

INCOTERMS - FACILITATORS OF INTERNATIONAL TRADE.

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What are Incoterms?

Acronym for "International Commercial Terms"

Official Title "International Rules for the Interpretation of Trade Terms"

A set of International rules for the Interpretation of commonly used trade terms, mainly International trade.

WHY INCOTERMS?

- Unawareness of parties to a contract to trading practices in their respective countries.
- Misunderstandings, disputes and litigations arise - Wastage of time and money.

WHEN WERE INCOTERMS FIRST PUBLISHED

International Chamber of Commerce (ICC) 1936

Revisions - 1980, 1990, 2000, 2010, 2020 out soon.

Need to adapt to contemporary trading practices.

SCOPE OF INCOTERMS

- Rights and obligations of parties to the contract of sale with respect to the delivery of goods - tangible goods.
- Not contract of carriage, insurance, finance.
- Do not cover all duties parties may want to incorporate in a contract of sale.
- Choice of an incoterm determines when the seller has fulfilled his obligation of delivering the goods to the buyer.
- Determines the point at which the risks of damage to or loss of the goods pass from the seller to the buyer.

THE TERMS

Incoterms 2010 has a total of 11 (Eleven) terms.

Rules divided into two groups - rules for any mode(s) of transport and rules for sea transport, and inland waterways transport.

ANY MODE OR MODES OF TRANSPORT RULES ARE:

1. Ex Works - Exworks (named place of delivery)

The seller delivers when he has placed the goods at the disposal of the buyer at the seller's premises or at another named place. i.e works, factory, warehouse etc.

No loading on collecting means of transport except by express agreement.

No Export clearance.

2. FCA - Free Carrier (named place of delivery)

Seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place.

Delivery at seller's premises, seller responsible for loading. If elsewhere seller not responsible for unloading. Risks of loss or damage to the goods pass to the buyer upon delivery to the carrier at the named place.

3. CPT - Carriage paid to (named place of destination).

Seller delivers the goods, cleared for export, seller nominates the carrier and pays for the carriage of the goods to the named place of destination.

Risks of loss or damage to the goods pass to the buyer when goods are delivered to the carrier.

4. CPT - Carriage and Insurance paid to (named place of destination).

Seller delivers the goods, cleared for export, to the carrier nominated by him.

Seller pays the cost of carriage necessary to bring the goods to the name place of destination.

Buyer bears all risks and any additional costs after the goods have been delivered.

Seller has to procure marine insurance against the buyer's risk of loss or damage to the goods during the carriage - minimum cover of institute cargo clauses.

5. DAT - Delivered at Terminal (named place at port or at place of destination).

The seller contracts with the carrier for the carriage of the goods to a named place at port or place of destination.

Risks transfers to the buyer when seller delivers the goods to the carrier at the place of shipment.

6. DAP - Delivered at place (named place of destination).

The seller delivers the goods, cleared for export, to the carrier and pays for the cost necessary for bringing the goods to the named place of destination.

Risks of loss or damage to the goods transfer to the buyer after the seller delivers to the carrier at place of shipment.

7. DDP - Delivered Duty Paid (named place of destination)

The seller delivers the goods to the buyer cleared for import but not unloaded from the arriving means of transport at the named place of destination.

Seller pays the cost of carriage of the goods to the named place of destination.

Seller pays import duty, etc carries out customs formalities for import in the country of destination.

Risks of loss or damage to the goods transfer to the buyer from the time the goods have been delivered.

RULES FOR SEA AND INLAND WATERWAYS TRANSPORT.

1. FAS - Free Alongside ship (named port of shipment)

The seller delivers by placing the goods, cleared for export, alongside the ship nominated by the buyer at the named port of shipment.

The risks of loss or damage to the goods transfer to the buyer when the seller places the goods alongside the nominated ship at the named port of shipment.

2. FOB - Free on Board (named port of shipment)

The seller delivers when the goods, cleared for export, pass the ship's rail at the named port of shipment.

The seller bears the risk of loss or damage to the goods from that point.

3. CFR - Cost and freight (named port of destination)

The seller delivers when the goods, cleared for export, pass the ship's rail at the named port of shipment.

The seller pays the cost and freight to the named port of destination.

The seller nominates the carrier and pays the cost and freight necessary to bring the goods to the named port of destination.

The risks of loss or damage to the goods pass to the buyer once the goods pass the ship's rail i.e. delivered.

4. CIF - Cost, Insurance and Freight (named port of destination)

The seller delivers when the goods, pass the ship's rail in the port of shipment.

The seller pays the cost and freight necessary to bring the goods to the port of destination.

Risks of loss or damage to the goods transfer to the buyer when the goods pass the ship's rail i.e delivered.

Seller has to procure marine insurance against the buyer's risks of loss or damage to the goods.

OBLIGATIONS OF THE SELLER AND BUYER UNDER INCOTERMS.

For any Incoterm choosing for a transaction, there are ten obligations on the seller and the buyer.

The seller's obligations are numbered A1 to A10 while the buyer's obligations are number B1 to B10.

The buyer's obligations are in mirror fashions to the seller's obligations

The Seller's Obligations	The Buyer's obligations
A1 - Provision of Good in conformingly with the contract	B1 - Payment of the Price
A2 - Licenses, Authorizations, Formalities	B - Licenses, Authorizations formalities
A3 - Contracts of carriage & Insurance	B3 - Contracts of carriage & Insurance.
A4 - Delivery	B4 - Taking Delivery
A5 - Transfer of Risks	B5 - Transfer of Risks
A6 - Division of Costs	B6 - Division of costs
A7 - Notice to the buyer	B7 - Notice to the seller
A8 - Proof of Delivery, transport document, or equivalent electronic message	B8 - Proof of Delivery, Transport document or equivalent electronic message.
A9 - Checking, Packaging, Marking	B9 - Inspection of Goods
A10 - Other Obligations	B10 - Other Obligations

THANK YOU.