



Case study - INCOTERMS® 2010 Scenarios

INCOTERMS are one of most important features of international trade. These terms are intended to clearly communicate tasks, costs and risks associated with the transportation and delivery of goods. They are accepted worldwide by governments, legal authorities, customs offices and practitioners. The latest edition of the INCOTERMS was updated in 2010. They are updated approximately every ten years.

'Company XYZ manufactures large tanks at its production site in Germany and sells them to a customer in Switzerland. The buyer and seller have agreed "CPT Zürich Incoterms® 2010" as delivery conditions. The company employs a service provider to transport the tanks to Switzerland. During transportation the tanks are damaged and the customer refuses to accept them. He demands the delivery of new tanks.'

QUESTION: Is responsibility for the damage to the tanks to be borne by the buyer or seller? Can the buyer refuse to pay for the goods or is he bound to pay the sale price despite the damage? Has the seller discharged his obligation to deliver the goods?

By choosing the right delivery terms you will avoid misunderstandings and unnecessary costs. Below you will find three international trade scenarios. Which INCOTERM should be used? Choose from FOB, DAP or EXW.

Corporation ABC, a company based in Los Angeles, is exporting goods to their customer in Amsterdam, The Netherlands. This shipment will be a parcel shipment consisting of four cartons, to be shipped by a courier service. The Dutch customer wants Corporation ABC to use their own appointed courier and have agreed to clear for import and pay VAT as long as Corporation ABC clears export out of the US. The customer would like Corporation ABC to arrange transport from their warehouse in Riverside, directly to their warehouse in Amsterdam.



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Corporation ABC has purchased a large order from their manufacturer in China of three full containers of electronics and plans to import them by sea. They would like their Chinese partners to arrange inland shipping to the port of Shanghai and load the vessel. Corporation ABC will make contact with their import broker to clear the goods for import into the US at the port of Long Beach and assume the risks of the shipment once loaded at the port of Shanghai. Once delivered they will ship the goods by truck to their warehouse in Los Angeles.

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Corporation ABC signed on a new, large distributor. This distributor is well versed in exporting from the US and prefers using their appointed trucking service to collect the goods from Corporation ABC's warehouse in Los Angeles. They use an export agent to send the goods from the port of New York to their location in Tel Aviv, Israel. The buyer has agreed to pay additional costs for Corporation ABC to load the truck at Corporation ABC's premises. The buyer will be responsible both for exporting out of the US and importing into Israel. What INCOTERM should be used? Choose from FOB, DAP or EXW.

Sources:

http://www.unitedexpress.com.hk/download/Incoterms_2010.pdf

<https://www.slideshare.net/AndyDAmato/incoterms-2010-51070975>

<https://www.awb-international.com/incoterms/case-study-incotermsr-2010/>

