



The incoterms 2010 rules and their importance

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Abstract

The content INCOTERMS are a set of rules that determine the rights and obligations of the international sales contract, selecting a rule of interpretation of commercial terms INCOTERMS, progress is the result of negotiation between the parties and expresses the ratio of these economic forces. In relation to the obligations of the parties to an international sales contract are several different types of contracts covered by the clause. To define the main rules INCOTERMS was considered as a starting point delivery of goods, establishment of the seller and the buyer, the rules concerning the obligations of each party that are grouped into ten items with identical titles for all the rules. Due to significant developments in international trade, for making available to retailers in the interpretation of the rules commonly used trade terms in international trade, the International Chamber of Commerce in Paris draw a set of delivery conditions for their interpretation in international sales, rules that were in international trade practice some habits, but who were not of equal significance to traders in different countries.

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Introduction

The new terms were developed in order Incoterms delimitation of rights and obligations of the parties participating in international trade in goods and entered into force on 1 January 2011."There is no organization better placed than the ICC– this organization is established and maintained INCOTERMS rules– to help traders in the correct application of rules for their operations in global or domestic sales.

During the interwar period and especially the international trade-Atlantic hit, experiencing a great development, so in 1936 the International Chamber of Commerce of Paris publishes first international trade rules – which included 11 commercial terms INCOTERMS International, also known as the "delivery terms", which have generally enjoyed an audience among traders.

This editing the International Chamber of Commerce in Paris merely to give an interpretation of terms and their actual use in international trade. Incoterms are recognized by UNCITRAL as a global standard for interpreting the terms in foreign trade and provide internationally accepted rules specifying definitions and standards of performance for the most common trading terms.

As world trade development, the modernization that characterized the evolutionary process of international economic life, variant revised ICC was adopted at the Congress of Vienna in 1953 and is known as Incoterms 1953, the first variant, and the basic rules that have international recognition that included nine commercial terms . Subsequently, in 1967 , 1976 , 1980 , and 1990 Edition INCOTERMS-2000 brought significant changes in terms of both name and their content, creating a new variant of the basic rules.

The purpose of Incoterms is to provide a set of international rules which are being interpreting best commercial terms that are regularly incorporated into

sales contracts worldwide and have become part of daily language of trade. "Global rules introduced by the ICC and used by companies in many business transactions around the world are an essential part of ICC activities and distinguish us from many other international business organizations".

To keep pace with the rapid growth of international trade and globalization, INCOTERMS rules are reviewed every 10 years, so, since the last review in 2000 have changed in international trade, International Chamber of Commerce meeting in Paris in September 2010 launching the publication Incoterms 2010 which sets out a practical guide to help users more easily choosethe most appropriate rules for their transaction.

The aim of this study is significant developments in international trade, for making available to retailers in the interpretation of the rules commonly used trade terms in international trade.

Material and methods

Rule of Incoterms

Rules INCOTERMS are an internationally recognized standard used worldwide in domestic and international contracts for the sale of goods. The rules have been developed and maintained by experts and practitioners; they help traders avoid costly misunderstandings, clarifying tasks, costs and risks involved in delivering goods from sellers to buyers.

The first change that brings INCOTERMS 2010 is the reduction of terms from 13 to 11 in the INCOTERMS 2000 INCOTERMS 2011 delivery terms that clearly define the obligations of the parties and reduce the risk of legal complications.

A second structural change comes in Group D, which suffered the biggest change to the DEQ that the delivery has been replaced with DAT (delivery at the terminal) and delivery terms DAF, DES, and were replaced by DAP DDU (delivery to a place called). Another change relates to the terms of trade

adjustment to the needs of technological progress, as recognized electronic signatures that can serve as evidence in litigation and regulations of the account and e-commerce and electronic billing and data transfer.

Results and discussions

Another pointer is to divide into groups INCOTERMS clauses, Otherwise in INCOTERMS 2000 clauses were divided into four groups: Group E Group F Group C Group D, and Incoterms 2010, depending on the method of transportation INCOTERMS new clauses are divided into two broad categories:

I. Provisions applicable to all modes of transport

- EXW Ex Works Goods is made available to the buyer at the seller
- FCA Free Carrier seller hands the goods over the first carrier named by the buyer in a default.
- CPT Carriage Paid To
- CIP Carriage and Insurance Paid
- DAT Delivered At Terminal
- DAP Delivered At Place
- DDP Delivered Duty Paid

This group includes seven Inco terms that can be used regardless of mode of transport chosen and whether one or more than one transport mode is employed. They can be used even when there is no maritime waterway at all.

II. Clauses only apply the shipping and inland waterways carried on

- FAS Free Alongside Ship
- FOB Free On Board
- CFR Cost and Freight
- CIF Cost, Insurance and Freight

In this new delivery point group, and the place where the goods are shipped to the buyer are both ports, thus labeling rules "sea and inland waterways "FAS, FOB, CFR, CIF are included in this class.

In addition to the 11 rules, INCOTERMS2010 includes: explanatory notes to help users choose the appropriate rule for each transaction, the new classifications to assist in choosing the appropriate rules for transport category envisaged, Tips for using electronic procedures, information security rules on the authorization of the departure of a ship, tips on applying INCOTERM 2010 domestic trade.

One concerns the conceptual changes that are not INCOTERMS clauses in international trade and commerce clause "domestic" (ICC Rules for the use of domestic and international trade terms) as these changes occurred come to facilitate trade rules in their use by traders. One of the conceptual changes, concerns that INCOTERMS are not clauses in international trade but commerce clause "domestic" (ICC Rules for the use of domestic and international trade terms) as these changes occurred come to facilitate trade rules in their use by traders.

Thus, the guide¹⁶ INCOTERMS 2010 states that INCOTERMS rules have traditionally been used in international sales contracts where goods travel across national borders, in various parts of the world, however, commercial structures, such as the Union European border formalities have been less important between different countries.

The rules INCOTERMS 2010, formally recognize that they are available for application in both types of contracts for both international and domestic sales. Two developments have convinced the ICC that a move in this direction is desirable.

First, traders, commonly used INCOTERMS rules for sales contracts exclusively domestically, secondly, there is greater availability in the United States to use Incoterms in internal trade rules, than the former Uniform Commercial Code shipment.

“The first rule **EXW**- Enter the place of delivery- can be used regardless of the mode selected and can also be used if more than one transport mode is employed.

"Ex Works" means that the seller delivers when the goods are placed at the disposal of the buyer or seller in another place called (for example, works, factory, warehouse, etc.). Parties should indicate as clearly as possible for delivery, because the risks and costs in this case is the account of the seller, the buyer bears all costs and risks involved in receiving goods, since the agreement, if applicable, place of delivery.

EXW- represents the minimum obligation for the seller would typically be used with care deaorece:

- A seller has no obligation to charge the buyer for goods, even if in practice, the seller may be in a better position to do so. If the seller has loads of goods, an own risk and expense of the buyer.
- A buyer who buys from a seller on an EXW basis for export must be aware that the seller is obliged to provide assistance if the buyer a sksthat export performance: the seller is not obligated to hold the notice of export. Buyers are therefore advised not to use EXW if they can not directly or indirectly, to obtain export clearance.
- The buyer has limited supply obligations by the seller and any information regarding the export of goods. However, the seller may need this information, for example, taxation or reporting purposes".

Rule **FCA** enter the place of delivery - "This rule can be used regardless of the mode selected and can also be used if more than one type of transport is employed.

"Free Carrier" means that the seller delivers goods to the carrier or another person nominated by the buyer at the seller or other place designated. Parties are advised to indicate as clearly as possible for delivery to the buyer's risk to go into care. If the parties intend to deliver the goods at the seller, they must identify the address of these premises as a place of delivery.

If, on the other hand, the parties intend that the goods are delivered to another place, they must identify a specific delivery elsewhere.

However, the seller has no obligation to clear goods for import customs clearance, pay import taxes or making any import customs formalities.

CPT and CIP rules- Insert place of destination – "This rule can be used regardless of the mode selected and can also be used if more than one type of transport is employed.

"Carriage paid to (CPT) means that the seller delivers goods to the carrier or other person nominated by the seller, in an agreed place (if any such place is agreed between the parties).

"Carriage and insurance paid " (CIP) means that the seller delivers goods to the carrier or other person nominated by the seller in a convenient location(if any such place is agreed between the parties), and that the seller must contractors for payment of travel expenses necessary to bring goods to named place of destination.

Also, the seller provides the buyer risk cover loss or damage to goods during transport. The buyer should note that under the CIP the seller is obliged to obtain a minimum insurance coverage. If the buyer wants insurance to reduce risk, it should be expressly agreed with the seller or make their own additional measures of insurance.

When CPT, CIP, CFR and CIF are used, the seller fulfills his obligation to deliver goods to the carrier when he teaches, and not when the goods reach the destination. This policy has two critical points, because the risk of passing the costs are transferred to different places.

Parties should identify the contract, precisely as the places of delivery, where the risk passes to the buyer,

and the destination that the seller must pass it in the contract.

If the shipment is used more for transportation to a destination set and the parties agree on a particular point of delivery, the default position is that risk passes when the goods were delivered to a point, whereas the first carrier selected entirely by vendors and on which the buyer has no control.

If the parties want to move to a risk of later stage (e.g. a port or airport), is needed to clarify this in their sales. Parties are also well advised to identify as precisely as possible the agreed place of destination, because the costs at this point are the seller's account. The seller is advised to purchase transportation contracts that fit precisely for that choice. If the seller bears the costs under a contract of carriage on unloading at destination, the seller is not entitled to recover such costs from the buyer unless otherwise agreed between the parties.

CPT and CIF require the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the import of goods, payment of import duties or performing any import customs formalities.

Rule DAT- Enter the name of terminal to the port or place of destination - This rule can be used regardless of type of transport chosen and can also be used if more than one type of transport is employed.

"Delivered at the Terminal" means that when the seller delivers the goods once unloaded from the arriving means of transport are available to the buyer at the named terminal to the port or place of destination.

"Terminal" includes any place, whether or not covered, such as a wharf, warehouse, container yard or road, rail and air cargo terminal. The seller bears all risks involved in bringing their goods and unloading terminal at the port or place of destination.

CPT CIF requires the seller to clear the goods for export, where applicable. However, the seller has no obligation to clear the import of goods, payment of import duties or performing any import customs formalities. The parties are well advised to indicate as clearly as possible the terminal and, if possible, terminal points at the agreed port of destination or place, the risks from that moment to be sure the seller. The seller is advised to procure a contract of carriage to be fit for that choice. Moreover, if the parties intend that the seller should bear the risks and costs involved in shipping and handling cargo from terminal to another place, then DAP and DDP rules should be used.

However, the seller has no obligation to clear goods for import customs clearance, pay import taxes or making any import customs formalities.

DAP and DDP rules- Insert place of destination – This rule can be used regardless of the mode selected and can also be used if more than one transport mode is employed. "Issued in Place" means that the seller delivers when the goods are made available to the buyer on the arriving means of transport ready for download at the destination called the seller bears all risks involved in bringing goods to the named place.

"Delivered duty paid" means that the seller delivers the goods when the goods are made available to the buyer, cleared for import of vehicles arriving ready for download at the named destination.

The seller bears all risks involved in bringing goods to the named place of destination and customs clearance of goods is required not only for export but for import and to pay any tax, both for import and export and carry out all customs formalities.

Parties should identify as precisely the place of destination set, because the costs to this point in the care of the seller. The seller, in this case, must to

purchase transportation contracts that match exactly that choice.

If the seller has to bear costs under a contract of carriage on discharge at the destination, then he is not entitled to recover such costs from the buyer, unless otherwise agreed between the parties. DAP requires the seller to clear goods for export, where applicable.

However, the seller has no obligation for import clearance of goods, to pay any import tax or customs import formalities to complete.

If the parties wish the seller to clear goods for import, they must pay import duties and carry out any formality VAM, in which case you should use the term DDP.

DDP Parties should not use if the seller is unable directly or indirectly to obtain the opinion of import. If the parties wish the buyer to bear all the risks and costs of import clearance, DAP rule should be used.

Any VAT or other import taxes are paid on account of the seller NLES station expressly agreed otherwise in the sales contract.

FAS Rule- Insert name of port forwarding – requires the seller to clear goods for export where feasible. "Free alongside ship" means that the seller delivers when the goods are placed alongside the vessel (eg a key or a barge), nominated by the buyer, the shipping port.

The risk of loss or damage to the goods passes when the goods are with the ship, and the buyer bears all costs since that time.

Parties should indicate as clearly as possible the point of loading at the port of shipment named because the costs and risks at this point are in the care of the seller and handling costs and related expenses can vary depending on the practice port.

The seller is obliged either to deliver the goods alongside the ship or to purchase goods already delivered for shipment.

If the goods are in containers, is typical for the seller to hand goods to the carrier at a terminal, and not along the vessel. In such situations, the rule would be inappropriate, FAS, FCA and the rule Auld be used.

However the seller has no obligation to clear goods for import and to pay import duties on import or complete forms.

FOB Rule- Insert name of destination – is used in transportation by sea and in transportation inland waterway.

"Free loading" means that the seller delivers the goods on board the ship designated by the buyer at the port of shipment or purchase goods already delivered.

The risk of loss or damage to the goods passes when the goods are onboard, and the buyer bears all costs since then. The seller is obliged either to deliver the goods on board or to purchase goods already delivered for shipment.

FOB may not be appropriate where the goods are delivered to the carrier before the board, such goods in containers, which are usually delivered to terminal.

In such cases, the FCA should be used regularly. FOB requires the seller to clear the goods for export, where applicable. However, the seller has no obligation for import clearance of goods to pay import duties or carry out any customs formalities for import.

CFR Rule- Insert name of destination port Cost and Freight "means that the seller delivers the goods on board or acquires goods already delivered the risk of loss or damage to property, is high when the goods are on board.

When CPT, CIP, CFR and CIF are used, the seller fulfills his obligation to deliver when the carrier hands the goods over the manner specified in rule choice, not when the goods reach the destination.

This rule has two critical points, because the risk of passing the costs is transferred to different places. While the contract will always specify a destination port, your port forwarding is not specified, where the risk is transferred to the buyer. If the shipping port is the port of interest chosen by the buyer, the parties must identify it as accurately as possible in the contract.

The seller must contract of carriage that perfectly matches for this choice. If the seller has to bear costs under a contract of carriage on the discharge to specified destination point, the seller is not entitled to recover such costs from the buyer unless otherwise agreed between the parties.

CIF Rule- Enter the name of the port of destination- Cost, insurance and freight "means that the seller delivers the goods on board or purchase such goods already delivered. The risk of loss or damage to the goods passes when the goods are on board.

The seller contracts for insurance to cover the risk of loss or damage to goods during transport. Buyer should be detained under the CIF seller is obliged to obtain insurance only on minimum cover.

If the buyer wishes to obtain more protection for property insurance, it will have to agree with the seller or to take their own measures, additional insurance. When CPT, CIP, CFR and CIF are used, the seller fulfills his obligation to deliver when the carrier hands the goods over the manner specified in rule chosen and not when the goods arrive at destination.

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port, your port forwarding is not specified, where the risk is transferred to the buyer. If the shipping port is the port of interest chosen by the buyer, the parties must identify it as accurately as possible in the contract."

Conclusions

We have noticed lately a generalization trend of usage code that has undergone significant improvements lately. In a specialized paper published in the USA, American companies are even recommended to replace RAFTD with INCOTERMS, in order to provide greater clarity to the definition of contractual terms and for a better protection of their trade interests. INCOTERMS regulations are extending their effects upon all the stages and operations involved in commodities' transfer from the supplier to the beneficiary, by explicit reference to the following elements:

- Seller's obligation to deliver and purchaser's obligation to receive and pay the commodities. Thus, the seller has to deliver the commodity in compliance with the agreement from the point of view of quality, quantity, delivery term and delivery spot and submit the delivery related proofs (documents), and the purchaser has to receive the commodity at the due term and pay the commodity price according to the agreement;
- Paying the packing expenses, are usually due to the seller, except for the case in which commodities are delivered without packing;
- Quantitative and qualitative control – the seller has to develop all the operations (and pay all the costs) for the control, in order to make the commodity available to the purchaser, complying with the contracting terms;
- Establishing the passing point of the expenses and risks from the seller to the purchaser.

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