounting Department:

- ✓ General Accounting
- ✓ Financial Analysis
- ✓ Taxation
- ✓ Turnover

b) Finance and Treasury Department:

- ✓ Foreign currency treasury
- ✓ Expenses dinars

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- ✓ Currency recovery
- ✓ National market recovery

c) Budget Department:

- ✓ Budget control
- ✓ Management information

3.2.2 The principal missions of the finance department:

The missions and attributions of the DCP Finance are rich and complex:

- ✓ The development and implementation of the policies and strategies of SONATRACH's GROUP
- ✓ The control and coordination of the accounting of the decentralized accounts structures
- ✓ The exercise of the management control function in terms of 'operation and disbursement
- ✓ The elaboration of the financing plan and the disbursement plan of SONATRACH investments and the follow-up of their execution
- ✓ Management of financial operations related to SONATRACH's external activities

The main department that will have the information from to our thesis is the Finance and Treasury department and specifically currency treasury service (foreign trade)

3.2.3 The principal missions of the currency treasury service:

- Management of international payment methods
- Payment of disbursal expenses in foreign currencies (import of petroleum products, services, guarantees...)
- Management of foreign mission expenses (personnel)
- Internal reporting with other departments and external reporting with other SONATRACH structures.¹

¹ Interne document of the entreprise

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3.2.4 Organization chart of the Company:

(Annex 1)

Section 2: Methodology of the study

4 Methodology of the comparative study:

Through this section we will define our research methodology, the tools and practices used, and as an objective to our study and to explain more our topic that it is about the documentary credit and the documentary remittance, we opted for a research methodology that allows us to understand the two documentaries and the difference between both of them as its indicated in the charted of the company, therefore it was important to evaluate objectively the documents concerned through a

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comparative study to explain more the points of common and the points of differences and in the end to choose the most useful one.

4.1 Definition of the comparative study:

A comparative study is considered to be a tool to assist in making choices and decisions by collecting, analyzing and comparing information to achieve the purpose. In reality, it all depends on the purpose, as each comparative study has its own purpose, which also means that the degree of difficulty in gathering information will vary.

In any case, a study or, in other words, a benchmarking analysis allows to identify the best practices used by competitors or in other fields of work in order to know what improvements to make and then apply them. The objective of this study is to improve the efficiency and profitability of a company, for example, by comparing its activities or its products to the activities or products of other companies or simply competitors. Everything depends on the basis on which the company is compared.

4.2 How do you conduct a comparative study?

Step 1 - Launching the Benchmarking Study:

This step consists of defining the issues and needs that justify the need for a benchmarking study. In other words, the reason why a benchmarking study should be conducted. This is an important step because it helps determine the purpose of the study. In reality, this is the point at which the study is made legitimate and the scope of the analysis is set.

Step 2 - Benchmarking Study Design:

This step is taken by the research manager who will design the comparative study. It is important to note that the method to be used is not very different from the one used to set up a survey. The only difference is that it is a matter of structuring the information.

Step 3 - Collect and validate information:

The researcher's responsibilities in this case are to establish a collection plan, identify sources, and implement the information validation process. The plan should take into account criteria, such as the purpose of the comparison, the nature of the information collected, and the degree of precision.

Step 4 - Develop a study of the information collected:

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After collecting and validating the data, it is now time to begin formatting it to ensure comparability. The method to be used for formatting should have been defined at the time of designing the comparative study to allow those involved to understand the information collected.

5 Process of a documentary credit and an import documentary remittance:

In order to clarify the difference between the processing and the realization of the documentary credit and the documentary remittance, we will present and illustrate with two cases, the course of an import operation with the documentary credit and the progress of an import operation with documentary remittance, through which we will highlight the complexity of complexity of these two operations as well as the costs involved in order to highlight the elements of comparison between the two techniques.

5.1 Process of an import operation using a documentary credit:

5.1.1 Presentation of the case:

The customer "importer X" legal representative of the company producing GASOIL will import the equipment of inputs and other product used for the production of the company.

The company "SH/COM PETROLEUM CORPORATION, GRN" is domiciled at the BEA Hydra, its supplier which is the company "VALLOUREC Oil and Gas France". Domiciled at the bank "COMMERZBANK AG", will carry out this transaction by documentary credit

The operation of the documentary credit is as follows:

- ✓ The contract is signed on 02/08/2015 between the two parties;
- ✓ The delivery of this merchandise must be made at the latest on: 22/04/2016 date of shipment.
- ✓ The price of this merchandise has been fixed at an amount of: 12 162 215,00 USD
- ✓ The goods are to be shipped to: port of Algiers
- ✓ Terms of payment: payment by irrevocable documentary credit at sight.
- ✓ Incoterms: DAT

5.1.2 The opening of the domiciliation file at the BEA:

The opening of a direct debit file is carried out on the basis of a presentation of documents by the importer to his bank, the documents provided are:

- ✓ A request to open a domiciliation file;
- ✓ A pro forma invoice;
- ✓ An import undertaking signed by the importer (for goods and services)

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- ✓ The NIF card (tax identification number) required to ensure that the customer is registered in the trade register;
- ✓ A certificate of domiciliation tax on an import operation.

In case of importation of goods intended for the resale in state, the importer presents this document after having paid a tax of 10 000,00 da. In the other case the importer is asked to signed a commitment which prohibits him the resale of the products in question in the state. At the level of the agency, the agent in charge of the study proceeds to the verification of the conformity of the documents, i.e., the conformity of the signatures and the operation with the regulation of foreign exchange and foreign trade.

5.1.2.1 Opening a control sheet:

The agent files the documents provided by the importer in a control sheet model F.DI which is kept at the level of the agency for monitoring and control. This form contains a set of information identifying the type, nature and realization of the import, namely:

- ✓ Name of the direct debit bank;
- ✓ Intermediary counter number;
- ✓ Name of the exporter;
- ✓ Name and address of the importer.

The purpose of the latter, being the follow-up and the management of the direct debit file until the discharge

5.1.2.2 The constitution of the domiciliation commission:

At the level of the agency, the commissions and taxes of the direct debit are accounted by making the following steps:

Table N° 01: The constitution of the domiciliation commission

Description	Amount
Direct debit commission (fixed)	2000.00 DZD
Tax 17%	340.00 DZD
Total direct debit commission (VAT included)	2340.00 DZD

Finally, the customer account will be debited with 2340.00 DZD at the time of its direct debit to the BEA.

The agent (the banker) gives the importer the copies of the invoice duly the direct debit stamp on the invoice, as well as a copy of the request to open a direct debit file. application to open a direct debit file, dated and signed.

5.1.3 The opening of the import documentary credit:

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The opening of the CREDOC is carried out by the BEA on request of its customer (x) "SH/COM PETROLEUM CORPORATION, GRN" At the end of the contract between the customer and his supplier " VALLOUREC Oil and Gas France ", the latter demanded to be paid by irrevocable documentary credit, this opening consists of:

- **For the importer:**

The importer (SH/COM PETROLEUM CORPORATION, GRN) in order to open the CREDOC in favor of his supplier " VALLOUREC Oil and Gas France ", presented to the bank BEA the following documents:

- ✓ A request to open a CREDOC. This form contains clauses with instructions from the client (principal) as follows: (Annex2).
 1. Name / company name of the importer (principal): (SH/COM PETROLEUM CORPORATION, GRN)
 2. Name and address of the issuing bank: BEA
 3. Mode of payment: Irrevocable CREDO at sight.
 4. The validity of CREDOC: 22/04/2016
 5. Transaction amount in letters and numbers: 12 162 215.00 USD
 4. The name of the beneficiary: "ARTIZANIA LAZ-MAR, S, L";
 5. Name and address of the notifying bank: "COMMERZBANK AG"
- ✓ A pro-forma invoice domiciled; that contains; (Annex 3)
 1. Commercial invoice: 12 original copies
 2. Bill of lading (Incoterm 2010 DAT Algerian port): 2/3 originals of the bill of lading (B/L) or shipment bill
 3. Photocopy of the packing list
 4. Photocopy of certificate of origin
 5. Photocopy of technical conformity certificate
 6. Photocopy of quality control certificate
 7. Photocopy of the bank guarantee of good execution of 1 216 221.50 USD (i.e., 10% of the amount of the shipment of 12 162 215.00 USD)
 8. Certificate of the beneficiary certifying to have transmitted by express mail to the GRN
- ✓ An import undertaking signed by the importer (for goods and services) (Annex 4);

Concerns the following information:

1. Incoterm 2010: DAT Algerian port
2. Embarkation: port Antwerp
3. Discharge: Algerian port
4. Partial shipment: Authorized
5. Transshipment: Authorized
6. Special instructions:

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*All foreign fees and commissions are at the expense of the beneficiary.

*All costs and commissions in Algeria are at the charge of the client GRN

7. Order number: 4500005
8. Customs Tariff
- ✓ The NIF card (Tax Identification Number);

In his request for opening a documentary credit, the customer has asked his bank for a binder, which is a simple binder containing documents such as (invoice of origin, bill of lading, certificate of origin ...) and allowing the clearance of the goods without waiting for the documents to arrive through the banking channel. The envelope is given by the captain to the customer.

- **For the banker:**

The Bank BEA establishes the opening swift of the LC with COMMERZBANK AG on 10/08/2015, the BEA bank transmits through the DOD (Directorate of Documentary Operations) a SWIFT (MT 730) to notify the confirming bank "COMMERZBANK AG" the opening of a CREDOC in favor of its client (The company SH/COM PETROLEUM CORPORATION, GRN). (Annex 5)

This issue is realized in the following way:

- ✓ The banker draws up a dispatch note and sends it to the DOD. This slip consists of three papers
- ✓ After checking the documents sent by the agency, the DOD validates the documents and proceeds to the transmission of the letter of credit to the corresponding bank.

and it consists in:

- ✓ Checking carefully all the clauses of the request, and ensuring the regulatory and technical aspect and technical aspect with regard to the rules and customs, it also verifies that the request is completed without erasure or overwriting.
- ✓ Check that the provision exists and is sufficient for the realization of the operation.
- ✓ After these verifications the credit is opened by the banker in charge of the opening of

the documentary credit by proceeding as follows:

*Conforming the previous documents that we already mentioned plus to:

* It is mandatory to send documents

*All documents must be signed and marked with the L/C reference

The Accounting Procedure:

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BEA charges the LC opening commitment fee to the provider on SH-GRN's account ON 09/08/2015, the following table will present the accounting of the commissions: (Annex 6)

Description	Amount
Opening commission (fixed)	3000.00
Commitment fees	9 065 544.54
SWIFT fees (fixed)	1500.00
Tax 17%	1 541 907.57
Total commissions (incl. VAT)	10 611 952.11 DZD

Table N° 02: Accounting for commissions

Source: made by myself from the data of SONATRACH

5.1.4 Request for modification of the letter of credit by the customer:

In this document the importer "SH/COM PETROLEUM CORPORATION, GRN" decided to do some modification on 08/09/2015 in favor of his supplier "VALLOUREC Oil and Gas France by the amount 12 162 215.00 USD, and the following changes are: (Annex 7)

- ✓ Please replace "COPY OF TECHNICAL CONTROL CERTIFICATE ISSUED AND SIGNED BY A DOCUMENTARY CONTROL AGENCY OF THE EXPORTING COUNTRY" by "COPY OF QUALITY CONTROL CERTIFICATE ISSUED AND SIGNED BY A DOCUMENTARY CONTROL AGENCY OF THE EXPORTING COUNTRY.
- ✓ Please replace "ALL DOCUMENTS MUST BE SIGNED AND REFERENCED TO THE L/C" with "ALL DOCUMENTS MUST BE SIGNED AND REFERENCED TO THE L/C EXCEPT THE COPY OF THE GUARANTEE OF PERFORMANCE.

The Accounting Procedure:

Debit notice for LC amendment fee issued by Bank BEA-HYDRA on 13/09/2015, the following table will present the accounting procedure: (Annex 8)

Table N° 03: Accounting of modifications:

Description	Amount
Modifications fees	3000.00

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Tax 17%	510.00
Total modifications (VAT)	3510.00 DZD

Source: made by myself from the data of SONATRACH

5.1.5 Issuance of the documentary credit:

After these modifications, the Bank BEA establishes the swift of modification with COMMERZBANK AG on 10/09/2015, the BEA bank transmits through the DOD (Directorate of Documentary Operations) a SWIFT with a modification number "01" to notify the confirming bank "COMMERZBANK AG". That document will contain all the information and the details of modification that the importer "SH/COM PETROLEUM CORPORATION, GRN" choose. (Annex 9)

Next step will be the presentation of sales documents to the supplier's bank for payment, that document is realized by the bank of the supplier "COMMERZBANK AG" to notify the bank of the client "BEA-HYDRA" with a SWIFT (MT 754) that it received all the information and the amount of the documents is 11 894 767.28 USD on 01/04/2016. (Annex 10)

The bank BEA establishes a payment document which present the cost of implementing commissions of documentary credit (debit advice to the client's account). (Annex 11)

The Accounting Procedure:

Table N° 04: Accounting of implementing:

Description	Amount
Implementing fees	3 215 069.55
Recuperation commissions	1 286 028.04
Tax 17%	765 186.59
Total implementing (VAT)	5 266 284.18

Source: made by myself from the data of SONATRACH

5.1.6 The realization of CREDOC:

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The exporter is notified of the opening of CREDOC in his favor. He proceeded then to the expedition of the goods: When the goods arrived at the port of Algiers,

the customer recovered the folding-box which was delivered to him by the captain of edge and it presented itself to the bank for this last one to endorse the bill of lading (in his name) so that it can clear the goods through customs.

In the meantime, the supplier submits to his bank the documents stipulated in the request for the opening of the CREDOC. The bank (notifying) transmits them to the DOD which checks if they are in conformity with the terms and conditions of the credit then it transmits them in its turn to the BEA bank by means of a dispatch note so that it can proceed with the payment.

Last but not least, it will pass to the accounting of the total of merchandise and be calculated in the invoices between the client and the supplier.

5.2 The course of an operation of documentary remittance to the import:

After the description of a CREDOC operation, it is useful to compare it with a document with that of a documentary remittance operation in order to highlight the elements of comparison between comparison between the two types of financing and to be able to understand and explain the and to be able to understand and explain the behavior of companies in terms of choosing the type of financing that is appropriate type of financing.

5.2.1 Presentation of the commercial contract:

The customer " importer X " legal representative of "PETROLEUM CORPORATION³ which is located HASSIBA Ben BOUALI-ALGIERS, Algiers, specialized in the commercialization of petroleum, is going to import a raw material (GASOIL) for the production of the company.

The company is domiciled in the BEA-HYDRA, its supplier which is the company "ARICHGG" located at S.A 19 RUE DUE RHONE CH 1204 GENEVE, domiciled at the bank "INDOSUEZ (SWITZERLAND)" and it will carry out this transaction by documentary remittance.

The contract was signed between the two parties on 21/07/2016. It states that:

- ✓ The price of this merchandise is set at an amount of: 12 699 800.70 USD;
- ✓ The name and address of the issuing bank: BEA-HYDRA;
- ✓ The name and address of the notifying bank: INDOSUEZ (SWITZERLAND);
- ✓ The goods must be sent: to the port of ALGIERS;
- ✓ Method of payment with a: sight documentary remittance;
- ✓ Incoterms: CFR.
- ✓ Pay from: SUISSE
- ✓ Port of shipment: BAYONNE
- ✓ Payment due: 30 Calendar days after receipt of invoice/docs

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- ✓ B/L date: 25/06/2016
- ✓ Delivery: ARZEW

In the first step, the signing of the contract between the client “PETROLEUM CORPORATION” and the supplier “ARICHGG” of the remittance document. On 25/06/2016 the company of the seller will load "GASOIL" product to the customer, then it will start the submission of documents to its bank” CA INDOSUEZ”, which will send the documents to the customer's bank “BEA-HYDRA”. (Annex 1)

BEA notified SH of the arrival of documents relating to the documentary remittance BL 25 for an amount of 12 699 800.70 USD on 05/03/2017. (Annex 2)

5.2.2 Opening the domiciliation file:

In order for the customer to open a direct debit file, he has provided the banker with the following documents

- ✓ A request to open a domiciliation file;
- ✓ A pro forma invoice;
- ✓ An import commitment signed by the importer;
- ✓ The NIF card (tax identification number);

At the bank, the agent verified the conformity of the documents and the operation with the foreign exchange and foreign trade regulations.

5.2.2.1 The opening of a control sheet

The agent has filed the documents provided by the importer in a control sheet kept at the level of the agency for monitoring and control.

5.2.2.2 The constitution of the domiciliation commission:

At the level of the agency, the commission and the direct debit tax are accounted for according to the according to the following accounting entries:

Table N° 05: Constitution of the domiciliation commission:

Description	Amount
Direct debit commission (fixed)	2000
Tax 17%	340.00
Total direct debit commission (VAT)	2340.00 DZD

Source: made by myself from the data of SONATRACH

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NB: Contrary to the CREDOC, the banker is not obliged to check the balance of the importer's account in the case of a documentary remittance. The head of the agency in turn to check carefully all the information and he gave his agreement.

At the end, the customer account will be debited of 2 340,00 DZD, at the time of its domiciliation at the BEA.

5.2.3 The course of a documentary remittance:

The realization of an import operation by a documentary remittance requires the several steps:

5.2.3.1 The constitution of the file of a documentary remittance:

In order to ensure that the operation is carried out correctly, certain conditions must be met be fulfilled and which consist of:

A. For the client:

- ✓ In order for the client to carry out the import operation with a documentary remittance, it is necessary that the order of the imported goods corresponds to his field of activity.
- ✓ commitment not to resell the goods in their original condition.

B. For the banker:

- ✓ To check carefully that the imported goods are part of the production of this company;
- ✓ To establish a documentary remittance folder " IRD 330 " on which will be reported the essential of the transaction.

"PETROLEUM CORP" established a transfer order for the payment of the goods on 13/03/2017; it says: we kindly ask you to execute by debiting our account the transfer of the sum: twelve million six hundred and ninety-nine thousand eight hundred US dollars seventy cents 12 699 800.70 USD. (Annex 3)

- ✓ Gas Oil Invoice N° 108712 dated 07/21/2016
- ✓ In value date: 20/03/2017

The BEA bank establishes and sends an "MT202" (SWIFT payment) to the supplier's bank "CA INDOSUEZ" on 05/04/2017 to pay the amount of 12 699 800.70 USD. (Annex 4)

The BEA bank debits the account of "PETROLEUM CORP" with a deduction of bank commissions. (Annex 5)

5.2.3.2 The realization of a documentary remittance:

The exporter has shipped the contractually agreed goods. In the meantime, he has sent the required documents to the BNA.

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After possession of the documents, the importer (PETROLEUM CORP) has cleared the goods through customs.

On the due date, the importer gave a payment order to his bank. The banker has the banker proceeded to the payment and the accounting of the total commissions. (Annex 5)

Table N° 06: Accounting for total commissions:

Description	Amount
SWIFT fees (fixed)	1500.00
Collection commission	800.00
Bank Commission (1/1000 total en DZD)	1 399 441.84
Commission on import documentary remittance (1.5/1000)	2 099 162 .76
Tax 17%	665 171.87
Total Commissions (VAT)	4 166 076.48 DZD

Source: made by myself from the data of SONATRACH

- Recording or accounting sheet.

Section 3: Study case: Comparative results between documentary credit and documentary remittance:

The two case studies of CREDOC and REMDOC that we have dealt with in the previous sections, allow us to arrive at some comparative results on certain criteria related to their conduct.

6 Comparison of the CREDOC and REMDOC process:

In order to compare the process between CREDOC and REMDOC, we have deemed it useful to choose four (4) useful criteria that will be the object of analysis of the comparison of the process between these two modes of financing, which are as follows: the stages of direct debit, the procedure to be followed for each procedure, the documents required and the commissions to be paid to the bank.

We summarize these elements of comparison in the following table:

Table N° 07: comparison between CREDOC and REMDOC

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Criteria	Documentary credit	Remittance Credit	Observation
I. The opening of the file for bank domiciliation	-The opening of a control sheet -The constitution of the domiciliation	The same steps	The steps of domiciliation for the import are the same for these two modes of financing as regards the documents required, the commission to be paid and the discharge of the domiciliation file.
II. The procedure for of the operation	-The opening of the CREDOC - Issuance of the documentary credit -The realization of CREDOC	-Constitution of file of REMDOC -Realization of REMDOC.	Each of these steps requires the completion of several formalities, whereas the remittance involves only two steps: the constitution of the file and the realization of the REMDOC. it is clear how complex the processing of a CREDOC compared to REMDOC. Moreover, in the CREDOC, once the documents are shipped and the bank has verified their conformity, the client must pay. On the other hand, in the documentary remittance the payment is made at sight or on the due date, the supplier still runs the risk of non-payment.

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Criteria	Documentary Credit	Remittance Credit	Observation
III. Documents required: for direct debit	-A request to open a domiciliation file. -A pro forma invoice. -An import commitment. -The NIF card	The same	In the direct debit stage, the documents required are the same for same for both payment methods.
1.For the opening of the CREDOC	- A request to open a CREDOC - A pro-forma invoice domiciled - The NIF card	None	This step does not exist in the documentary remittance, whereas for the CREDOC, it is a very important step that requires some specific documents.
2. The Documents required from the supplier	-Commercial invoice -Certificate of origin -Certificate of Conformity -Bill of lading -Other documents	Same	The customer usually requires the same documents from his supplier, either in a discount or in a CREDOC, the only difference: In the CREDOC, the bill of lading is made out to the bank because the bank is committed (in order to avoid that the customer clears the goods and does not pay his supplier). In a REMDOC the bill of lading is to the order of the customer, the bank is not liable to the supplier if the customer takes the goods and does not pay him.

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Criteria	Documentary credit	Remittance Credit	Observation
3.The commissions	- Domiciliary commission 2000.00 DZD - Opening domiciliation 3000.00 DZD -SWIFT fees 1500.00 DZD -Commitment commissions 9 065 544.54 DZD -Bank commission 1 286 028.04DZD -Modification Commissions 3000.00 DZD - Commission on import documentary remittance 3 215 069.55DZD	- Domiciliary commission 2000.00 DZD -Bank commissions (1/1000)1 399 441.84 DZD -SWIFT fees 1500.00 DZD -Collection commissions 800.00DZD - Commission on import documentary remittance (1.5/1000) 2 099 162.76DZD	The CREDOC costs more than the REMDOC, because of the range of CREDOC commissions

Source: made by myself

In the end, we were able to draw the following points from this table:

The CREDOC and the documentary remittance have points of similarity at the level of the stages of direct debit, as well as the documents that the importer requires from his supplier. On the other hand, the differences lie in the complexity of the CREDOC procedure compared to the documentary remittance, the documents required for the opening of a CREDOC which does not exist in the documentary

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remittance. In addition, the nature and amount of the commissions are higher in the CREDOC.

7 Comparison of documentary credit and documentary remittance fees:

Since the amounts in our case study are not identical, and in order to illustrate the difference in costs during an import operation by documentary remittance or documentary credit, we thought it deemed it useful to simulate two practical cases, one with the REMDOC and the other with the CREDOC.

For this purpose, the price of the goods that we have chosen is the same in both cases, so that we can deduct the difference in commission costs practiced by the BNA bank between these two modes of financing.

The price of the goods is: 12 000 000,00 USD, the exchange rate is fixed at 110,00 USD/Da.

Therefore, the value of the goods in dinars is $12\,000\,000.00 * 110.00 = 1\,320\,000\,000.00$ Da.

In order to compare the commissions charged by the BNA bank, we summarize the different costs in the following table:

Table N° 08: comparison of commissions between CREDOC and REMDOC

Description	REMDOC	CREDOC
Amount	1 320 000 000.00DZD	1 320 000 000.00DZD
Domiciliation commissions (fixed)	2000.00DZD	2000.00DZD
Opening commissions	/	3000.00DZD
Commitment commissions	/	9 065 544.54DZD
Bank commissions	1 399 441.84DZD	1 286 028.04DZD
Commission on import (Transfer)	2 099 162.76DZD	3 215 069.55DZD
SWIFT fees	1500.00DZD	1500.00DZD
Modification commissions	/	3000.00DZD
Collection commissions	800.00DZD	/
Total commissions without tax	3 502 904.6DZD	13 576 142.13DZD
Tax 17%	595 493.78DZD	2 307 944.16DZD
Total	4 098 398.38DZD	15 884 086.29DZD

Source: made by myself

Chapter III: The financing of foreign trade operations: Comparative study between the documentary credit and documentary remittance at SONATRACH

From the final results of this table, we see that the total cost of documentary credit commissions is 15 884 086.29DZD, while the total cost of commissions of the documentary remittance is 4 098 398.38DZD. This makes the documentary credit is three times more expensive than the documentary remittance. This is due to the range of commissions that the BEA bank charges during an import operation through the CREDOC, while REMDOC does not incur as many commissions, even though the price of the goods is the same in both cases.

8 Comparison of the different stakeholders and components for REMDOC/CREDOC:

This comparative table allows us to situate the role of the various participants in the documentary credit and documentary remittance procedures, as well as the risks involved of these two financing methods.

Table N° 09: Comparison of different stakeholders and components

Stakeholders and Component	Documentary Remittance	Documentary Credit
Exporter	Principal AGRICHGG	Beneficiary VALLOUREC
Importer	Beneficiary of the discount PETROLEUM CORPORATION- SH/COM	Principal PETROLEUM CORPORATION-GRN
Bank of the exporter	Remittance bank CA INDOSUEZ (SWITZERLAND)	Notifying or confirming bank COMMERZBANK AG
Bank of the importer	Presenting bank BEA-HYDRA	Issuing bank BEA-HYDRA
Role of the bankers	Mandate on the occasion of the transmission of documents but no commitment of payment Consists in transmitting the Documents	Notifying (confirming) bank: irrevocable commitment at sight.
Value of the documents	Documents at the discretion of the importer	The documents have more value for the importer
Hedging of the foreign exchange risk	The exchange rate risk is supported by the importer	The exchange rate risk is supported by the importer
Coverage of the risk of non- payment	Very medium protection	Good to excellent protection depending on whether the credit is notified or confirmed

Source: made by myself from the data of SONATRACH

Chapter III: The financing of foreign trade operations: Comparative study between the documentary credit and documentary remittance at SONATRACH

From the above table we deduce that:

- The exporter is a principal in the documentary remittance and beneficiary in the CREDOC. while the importer is a beneficiary in the documentary remittance and principal in the CREDOC.
- For CREDOC, the exporter's bank is the notifying bank, and the importer's bank (BNA) is the issuing bank, while in the case of a remittance, while in the case of a documentary remittance the exporter's bank is the remitting bank, and the importer's bank (BNA) is the presenting bank.
- The banker's role in the documentary remittance is limited to transmitting the documents but does not give a payment commitment. Whereas in the CREDOC the bank commits itself to pay.
- The value of the documents remains at the importer's discretion in the REMDOC, whereas in the CREDOC the bank checks the conformity of the documents with the conditions and terms of the credit.
- The foreign exchange risk is supported by the importer in both cases.
- Hedging the risk of non-payment provides very average protection for the exporter in the case of REMDOC, but good to excellent protection in the case of CREDOC.

9 Summary of comparative results:

In order to better understand the comparison between the documentary remittance and the documentary credit we deduce the results obtained in the following table:

Table N° 10: Summary of comparative results

Type of funding	Security and payment guarantee	Management administrative	Cost	Acceptability by the client
CREDOC	Very safe	Very heavy	High	Bad
REMDOC	Less sure	Slight	Weak	Good

Source: made by myself from the study of the two cases.

This table below summarizes in detail the difference between CREDOC and REMDOC, firstly in terms of security and payment guarantee, the CREDOC presents a security of payment, compared to the REMDOC which provides less security for the exporter, then the administrative management of the CREDOC is very heavy and takes time for the shipment of the goods, whereas the REMDOC is less formal and more flexible in international trade.

In this regard, CREDOC's administrative burden generates costs and bank commissions, while REMDOC does not incur as many commissions.

Finally, the customer does not like the supplier's demand for payment by CREDOC because it is seen as a lack of trust on the part of the supplier. In contrast, payment by

Chapter III: The financing of foreign trade operations: Comparative study between the documentary credit and documentary remittance at SONATRACH

REMDOC requires a certain level of trust for both parties to agree to this method of payment.

10 Advantages and disadvantages of the two methods:

There are several advantages and disadvantages of the documentary remittance and the documentary credit:

- Documentary remittance requires the existence of a certain level of trust, unlike the CREDOC, which is the best instrument when it is a question of a transaction made for the first time, or in the case of a transaction made under very risky circumstances;
- The direct debit of an import by documentary credit is done before the transaction takes place, while the direct debit of an import by documentary remittance is done after the goods have been shipped and the final documents have arrived;
- The CREDOC is opened at the initiative of the seller;
- The documentary CREDIT is much more expensive than the documentary remittance due to commissions, while the documentary remittance bears less commission;
- The CREDOC require heavy procedures passing by a direct debit, then a request for a credit opening which is only carried out once the DOD has granted it, on the other hand, the documentary remittance procedure is less formalistic;
- The documentary remittance does not engage in any case the direct responsibility of the banks whereas the documentary credit brings into play the responsibility of the banks;
- The documentary remittance is more flexible than the CREDOC;
- The documentary credit offers more guarantees of payment,

Chapter III: The financing of foreign trade operations: Comparative study between the documentary credit and documentary remittance at SONATRACH

Conclusion Chapter III:

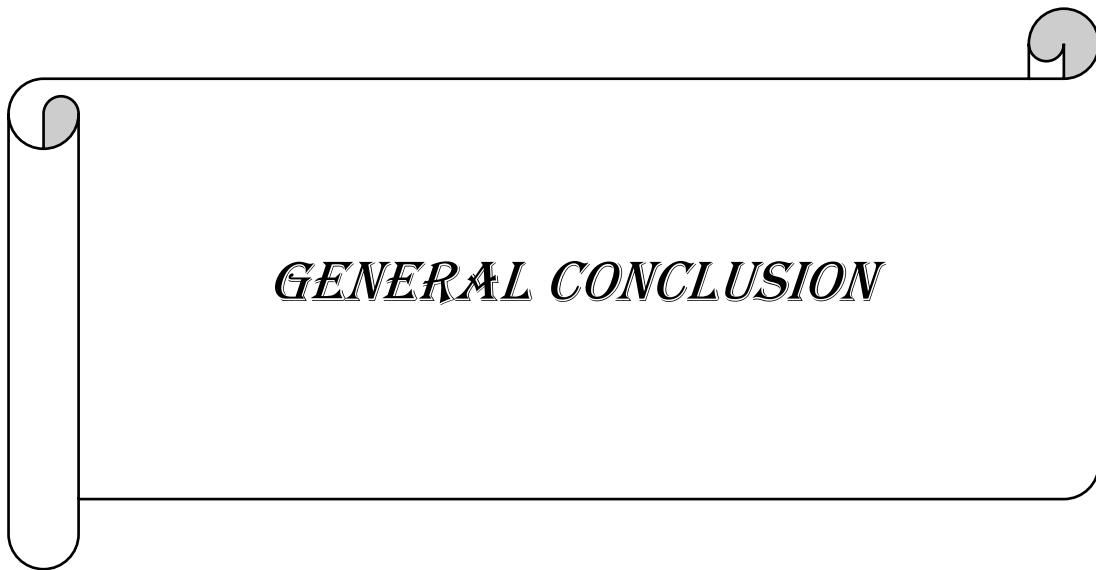
Despite the negative points of the documentary credit, it remains the ideal instrument in the relations between importers and exporters. Indeed, this technique reconciles the two parties. The exporter has the assurance of obtaining payment for the goods supplied, if he customer's requirements. The importer is certain that this payment will only be made against the delivery of the documents provided, in the form he has prescribed.

The evolution of documentary credit financing has revealed strengths in terms of procedures, control and good end for contractors and also weaknesses, related to the type of documentary credit used and the high cost of this type of financing as well as the administrative burden that results from it.

Moreover, the documentary remittance is an efficient and simpler means of payment than the documentary credit in the case where there is a certain confidence between the contracting parties. Otherwise, it becomes an uncertain means of payment and exposes the exporter to great risks. The banker will then have to protect himself to the maximum by engaging his responsibility.

Moreover, commercial practice shows us that all these techniques are used, although the choice of which technique to use depends on the buyer, the seller, their respective countries and the economic context in which the transaction is concluded

General Conclusion



General Conclusion

General Conclusion

Throughout this work, we have tried to shed light on one part of a vast field of foreign trade, by studying in depth the documentary credit as well as the documentary remittance as international payment techniques.

The importance of commercial transactions obliges both parties to take precautions when negotiating the commercial contract and agree on its conditions. It is from this point that appears the need for a tool to help manage the international trade relations, which gives rise to the payment techniques of which the documentary credit belongs to and presents the most secure technique.

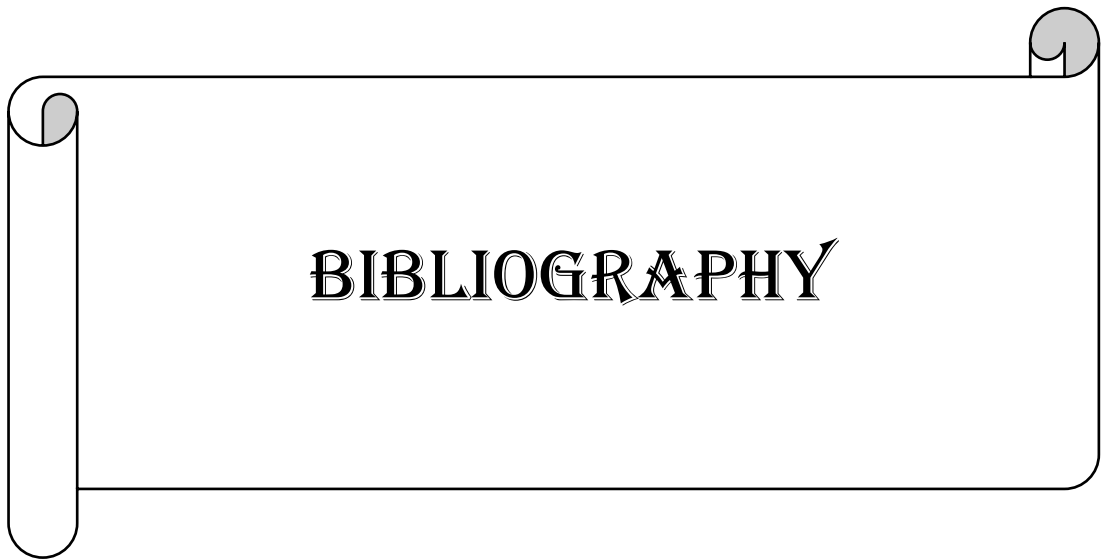
The free transfer is a payment technique based on total trust, while the documentary remittance does not cover the risks on the buyer (non-payment) and on the goods (risk on the quality of the goods), these two risks are sufficiently covered when payment is made by documentary credit.

In order to answer our main problem which is: “**How can the documentary credit and the documentary remittance be effective and useful means for the regulation and realization of foreign trade?**”.

We did an internship in the national company SONATRACH for our theoretical study and we tried to define the general framework of the foreign trade as well as its procedures, it is with an aim of explaining and evaluating the latter. Thus, we have focused on the study of the documentary credit and the documentary remittance as means of payment. We arrived at these results:

- Each of the payment techniques has its advantages and disadvantages, while the documentary credit is the most secure technique;
- The documentary remittance is a more flexible and less expensive means of payment than the documentary credit. It is based on the total confidence of the two contracting parties;
- The procedure of the documentary remittance is less complex than the documentary credit;
- The documentary credit covers the risk of insolvency of the buyer as well as the risks on the goods;

Based on the analysis of the results obtained from our comparative study, we can advance that: the documentary credit is the most used by the company of SONATRACH since 2014 because it is not expensive as much as the documentary credit even though it is not that secure.



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- Decree 63/188 of May 16, 1963, on the quota regulations for the import of goods designed by the Ministry of Commerce.
- Article 81 of Law No. 13-08 of December 30, 2013 on the Finance Law
- Personal documents from the supervisor of the company

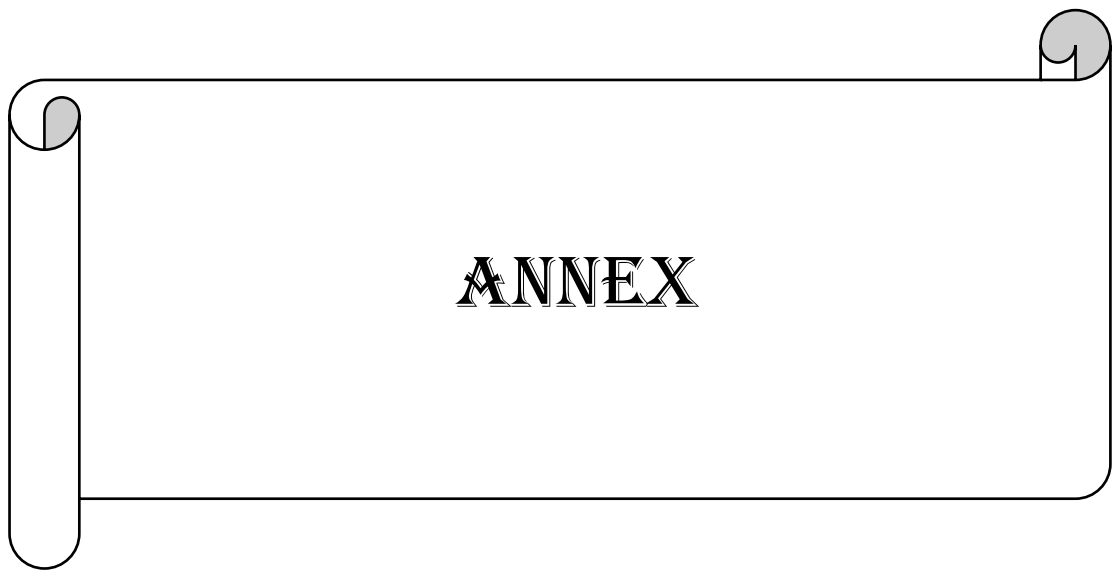
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- <https://efinancemanagement.com/international-financial-management/international-trade> (20/05/2022 at 17h)
- <https://www.yourarticlelibrary.com/international-trade/advantages-and-disadvantages-of-international-trade/42100> (22/05/2022 at 17h)
- <https://www.icontainers.com/help/international-payment-methods/> (23/05/2022 at 17h)
- [https://epayments.developer-ingenico.com/payment-product/bank-transfer#:~:text=Bank%20transfer%20\(or%20wire%20transfer,the%20can%20make%20their%20payment.](https://epayments.developer-ingenico.com/payment-product/bank-transfer#:~:text=Bank%20transfer%20(or%20wire%20transfer,the%20can%20make%20their%20payment.) (23/05/2022 at 17h)
- <https://www.trade.gov/methods-payment> (23/05/200 at 17h)
- http://www.esandis.com/uk/import_export_training/documentary_remittance.php (23/05/2022 at 17h)
- <https://www.sonatrach.co.uk> (30/05/2022 at 20h)



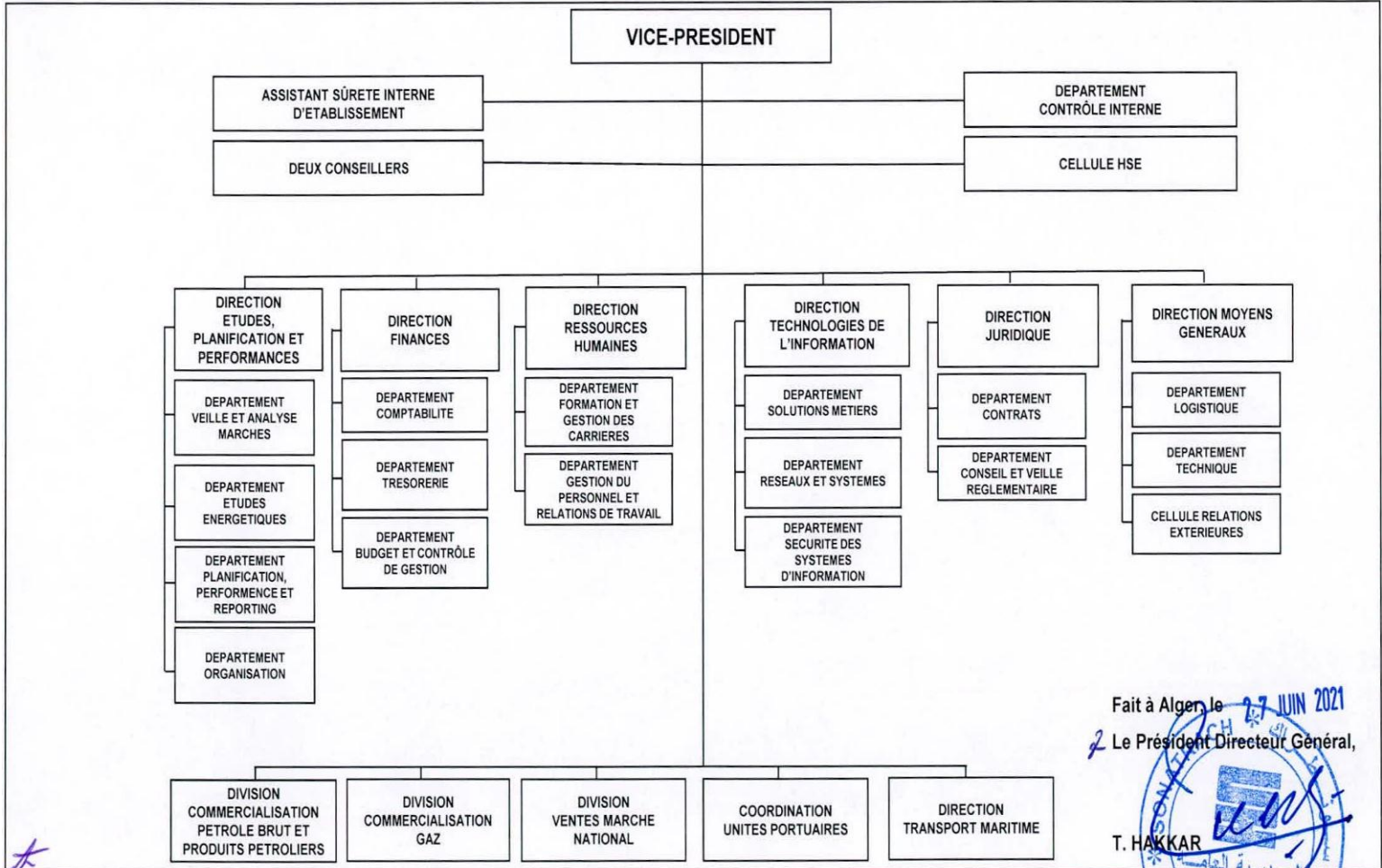
Annex 01: Organization chart of the Company



N°80/DG

Classement : 2.012.1
Référence : A-572 (R)
Page : 2 de 7

ORGANIGRAMME DE L'ACTIVITE COMMERCIALISATION



Fait à Alger, le 27 JUIN 2021
Le Président Directeur Général,

T. HAKKAR



Annex I-02: A request to open a CREDOC

Demande d'ouverture de LC auprès de
la Banque, déposée par le client SH-

Groupe Régiane
17 Rue Amar Dekkar
16005 El Biar, Algiers
ALGERIA
Tél : +213 21 460 288
Fax : +213 21 460 297

GRN
Société Algérienne
1

Banque Extérieure d'Algérie
Agence Djenane El Malik
Alger

Att.: Mr. Le directeur de l'Agence

Date : 02 Août 2015
Notre référence : GRG-GM-BEA-L-965
N° DIB : 029
N° RIB compte USD :
N° RIB compte DZD :

005300006-95

Sujet: Demande d'ouverture de crédit documentaire à l'importation

Par le débit de notre compte N° 0053000006 95, veuillez procéder à l'ouverture, par voie télégraphique, d'un crédit documentaire libellé comme suit :
N° Domiciliation : 160317 2015 1 1000 210 USD

- 1) Irrévocable
- 2) Auprès de la banque : COMMERZBANK AG
Succursale de Paris 23,
Rue de la Paix 75002 Paris
IBAN : FR7617629000010093101450087
SWIFT : COBAFRPXXXX
- 3) Faveur : VALLOUREC-Oil and Gas-France
54 RUE ANATOLE FRANCE
59620 AULNOYE-AYMERIES
France
- 4) Montant Maximum: 12 162 215,00 USD
- 5) Date de validité: 22 Avril 2016 Dernière expédition: 02 Avril 2016
- 6) Utilisable : A VUE
- 7) Contrat / PO : 910 / PO 4500005545

Page 1 sur 3

Annex I-03: A pro-forma invoice domiciled

Groupement Reggane
17 Rue Amar Delkar
18005 El Biar, Algiers
ALGERIA
Tel : +213 21 480 296
Fax : +213 21 480 297

GRN
Groupement Reggane

- 8) Contre remise à la Banque Extérieur d'Algérie, Agence Djenane Al-Malik, Hydra 16035 Alger, les documents suivants :

Document	Nombre d'exemplaires	Caractéristiques
Factures commerciales	12 exemplaires originaux	<ul style="list-style-type: none"> - Rédigées en français - Etablies au nom du Groupement-REGGANE - Signées par le bénéficiaire - Portant le cachet humide du bénéficiaire
Titre de transport : Incoterm 2010 DAT port Algerien	2/3 originaux de la Bill of Lading (B/L) ou connaissance d'embarquement	A l'ordre du Groupement REGGANE 12 Rue Mohamed Sahmoune 16030 – Alger
Liste de colisage	Une (01) copie	Délivrés par le bénéficiaire
Certificat d'origine	Une (01) copie	Délivrés par la chambre de commerce du pays exportateur indiquant l'origine de la marchandise Europe
Certificat de conformité technique	Une (01) copie	Délivrés par le bénéficiaire
Certificat de contrôle de la qualité	Une (01) copie	Délivrés par un organisme habilité du pays exportateur
Copie de la garantie bancaire de bonne exécution de 1,216,221.50 USD (soit 10% du montant de l'expédition de 12,162,215.00 USD)	Une (01) copie	Etablie par la BFA
Attestation du bénéficiaire certifiant avoir transmis par courrier express au Groupement REGGANE	1/3 du connaissance + facture originale + certificat d'origine originale + certificat de conformité technique originale + certificat de contrôle de qualité originale	

Annex I-04: An import undertaking signed by the importer

Groupement Reggane
17 Rue Amar Dekkar
18005 El Biar, Algiers
ALGERIA
Tel : +213 21 480 286
Fax : +213 21 480 287

GRN
Groupement Reggane

9) Concerne l'expédition de :

59 500 m (4 ½ x 15,10 lb/ft VM 95 13CR VAM TOP REGULAR Range 2 Standard Drift);
8 000 m (3 ½ x 9,20 lb/ft VM 80 13CR VAM TOP REGULAR Range 2 Standard Drift).

Suivant la facture pro-forma réf. 95006685 et le bon de commande N° 4500005545, pour le montant de 12.162.215, 00 USD

10) Lieu d'expédition et de réception
- Incoterms 2010 : DAT Port Algérie ✓
- Embarquement : Port Antwerp
- Débarquement : Port Algérie

11) Expédition partielle : Autorisée

12) Transbordement : Autorisée

13) Instructions spéciales :
- Tous les Frais et Commissions à l'étranger sont à la charge du bénéficiaire.
- Tous les Frais et Commissions en Algérie sont à la charge de client Groupement REGGANE

14) Tarif Douanier : 73 04 49 93 90
73 04 49 95 90

Nous nous engageons à verser le montant de votre paiement à l'arrivée des documents à Alger. Cette opération est soumise aux règles et usages uniformes (RUU 600) relatifs au crédit documentaire, approuvé par la chambre de commerce Internationale et actuellement en vigueur, sous réserves de l'application des règles et usages du pays où l'opération se déroule si ce pays n'a pas adopté lesdits RUU

Veuillez noter que la BANQUE EXTERIEUR D'ALGERIE doit nous remettre le SWIFT d'ouverture du crédit documentaire

Veuillez agréer, Monsieur, l'expression de mes salutations distinguées.

**Annex I-05: SWIFT to notify the confirming bank
"COMMERZBANK AG" the opening of a CREDOC**

Swift d'ouverture de crédit ~~xxx~~ ~~documentaire~~
documentaire par la banque

②

10/08/15-11:22:34 10.4 Ack005-2692-014926 1

Possible duplicate indicator set locally

----- Instance Type and Transmission -----
 Notification (Transmission) of Original sent to SWIFT (ACK)
 Network Delivery Status : Network Ack
 Priority/Delivery : Normal
 Message Input Reference : 1126 150810BEXADZALAD0E1200268712
 ----- Message Header -----
 Swift Input : FIN 700 Emission d'un credit docum
 Sender : BEXADZALDOE
 BANQUE EXTERIEURE D'ALGERIE
 (DIRECTION DES OPERATIONS AVEC L'ETRANGER - DEPART
 ALGIERS DZ
 Receiver : COBAFRPXXXX
 COMMERZBANK AG
 PARIS FR
 MUR : CREDOC

----- Message Text -----
 27: Sequence des totaux
 1/1
 40A: Forme de credit documentaire
 IRREVOCABLE/
 20: Numero du credit documentaire
 005ICD0005515039
 40E: Regles d'application
 UCP LATEST VERSION
 31D: Date et lieu de l'expiration
 160422FRANCE
 51D: Banque demanderesse -nom/adresse
 BANQUE EXTERIEURE D'ALGERIE
 BEA HYDRA SH 005
 DJENANE EL MALIK.HYDRA.ALGER
 ALGERIE C/B : BEXADZALX005
 50: Partie demanderesse
 17: ~~17: Adresse~~ *GARN*
 16005 EL BIAR , ALGIERS
 ALGERIA
 59: Beneficiaire - nom/adresse
 VALLOUREC OIL AND GAS FRANCE
 54: RUE ANATOLE FRANCE
 59620 AULNOYE-AYMERIES
 FRANCE
 32B: code devise et montant
 Currency : USD (US DOLLAR)
 Amount : #12 162 215,00#
 39B: Credit maximum
 NOT EXCEEDING
 41A: Disponible chez/via --FI BIC
 COBAFRPXXXX
 COMMERZBANK AG
 PARIS FR
 BY PAYMENT
 49: Envois partiels
 ALLOWED
 43: Transbordement
 ALLOWED
 44E: Port de chargem/Aeroport depart
 PORT ANTWERP
 44F: Port de dechargem/Aerprt de dest
 PORT ALGERIEN
 44C: Date ultime d'envoi
 160402
 10/08/15-11:22:34 2

 45A: Desc biens et/ou prestations
 DAT PORT ALGERIEN INCOTERM 2010

Page 1

**Annex I-05: SWIFT to notify the confirming bank
"COMMERZBANK AG" the opening of a CREDOC**

2 59 500 M (4 1/2 X 15.10 LB/FT VM 95 13CR VAM TOP REGULAR RANGE,
STANDARD DRIFT)
10.4
8 000 M (3 1/2 X 9.20 LB/FT VM 80 13CR VAM TOP REGULAR RANGE 2
STANDARD DRIFT)

46A: SUIVANT FACTURE PROFORMA REF.95006685 ET LE BON DE COMMANDE
NR 4500005545
Documents requis
FACTURE COMMERCIALE EN 12 EXEMPLAIRES ORIGINAUX REDIGES EN
FRANCAIS ETABLIS AU NOM DU GROUPEMENT REGGANE DUMENT SIGNES
PAR LE BENEFICIAIRE ET PORTANT SON CACHET HUMIDE .
2/3 CONNAISSEMENTS ORIGINAUX ON BOARD OU CONNAISSEMENT
D'EMBARQUEMENT A L'ORDRE DU GROUPEMENT REGGANE 12 RUE MOHAMED
SAHMOUNE 16030 ALGER MARQUES FRET PAYE.
COPIE LISTE DE COLISAGE DELIVREE ET SIGNEE PAR LE BENEFICIAIRE.
COPIE CERTIFICAT D'ORIGINE (ORIGINE EUROPE) DELIVREE ET SIGNEE
PAR LA CHAMBRE DE COMMERCE DU PAYS EXPORTATEUR.
COPIE CERTIFICAT DE CONFORMITE TECHNIQUE DELIVREE ET SIGNEE PAR
LE BENEFICIAIRE PORTANT CACHET HUMIDE.

UN COPIE CERTIFICAT DE CONTROLE TECHNIQUE DELIVREE ET SIGNEE PAR
ORGANISME DE CONTROLE DUMENT HABILITE DU PAYS EXPORTATEUR.
DE COPIE DE GARANTIE DE BONNE EXECUTION DE USD.1.216.221.50 SOIT
10 PCT DU MONTANT DE L'EXPEDITION DE USD 12.162.215,00 ETABLIE
PAR (BEA)
ATTESTATION DU BENEFICIAIRE CERTIFIANT AVOIR TRANSMIS PAR
COURRIER EXPRESS AU GROUPEMENT REGGANE LES ORIGINAUX DES
DOCUMENTS SUIVANTS:
1/3 CONNAISSEMENT ORIGINAL
ORIGINAL FACTURE COMMERCIALE
ORIGINAL CERTIFICAT D'ORIGINE (ORIGINE EUROPE).
ORIGINAL CERTIFICAT DE CONFORMITE TECHNIQUE.
ORIGINAL DE CERTIFICAT DE CONTROLE DE QUALITE.
ORIGINAL LISTE DE COLISAGE.

47A: Autres conditions
L'ENVOI DES DOCUMENTS DOIT SE FAIRE OBLIGATOIREMENT PAR LE
BIAIS DE VOTRE BANQUE (COBAFRPX) ET PAR COURRIER EXPRESS A NOTRE
AGENCE CITEE AU CHAMP 51D
DONNEUR POUR CHAQUE JEU DE DOCUMENTS IRREGULIERS ACCEPTEES PAR ELLE
D'ORDRE, VOUS SEREZ APPELES A NOUS CREDITER SEPARATEMENT DE NOTRE
COMMISSION D'INTERVENTION S'ELEVANT A USD 135.000
DE TOUS LES DOCUMENTS DOIVENT ETRE SIGNES ET PORTER LA REFERENCE
LA /C
DOCUMENTS PRESENTES APRES LA VALIDITE DU CREDIT NON ACCEPTABLES
VEUILLEZ INDIQUER DANS VOTRE MT730 LA DATE DE NOTIFICATION DE
LA /C AU BENEFICIAIRE.
71B: Frais
VOS FRAIS ET COMMISSIONS Y COMPRIS
CEUX DE LA BANQUE DE REMBOURSEMENT
SONT A LA CHARGE DU BENEFICIAIRE
10/08/15-11:22:34 Ack005-2692-014926 3

MEME EN CAS D'ANNULATION OU DE NOM
Page 2

**Annex I-05: SWIFT to notify the confirming bank
"COMMERZBANK AG" the opening of a CREDOC**

```

10.4
UTILISATION. L'ARTICLE 37C DES RUU
NON OPPOSABLE A LA BEA
49: Instructions de confirmation
WITHOUT
53A: Banque de remboursement - FI BIC
CHASUS33
JPMORGAN CHASE BANK, N.A.
NEW YORK, NY US
78: Instruc banque de pmt, acc, nego
PAIEMENT AUPRES DE VOS CAISSES REMBOURSEMENT AUPRES DE
CHASUS33
EN USD VALEUR 07 JOURS OUVRES Y COMPRIS LE VENDREDI
(ALGERIE/FRANCE) APRES LA DATE DE VOTRE MT754 A BEXADZALDOE
NOUS
AVISANT DE LA LEVEE DE DOCUMENTS CONFORMES .
72: Info emetteur - destinataire
/REC/TOUTE DEMANDE DE NOTIFICATION
//AVIS D'IRREGULARITES
//AINSI QUE TOUTE INTERROGATION SUR
//CETTE L/C A TRANSMETTRE A NOTRE
//AGENCE CITEE AU CHAMP 51D
----- Message Trailer -----
{CHK:DA87B61EB3F3}
PKI-Signature=MAC=Equivalent
----- Interventions -----
Category : Network Report
Creation Time : 10/08/15 11:22:23
Application : SWIFT Interface
Operator : SYSTEM
Text
{1:F21BEXADZALADOE1200268712}{4:{177:1508101126}{451:0}{108:CREDOC}}
```

Annex I-06: Accounting for Commitment fees

3

Frais d'engagement Banque pour ouverture de LC au faveur du fournisseur

بنك الجزائر الخارجي
 Banque Extérieure d'Algérie

N° compte : 0052100019-32
 Le : 9 Aout 2015

AVIS DE DEBIT
 GROUPEMENT GROUPEMENT REGGANE
 17 RUE DEKAR AMAR
 EL BIAR
 ALGER
 16608 EL BIAR

Service :
 AGENCE : HYDRA SONATRACH
 VISAUT : 04708/2015
 Type : CREDIT A VUE T/PROV CPTE
 Dossier : FCD1500055

DEDAR ALGERIEN
 COMPTES COURANTS ORDINAIRES
 Mobil
 ALGERIE
 Frais
 MORTANT

VALLOUREG OIL AND GAS FRANCE
 MOBILE

CHARGES OUVERTURE CREDIT
 FRAIS SWIFT OUVERTURE
 CHARGES ENGAGT PROV 100%

10,611,952,14
 1,541,907,57


TOTAL A VOIRE DEDIC DED
 10,611,952,14

SPA au capital de 100 000 000 000 DA
 11, Boulevard Abdelhamid El Bacha, Alger - Algérie 30115330000

X

Annex I-07: Request for modification of the letter of credit

Demande de modification du client

GRN 

(4)

Banque Extérieure d'Algérie
Agence Djenane El Malik
Alger

Att.: Mr. Le directeur de l'Agence

Date : 08 Septembre 2015
Notre référence : GRG-GM-

Sujet: Demande de Modification de la Lettre de Crédit n°005ICD0005515039

Nous vous prions de bien vouloir apporter les modifications ci-dessous de la lettre de crédit n°005ICD0005515039 en faveur de LOUREC Oil and Gas France, du montant de 12.162.215,00 USD.


46A : Documents requis.
Prière de remplacer "COPIE CERTIFICAT DE CONTROLE TECHNIQUE DELIVREE ET SIGNEE PAR UN ORGANISME DE CONTROLE DUMENT HABILITE DU PAYS EXPORTATEUR" par "COPIE CERTIFICAT DE CONTROLE DE QUALITE DELIVREE ET SIGNEE PAR UN ORGANISME DE CONTROLE DUMENT HABILITE DU PAYS EXPORTATEUR"

47A : Autres conditions.
Prière de remplacer "TOUS LES DOCUMENTS DOIVENT ÊTRE SIGNES ET PORTER LA REFERENCE DE LA L/C" par "TOUS LES DOCUMENTS DOIVENT ÊTRE SIGNES ET PORTER LA REFERENCE DE LA L/C SAUF LA COPIE DE LA GARANTIE DE BONNE EXECUTION"

Veuillez agréer, Monsieur, l'expression de nos salutations distinguées.

Co-Administrateur,
Groupement Reggane
SONATRAC

Co-Administrateur,
Groupement Reggane
Repsol Exploración Argelia, S.A.



Page 1 sur 1

by the customer

Annex I-09: The swift of modification

swift de modification Etabli

10/09/15-15:39:08 M005-3253-061993 1 par ASE A
destiné à Bp
au feu

----- Instance Type and Transmission -----

Notification (Transmission) of Original sent to SWIFT (ACK)
 Network Delivery Status : Network Ack
 Priority/Delivery : Normal
 Message Input Reference : 1542 150910BEXADZALA0051297280598

(6)

----- Message Header -----

Swift Input : FIN 707 Modif d'un credit docum
 Sender : BEXADZAL005
 BANQUE EXTERIEURE D'ALGERIE
 (AGCE HYDRA SITE SONATRACH)
 HYDRA SH DZ
 Receiver : BEXADZALDOE
 BANQUE EXTERIEURE D'ALGERIE
 (DIRECTION DES OPERATIONS AVEC L'ETRANGER - DEPARTEMENT L/C ET
 NOSTRO)
 ALGIERS DZ

----- Message Text -----

20: Reference de l'emetteur
 005ICD0005515039

21: Reference du destinataire
 NC REF

52A: Banque emettrice - FI BIC
 BEXADZALDOE
 BANQUE EXTERIEURE D'ALGERIE
 (DIRECTION DES OPERATIONS AVEC L'ETRANGER - DEPARTEMENT L/C ET NOSTRO)
 ALGIERS DZ

26E: Numero de la modification
 01

59: Beneficiaire (avt modif)-nom/adr
 LOUREC OIL FRANCE
 54 RUE ANATOLE FRANCE
 2

79: Explication
 LIRE CHAMP 46A:
 COPIE CERTIFICAT DE CONTROLE DE QUALITE DELIVREE
 ET SIGNEE PAR UN ORGANISME DE CONTROLE DUMENT
 HABITTE DU PAYS EXPORTATEUR.

~~LIRE CHAMP 47A :~~
~~TOUS LES DOCUMENTS DOIVENT ETRE SIGNES ET PORTER~~
~~LA REFERENCE DE LA L/C SAUF LA COPIE DE LA~~
~~GARANTIE DE BONNE EXECUTION.~~

~~LE RESTE SANS CHANGEMENT.~~
~~DATE DE DEPOT : 10/09/2015~~

----- Message Trailer -----

{CHK:EE706073430E}
 PKI Signature: MAC-Equivalent

----- Interventions -----

Category : Network Report
 Creation Time : 10/09/15 15:38:55
 Application : SWIFT Interface
 Operator : SYSTEM

Text
 {1:F21BEXADZALA0051297280598}{4:{177:1509101542}{451:0}}

Annex I-10: The presentation of sales documents to the

Présentation des documents de vente à la Banque du fournisseur pour paiement.

COMMERZBANK

Succursale de Paris
Bureaux : 23, rue de la Paix
F-75002 PARIS
Téléphone 01 44 94 17 00
N° d'identification TVA : FR 74 307 177 907

Adresse postale : 75084 PARIS Cedex 02
Télécopie 01 44 94 18 33

FORM PAR 1 LC DOC SCH 001
DEPARTEMENT INTERNATIONAL
A CONTACTER P.MARET / POSTE 1777
NOTRE REF : 14015EL00471 01
(A RAPPELER S.V.P.)

PARIS, LE 01-04-2016

BY COURRIER TNT NO. 876544616

A
BANQUE EXTERIEURE D'ALGERIE
BEA HYDRA SH 005
DJENANE EL MALIK
HYDRA / ALGER / ALGERIE

Banque Extérieure d'Algérie
Agence site sonirach Hydra 005

04 AVR. 2016

N° 481/18

(7)

REMISE DE DOCUMENTS SELON LETTRE DE CREDIT
NOTRE REF : 14015EL00471 01

VOTRE REFERENCE	:	005ICD0005515039
DATE D'EMISSION	:	10-08-2015
MONTANT DE LA L/C	:	USD 12.162.215,00
BANQUE EMETTRICE	:	BANQUE EXTERIEURE D'ALGERIE
REF L/C	:	005ICD0005515039
DONNEUR D'ORDRE	:	GROUPEMENT REGGANE
BENEFICIAIRE	:	VALLOUREC OIL AND GAS FRANCE
DOCUMENTS PAYABLES POUR	:	USD 11.894.767,28

MESSIEURS

VEUILLEZ TROUVER CI-JOINT LES DOCUMENTS RELATIFS AU CREDIT DOCUMENTAIRE
CI-DESSUS MENTIONNE :

DOCUMENTS	PREMIER COURRIER	SECOND COURRIER
COMMERCIAL INVOICE	12/12	00/12
BILLS OF LADING	02/02	00/02
PACKING LIST	01/01	00/01
COPY CERT OF ORIGIN 02 x 01/01	02 x 01/01	00/01
CERTIFICATE	01/01	00/01
CERTIFICATE	02 x 01/01	02 x 00/01
GUARANTEE	01/01	00/01
BENEFICIARY'S CERT	01/01	00/01

Document reçu le 24/04/2016

COUVRANT L'EXPEDITION DE MARCHANDISES
PAR LDA
LE 03-03-2016
DE ANTWERP
A DJEN DJEN


NOUS NOUS REMBOURSONS SELON LES TERMES DU CREDIT
COMME SUIT :

- CONT -

supplier's bank

Annex I-11: The Accounting Procedure of implementing

Frais de réalisation du crédit documentaire
(Avis de débit du compte du client).

بنك الجزائر الخارجي  Banque Extérieure d'Algérie

AVIS DE DEBIT

8

N° compte : 0052200019-82 Le : 13 AVRIL 2016

HYDI : SONATRACH GROUPEMENT GROUPEMENT REGGANE .
17 RUE DEKKAF AMAR
EL ETAR
CREITOC A VUE T/PROV CPTC ALGER
ICD. 000055 16603 HTL. BTAR

ALGERIE

ORDINAIRE

Motif	Frais	Montant
EC O. , AND GAS FRANCE		
dise: C.F.R.		
BEA	CTIONS REGLT CDL	3.2151.069,35
	Recupération Clous de	1.286.028,04
	Taxes	765.186,59
Total à votre débit DZD :		5.266.284,98

Annex II-01: Commercial invoice of the REMDOC

facture + documents y afférents
IRS 330/17. ①

PETROLEUM CORPORATION

Craigmuir Chambers, Road Town, Tortola, British Virgin Islands

SIERS
B-El Hamma,
Avenue Hassiba Ben Bouali
141A, 16012 Algiers
+213 (0) 23 82 43 35
+213 (0) 23 82 43 31

ORIGINAL

LONDON
Panton House
25 Haymarket
SW1Y 4EN
Tel: 020 7484 2900
Fax: 020 7925 1486
Tlx: SPC UK G 922827
925335

COMMERCIALISATION
DIRECTION FINANCES / DIVISION CBR Algiers, 21 JULY 2016
TOUR -B- EL HAMMA
168, AVENUE HASSIBA BEN BOUALI, BP 141A
16012 - ALGER - ALGERIE

COMMERCIAL INVOICE NO. 108712-SINV/16

DEAR SIRs,

PLEASE MAKE PAYMENT OF U.S DOLLARS TWELVE MILLION SIX HUNDRED NINETY NINE THOUSAND EIGHT HUNDRED POINT SEVEN ZERO FOR THE FOLLOWING:

DESCRIPTION	QUANTITY	UNIT	UNIT PRICE USD/MT	AMOUNT DUE U.S. DOLLARS
GASOIL	31,371.243	MT	404.823	<u>12,699,800.70</u>
Tender N° 05/2016 GASOIL CONFIRMATION SONATRACH CBR N° 200/ 16				CFR ARZEW

DELIVERY	ARZEW - (ALGERIA)
LOADING PORT	BAYONNE - (U.S.A)
B/L DATE	25 JUNE 2016
VESSEL	"HELLAS EXPLORER"
PAYMENT DUE	<u>30 CALENDAR DAYS AFTER RECEIPT OF INVOICE/DOCS</u>

BANK DETAILS : IN U.S. DOLLARS TO BE EFFECTED BY REMISE DOCUMENTAIRE CREDIT TO JP MORGAN CHASE BANK NA, NEW YORK (SWIFT: CHASUS33) ABA 21000021, ACCOUNT NO. 796706869 FOR FURTHER CREDIT TO:- CA INDOSUEZ (SWITZERLAND) SA 19 RUE DU RHONE CH 1204 GENEVA, SWITZERLAND SWIFT : AGRICHGG IN FAVOUR OF SONATRACH PETROLEUM CORPORATION ACCOUNT NO. 00.26021.0003 USD/BVL IBAN CH79 0874 1000 2602 1000 3.

YOURS SINCERELY,
FOR AND ON BEHALF OF SONATRACH PETROLEUM CORPORATION B.V.I CORPORATION, ALGIERS

Ordonnateur soussigné, certifie avoir vérifié et constaté que les fournitures et prestations objet du présent mémoire ont été reçues et fidèlement effectuées et qu'il y a lieu de payer au créancier la somme de 12.699.800,70 USD

BRIFIKATFUR Directeur Division CBR Commercialisation
Bureau des Produits Pétroliers

Annex II-03: Request for payment

Demande de paiement (ordre de virement) (3)

Alger, le 13/03/2017

BEA HYDRA - SIEGE SONATRACH
BP 452
Alger

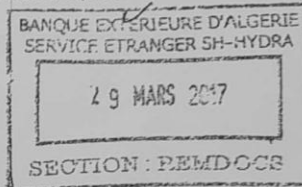
ACTIVITE COMMERCIALISATION
Direction Finances

Réf : 747054 / N° OV 117

Montant : USD 12 829 800,70

Compte à débiter : 002 00005 0603263016 85 (SA - Com)

Au bénéfice de : PETROLEUM CORP BVI
Panton House
25 Haymarket
London SW1Y 4EN
UK



Messieurs,

Nous vous prions de bien vouloir exécuter par le débit de notre compte cité ci-dessus,
le virement de la somme de :

Douze millions six cent quatre-vingt-dix-neuf mille huit cents Dollars US soixante-dix cents

En date de valeur : 20/03/2017

Au compte du bénéficiaire ouvert chez :

CREDIT AGRICOLE SUISSE
S.A 19 RUE DU RHONE CH 1204 GENEVE
SUISSE
AGRICHGG VIA CHASUS33
IBAN : CH 79 0874 1000 2602 1000 3

En règlement du décompte ci-dessous

FACTURE GAS OIL N 108712 SINVI/16 DU 21/07/2016 -
DOM 2016 3 10 000 18 USD -
IRDN 330/2017

Veillez agréer, Messieurs, l'expression de nos salutations distinguées.

Le Directeur Département Trésorerie

COMMERCIALISATION

Annex II-04: SWIFT of payment

FROM :HYDRA05

FAX NO. :021547921

18 May 2017 10:26 P1

05/04/17-13:56:31

Ack005-1295-024857

1

4

----- Instance Type and Transmission -----
Notification (Transmission) of Original sent to SWIFT (ACK)
Network Delivery Status : Network Ack
Priority/Delivery : Normal
Message Input Reference : 1401 170405BEXADZALAD0E3052570061
----- Message Header -----

Swift Input : FIN 202 Trf general entre inst fin
Sender : BEXADZALDOE
BANQUE EXTERIEURE D'ALGERIE
(DIRECTION DES OPERATIONS AVEC L'ETRANGER - DEPART
ALGIERS DZ
Receiver : CHASUS33XXX
JPMORGAN CHASE BANK, N.A.
NEW YORK, NY US
MUR : OPE

----- Message Text -----
20: Numero de reference transaction
00005IRD17000330
21: Reference d'origine
~~001570430RH5~~
32A: Date valeur, devise et montant
Date : 06 April 2017
Currency : USD (US DOLLAR)
Amount : \$12.699.800,7#
58A: Institution beneficiaire - FI BIC
AGRICHGG
CA INDOSUEZ (SWITZERLAND) SA
(ALL SWISS OFFICES)
GENEVA CH
72: Info emetteur - destinataire
/BNF/TIREUR : PETROLEUM COR
//PANTON HOUSE 25HAYMARKET SWLY
//4EN LONDON
//TIRE SONATRACH COM
//TOUR B EL HAMMA 168AVENUE HASSIBA
//BEN BOUALI ALG A/C 0503263016-85
----- Message Trailer -----

{CHK:C06650A828FC}
PKI Signature: MAC-Equivalent

----- Interventions -----
Category : Network Report
Creation Time : 05/04/17 13:56:16
Application : SWIFT Interface
Operator : SYSTEM
Text
{1:F21BEXADZALAD0E3052570061}{4:{177:1704051401}{451:0}{108:OPE}}

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