



EPCH SEMINAR ON “INTERNATIONAL COMMERCIAL TERMS (INCOTERMS) & RISKS OF EXPORT TRADE IN HANDICRAFTS SECTOR” AT KOLKATA HELD ON (SATURDAY) 04.01.2014 AT THE CONFERENCE HALL OF EPCH – ER OFFICE, AT 53/1, SAMBHUNATH PANDIT STREET, KOLKATA – 700 025

The EPCH organized an awareness seminar on “International Commercial Terms (Incoterms) & Risks Of Export Trade in Handicrafts Sector” at Kolkata held on (Saturday) 04.01.2014. Shri R. N. Bose, lecturer from Indian Institute of Foreign Trade & Shri R. N. Mishra, eminent Forex advisor, were the leading speaker in the seminar.

The EPCH Eastern Regional Convenor Shri O. P. Prahladka chaired the seminar. More than 40 participants including members, aspiring entrepreneurs, university students, artisans, and NGOs took part in the seminar.

The objective of the Seminar was to address major difficulties one faces either as a novice or a manager or an entrepreneur with respect to identifying risk related to foreign market, product development, payment and financing procedures and documentation, the awareness seminar was arranged to encompass all issues related to INCOTERMS and foreign trade. The seminar aimed at educating the member exporters on understanding INCOTERMS and minimizing the risks of foreign trade in world market. Shri Amit Sultania welcomed the dignitaries and conducted the seminar.

During the presentation, Shri R. N. Bose discussed aspects like, structure, feature, classification, buyers & sellers obligations and rules for sea / inland waterway transport under 11 INCOTERMS. In international trade, INCOTERMS identifies physical point in supply chain where damage or risk of loss shifts from exporter to importer. In addition, it's through INCOTERMS that location in supply chain is determined were the responsibility of transport and custom related cost shifts from the exporter to importer. He further explained how INCOTERMS safeguards the following issues in international trade contract and Foreign Trade contract;

1. To determine critical point of transfer of risk from seller to buyer, in the process of goods forwarding (risks of loss, robbery or deterioration of goods) allowing the person supporting these risks to prepare enough, especially w.r.t. insurance cover
2. To specify and subscribe the contract of carriage i.e. the seller or buyer
3. To define the party responsible for packaging, operations handling, loading and off loading of goods or porting and discharge of containers and operations of inspection.
4. To distribute logistic and administration expenses between buyer and seller at various stages of trading process.
5. To fix obligation regarding fulfillment of formalities related to documents, payment etc.

Shri R. N. Mishra, eminent Forex advisor, informed that like in any business transaction, risk is also associated with goods which are meant for export to overseas market. Export Risk in international trade is quite different from risks involve in domestic trade. So it becomes important for exporters to take extra measures alongwith proper risk management. Risks in International Trade are one of the major barriers to its growth. The increase in the export market is highly beneficial to an economy, but on the other hand the increase in imports can be a threat to the economy of that country. It is very important for the policy makers to strike a right balance between free trade and restrictions. He informed that International trade is characteristically risk prone in terms of domestic trade. There are a number of reasons such as, [Credit Risk](#), [Poor Quality Risk](#), [Transportation Risks](#), [Logistic Risk](#), [Legal Risks](#), [Political Risk](#), [Unforeseen Risks](#), [Exchange Rate Risks](#), [Export Risk related to Management Plan](#)

During discussion, Shri O. P. Prahladka, ER-Convenor stated the purpose of awareness on INCOTERMS & Risks related to foreign trade, he said that the Lack of INCOTERMS rules in international trade contract can lead to inadequate sales budget, undesired offsetting of lead times, unfavorable inventory levels and poor customer service. Ultimately, INCOTERMS should be used in creation of competitive advantage through an improved flow of supply chain, and hence satisfying both parties involved in the trading contract.

The Major Questions which were asked including the following:

Q1. What is INCOTERMS?

A. Incoterms rules (International Commercial TERMS) are a total of eleven terms published by the International Chamber of Commerce (ICC) based in Paris which define the conditions of supply of goods in international sales transactions. The first edition was published in 1936 and subsequently has been making several revisions and updates (usually every ten years) to the one currently in force which is Incoterms 2010.

Q2. What is the importance of Incoterms?

A. The purpose of Incoterms is to precisely define three aspects for international trade:

- The allocation of logistics costs between sellers and buyers.
- The transmission of risks in transporting the goods.
- The documents and customs formalities necessary for export and import operations.

The importance of Incoterms is because of its widespread use that makes them internationally known. Therefore, all professionals involved in foreign trade should understand Incoterms: exporters and importers, carriers and freight forwarders, customs brokers, insurers, international credit professionals, sales and purchasing managers, consultants, etc.

Q3. What are the 11 Incoterms of 2010 version?

A. Incoterms 2010 are broadly classified in two categories according to the mode of transportation:

Incoterms for any mode or modes of transport

EXW Ex Works
FCA Free Carrier
CPT Carriage Paid To
CIP Cost, Insurance and Freight
DAT Delivered At Terminal
DAP Delivered At Place
DDP Delivered Duty Paid

Incoterms for sea and inland waterway transport

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

Q4. What does it take to use Incoterms correctly?

A. For the correct use of Incoterms, following the three letters of each term shall be put at the exact place to which delivery of the goods is to be made, and afterwards the expression "Incoterms 2010".

Some examples of correct use of Incoterms 2010:

FCA Port of New Orleans, United States, *Incoterms 2010*

CIP Tianjin airport, China, *Incoterms 2010*

DDP Hampton & Stevens Ltd. Warehouse, Sydney, Australia, *Incoterms 2010*.

Q5. What is Incoterms 2010's connection with transfer of title to the goods?

A. The Incoterms rules are silent on the issue of when title in the goods passes from seller to buyer. This should be dealt with elsewhere in the commercial agreement. The issue of title to the goods is related to that of revenue recognition, which matters to those organizations who want the best figures in their financial reports.

Q6. What are Incoterms 2011?

A. There is no such version as Incoterms 2011.

The most recent revision is called as Incoterms 2010, which came into force on 1st January 2011. The Revisions of the rules take place around every ten years or so.

Q7. Can we still use Incoterms 2000 in our agreements?

A. Yes.

Many companies have complex agreements with their counterparties and service providers, which will be time-consuming to redraft. Therefore parties are free to continue to refer to Incoterms 2000 (or any other revision!) – Provided that this is specified unambiguously in their agreements

Q8. What Incoterms rules work best with letters of credit?

A. Where possible use CIF, CIP, CFR or CPT.

For all these rules, delivery takes place before the main carriage. The carrier gives the seller a transport document which (usually) serves as a mechanism for control of the goods – it will be presented to the bank under the letter of credit, and then passed on to the buyer so that the goods can be claimed.



