

International Transport - Incoterms

A brief introduction

What are Incoterms?

Each Incoterm establishes who is responsible for costs and risks such as transport costs, insurance, duties payable and customs clearance. Incoterms are accepted by governments, legal authorities and businesses worldwide for the interpretation of most commonly used terms in international trade. This reduces or removes uncertainties and often costly misunderstandings arising from different interpretation of such terms in different countries. Incoterms apply to both domestic and international sale contracts.

Before you use Incoterms, consider the country of the buyer. Some countries stipulate that set Incoterms are used, while others set chosen Incoterms as standard practice. Transport may also affect your choice as some Incoterms can only be used for transport by sea and inland waterways.

A new set of Incoterms, known as Incoterms 2010, has come into force since January 1st, 2011 (ICC publication 715).

Incoterms and contracts

Because Incoterms are standard definitions, they are used in contracts to reduce confusion and avoid traders having difficulty understanding the import requirements and shipping practice used in other countries.

Using the correct Incoterms clarifies the contracts you have with your suppliers or customers. 'Incoterms' is a protected ICC trademark and only the original texts of Incoterms are to be considered as authoritative for incorporation into contracts. You should use the current version, Incoterms 2010, and note this in the contract. These terms should also be used on any paperwork linked to the contract, such as invoices or statements. Failing to state that you are using Incoterms 2010 could result in a dispute.

Please note that all contracts made under Incoterms 2000 remain valid even after 2011. Moreover, although ICC recommends using Incoterms 2010 after 2011, parties to a contract for the sale of goods can agree to choose any version of the Incoterms rules after 2011. It is important however to clearly specify the chosen version Incoterms 2010, Incoterms 2000 or any earlier version.

The sales contract between the buyer and seller should also state which country's legal system will be used in case of a dispute. If both parties' countries are signed up to the UN Convention, this will provide the legal framework for settling the dispute. Incoterms will provide the legal backbone to settling the dispute. •