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Phone : +91 94896 71437 - info@iledu.in / Chairman@iledu.in

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UNLOCKING THE POWER OF SPECIAL TRADE TERMS: EXPLORING THEIR IMPACT ON INTERNATIONAL SALE CONTRACTS

AUTHOR - SHREYA KHOTELE, STUDENT AT AMITY UNIVERSITY, CHHATTISGARH

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Abstract

Special trade terms, such as Incoterms, are crucial elements in international sales contracts, defining the rights, obligations, and risks of buyers and sellers in global trade. This paper explores the impact of special trade terms on international sale contracts, forcings on their ability to streaming transactions, mitigate risks, and facilities smoother trade reletionship.

The use of case studies and analysing reveals the practical significant of special trade terms in international trade. By exclaming real world scenarios, this study demonstrates how the selection of an incoterm can significantly affect the overall cost the effenciency of a transactions. Clearly and preceise contactual where parties have differing interpretations of the chosen incoterms.

Moreover, legal framework surrounding special trade terms, incliding the United Nations Conventions on Conntracts for the International Sale of Goods (CISG)and domestic laws, undercores their importance in global trade. This framework provides a consistent set of rules and principles that governs the use and interpretations of special trade terms , enhancing legal certanly and predictability in international transactions.

In conclution, special trade terms are powerfull tools that can unlock new opportunities and efficiencies in international trade. By understanding theur impact the nuances, parties can navigate the complexities of global commerce with greater confidence, ultimatly fortering more robust and mutually beneficial trade reletionships.

INTRODUCTION

INCOTERMS or International Commercial Terms, are a set of standardized trade definitions created by the International Chamber of Commerce (ICC) that are globally accepted and recognized by international entities. These terms outline the responsibilities and liabilities of buyers and sellers in trade contracts. They determine who is responsible for freight, insuring goods during transit, and covering any import/ export fees. INCOTERMS are highly beneficial because once importers and exporters agree on a specific INCOTERMS, they can conduct trade without needing to negotiate obligations regarding the costs and risks covered by the term.

The main objective of Incoterms is to clearly define the responsibilities and costs of two parties involved in a transaction. Sellers and buyers negotiate a sales contract where they meticulously consider duties, delivery, taxes, and sometimes insurance. INCOTERMS are crucial for the transfer of risk; if not used correctly, the transfer of risk may be overlooked, leading to potential losses for both parties.

Moreover, INCOTERMS serve as vital information for all stakeholders in the delivery process, including forwarders, carriers, and banks, reducing uncertainty and misunderstandings. These terms specify when the seller's expenses and risks shift to the buyer. It's important to note that not all rules apply universally, as some are specific to certain modes of transportation. Fir

instance, rules like FCA, CPT, CIP, DAP, DPU and DDP apply to all modes of conveyance, while FAS, FOB, CFR, and CIF are specifically for sea or inland waterway transport.

The INCOTERMS are classified into two categories: a. INCOTERMS based on the mode of transport. b. INCOTERMS based on the point of delivery.

Incoterms based on the mode of transportation:

1. Multimodal transport- It involves seven INCOTERMS that are suitable for any mode of transportation, including EXW, FCA, CPT, CIP, DAT, DAP, and DDP.
2. Sea and Waterway transport- Similar INCOTERMS cannot be apllied to ships, barges, and boats as they are specific to it.

Incoterms based on the point of delivery:

1. Group E- It consists particularly of the EXW Incoterms, where the seller has minimal responsibilities and the point of delivery is their address, such as an officer or warehouse. The buyer assumes responsibility for the remaining transportation.
2. Group F- It includes three Incoterms FOB, FAS, and FCA. In this group, the seller has significant liabilities, including paying for insurance until the goods are free on board ot taken over by the carrier. Additionally, the seller must provide the buyer with the bill of lading and other necessary documentation.
3. Group C- It comprises of four Incoterms CFR, CIF, CPT, and CIP. Here, the seller incurs additional expenses that occuer after the buyer assumes the risk, such as freight or transport costs, and cargo insurance premiums (for CIF and CIF)
4. Group D- It contains three Incoterms DAP, DPU, and DDP. In this category, the seller has even more obligations, with the final destination (e.g. the buyer's warehouse) serving as the point of delivery. If the contract specifies a different delivery location, the seller completes the delivery when transferring the goods to the buyer's collecting vehicle.

These Incoterms have been discussed in the further sections of the research paper.

HISTORY AND DEVELOPMENT OF TRADE TERMS

The evolution of trade terms mirrors the broader evolution of international trade, influenced by economic, political, and technological changes. Factors such as advancements in transportation, containerization, and the shift towards digital trade have all played a role.

In the late 18th and 19th centuries, international trade was primarily conducted by individual merchants using their own ships or chartered vessels. Merchants would personally inspect goods delivered to the vessels, compare them to samples they had seen before, and immediately agree on the price or the other terms. Goods were loaded by hand over the ship's rail, and the transfer of costs and risks followed the prevailing methods of cargo handling, typically occurring at the moment of shipment. While the earliest documented mentions of the FOB term in English and German law date back to the early 19th century, it is believed that this term was used in international sales contracts long before that time.

The advent of communication technologies such as the postal system, telegraph, and radio significantly transformed international trade. Information became more accessible, and the ability to send documents facilitated more regular contact with overseas merchants. Legislation concerning bills of lading was introduced, enabling buyers to sue based on contracts of carriage entered into by sellers.

The introduction of regular shipping lines and new financing methods, with banks participating as "buyers of exchange", greatly facilitated the transport of goods and transactions in international trade. These developments, along with the use of the FOB term, eventually led to the creation of the CIF term.

The CIF term emerged from the FOB term as buyers sought to transfer the risk of fluctuating

freight costs to seller. Initially, the FOB term began to encompass aspects of what is now known as a CIF contract. In this "extended" FOB arrangement, sellers would secure shipping space, procure the bill of lading, and act as the shipper on behalf of buyers. However, this arrangement posed disadvantages for buyers. They were reliant on sellers for arranging carriage and insurance, which meant sellers had little incentive to negotiate the best prices for buyers. Additionally, buyers could not determine the total cost of goods upfront, leading to potential additionally costs upon receipt if carriage and insurance exceeded the quoted price. These uncertainties affected buyer's ability to resell goods at a profit or determine the profitability of processing raw materials, often hindering traders from finalizing import contracts.

Buyers began to exert pressure on sellers to minimize shipping costs.[2027] An English case exemplifies this trend, where a wheat dealer from Hampshire requested the seller from Southampton to deliver a specified quantity of oats at a set price per barrel, with the condition that the freight cost not exceed a certain amount, for which the seller would be liable.[2028] This formulation of specifying a price per quarter, free on board at a designated poet, and inclusive of freight and insurance, was commonly used during the 1850s and 1860s, as evidenced by numerous English cases from that period.[2029]

Similar trends were observed in German law. The earliest recorded German case involved a sale between an English buyer and a seller from Hamburg, who agreed to terms specifying the quantity and price of wheat, including freight and insurance costs. A later case mentioned terms that included costs, steamship freight, and insurance.[2030]

The "improved" FOB contracts, known as FOB-IF (free on-board-insurance freight) contracts, dealt with the disadvantages of traditional FOB sales. It aimed to overcome the drawbacks of traditional FOB sales. Over time, these contracts evolved to exclude FOB characteristics entirely. One such contract specified a sale price per quarter of a specified weight, delivered to a certain location, and including freight and insurance (with the insurance free of war risk) to Limerick.

Tregelles v Sewell is noted as the earliest reported case to reference a price in terms similar to today's CIF contracts. It specified a price per ton, delivered to Harburg, inclusive of cost, freight, and insurance.

In a situation where the buyer or there was not physically present at the point of delivery and payment was deferred, the CIF term was more advantageous for the seller compared to the FOB term. Under CIF, the seller is the shipper and recipient of the bill of lading, whereas in a FOB sale, the buyer takes on these roles. With CIF, insurance covers the risk of loss or damage during transit, included in the CIF price along with the cost of goods and freight to the destination port. This setup makes the seller less concerned about recovering the value of the goods in case of loss or damage before payment, unlike a FOB seller. The CIF term's documentary nature also favors the seller, ensuring payment before the goods arrive at their final destination.

However, the CIF term also benefits the buyer. It relieves them of the responsibility of securing shipping space and arranging insurance. Transport documents provide control over the goods, acting as security in case of payment default, making it easier for the buyer to obtain finance and credit. Additionally, the buyer can deal with the goods while still at sea by

[2027] Hutchinson v Bowker (1839) 52 RR 821; Wait v Baker (1848) 76 RR 469. In Loder v Kekule (1857) 111 RR 575, the seller was requested to obtain shipment "on the best terms".
[2028] Sparkes v Marshall (1836) 42 RR 725.
[2029] In Couturier v Hastie (1852) 96 RR 584, the sale was made at "27s per quarter free on board and including freight and insurance to a safe port in the UK.
[2030] Decided in 1872

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transferring the documents representing the goods.

The CIF contract became increasingly popular and eventually supplanted the FOB term as the most prevalent form of contract in international maritime trade. By the early 20th century, the volume of transactions conducted on CIF terms far surpassed those conducted on any other basis. However, the FOB term continued to serve a useful purpose, particularly in cases where the buyer chartered a vessel under hire due to the size or nature of the cargo purchased, or for other reasons.

The First World War had a significant impact on the use of the CIF term in international trade. A major issue during the war was the scarcity of shipping space, which led to a decrease in the volume of trade conducted on CIF terms. Sellers were hesitant to take on the responsibility and risk of securing tonnage due to uncertainty caused by rapid fluctuations in freight availability and pricing. Similarly, insurance premiums, especially those for war risks, were also affected. Consequently, trade on FOB terms began to rise again.

However, as shipping conditions returned to normal in the 1920's, the CIF contract regained its popularity, dominating trade until the outbreak of the Second World War. Once again, FOB trade increased during the Second World War due to similar factors as those observed during the First World War.

Even after sufficient shipping capacity became available again, several new factors emerged that continued to support the use of FOB terms. The development and growth of national shipping and insurance industries, along with foreign exchange scarcity, played a significant roles in sustaining FOB business. Governments, aiming to conserve foreign currency reserves or boost domestic industries, limited the allocation of foreign currency to the FOB value of goods at the foreign port of departure. This policy forced importers to arrange carriage and insurance locally and in the domestic currency. There was also pressure to restrict to FOB terms to bolster national shipping and insurance industries.

INTERNATIONAL SALES CONTRACT

The International Sale Contract is a widely utilized commercial agreement that governs trade relations between two different nations. It outlines the rights, duties, obligations, and remedies for breach of the parties involved, which can be exporters/sellers or importers/buyers. The UN Convention on Contracts for the International Sale of Goods, also known as the Vienna Convention, is a widely used framework for such contracts. Other sources of uniform contract law, such as the Uniform Law on the International Sale of Goods, the Principles of European Contract Law, and the UNIDROIT Principles of International Commercial Contracts (2010), are also commonly used.

Key details included in an International Sale Contract are the quantity and type of product, delivery time, payment conditions, price, governing law, dispute resolution forum (if any), and method of dispute resolution. Failure to address these issues in the agreement can lead to the involvement of a dispute resolution authority, often resulting on unexpected outcomes.

The clauses that are typically included in a good international sales contract are crucial for ensuring clarity, minimizing misunderstandings, and providing a legal framework for the transaction:

1. Product- The goods in the contract should be described with enough detail to identify them clearly. Providing a precise description helps to minimize the risk of misunderstandings. For complex products like machinery, a detailed description can be included in an annex to the contract.
2. Quantity- Quantity is typically in units such as pieces or kilograms. When exact quantitites cannot be determined when the contract is drafted, a range should be set, Certain industries use accepted commercial

tolerances. Additionally, letters of credit can be structured to allow for a tolerance of plus or minus 10% by using the term "about".

3. Delivery- The delivery term should be clearly defined, including the time amd location of delivery. The INCOTERM Rules from the International Chamber of Commerce are highly recommended for this purpose, as they are widely recognized and assign kay responsibilities between the seller ans buyer. When the seller is responsible arranging transportation (eg./ CIF, DAP, DDP), the mode of transport should be specified, as this affects when and where the goods are physically available to the buyer.

4. Price- The price in the contract may be fixed or dependent on various factors, such as quantity and delivery terms. If the price depends on other factors, these should be clearly stated to avoid any confusion. The currency in which the price is quoted should also be specified.

It can be helpful to separate the price of the goods from any additional services provided by the seller, such as insurance and freight. This separation clarifies the total selling price and helps to avoid discrepancies in how non-product charges are treated for duty valuation purposes.

5. Payment terms- The payment terms specify the method, timing, location, and currency for the buyer's payment for the goods. If payment is to be made in a form other than money, such as through countertrade, a separate contract may be referenced.

6. Transfer of Ownership- The transfer of ownership should be clearly stated in the sales contract, except for vessel shipments where ownership and possession rights are indicated in the original shipment document.

A common clause used is: "Ownership of the goods will transfer to the buyer upon payment of the price to the price to seller". Depending on the payment terms, this clause might imply a retention of the title situation, which would require compliance with the buyer's country's formalities.

7. Insurance- If an Incoterm other than CIF or CIP is used, the parties must decide outside of the Incoterm who will provide insurance coverage and address the issue of insurable interest . Under CIP or CIF, the seller is obligated to insure, But if the minimum coverage provided by these terms is not sufficient, the level of coverage should be determined separately.

8. Government Requirements- Prior to drafting the contract, it's important to consider he following: Are there any requirements for pre-shipment inspection? Does the buyer's country's administration impose additional requirements that the seller must fulfill (such as obtaining specific customs documents)? Does the seller's country's administration impose requirements that the buyer must fulfill (such as obtaining an export license)?

9. Dispute Resolution- In case of a dispute, the method of resolution should be specified. Litigation is not the sole or always the preferred option. Arbitration often occurs under the supervision of an arbitration institution that provides established rules for the procedure. One such institution with extensive global reach is the ICC International Court of Arbitration.

10. Law applicable- In international sales contracts, sellers and buyers have the freedom to choose the applicable law. However, deciding on the applicable law can be a challenging negotiation point, as each party typically favors its national law. The United Nations created the Convention on Contracts for the International Sales of Goods (CISG) to address this issue. The CISG applies automatically when both the seller and buyer are based in countries that have ratified the Convention. If parties wish to use a different body of law, they can specify this in the sales contract. However, this is not applicable in India.

SPECIAL TRADE TERMS AND THEIR IMPLICATION ON INTERNATIONAL SALES CONTRACT

1. EX-Works (EXW)- The EXW Incoterm places minimal obligations on the seller. Essentially, the seller is required to deliver the goods to the buyer at a specified delivery point, typically the seller's premises but could be any

agreed location such as a warehouse or factory, within the agreed timeframe. The seller is not responsible for loading the goods onto a specific vehicle or clearing them for export. If the delivery point is not specified or if multiple locations are possible, the seller may select the most suitable spot. Generally, the seller assumes all risks of loss or damage to the goods until they are delivered as per the contract, at which point these risks transfer to the buyer. Similarly, any costs associated with the goods are the responsibility of the seller until delivery, after which they become the buyer's responsibility.

2. Free Carrier (FCA)- Under the FCA Incoterm, goods are delivered as follows:

(i) If the agreed place of delivery is the seller's premises, the goods are considered delivered when they are loaded onto the buyer's vehicle.

(ii) If the named place of delivery is elsewhere, like a warehouse or factory, the goods are deemed delivered when they arrive at the designated place after being loaded onto the seller's vehicle, are ready for unloading from the seller's vehicle, and are made available to the carrier chosen by te buyer.

3. Carriage Paid To (CPT)- Under the CPT Incoterm, goods are considered delivered when the seller delivers them to the carrier at the agreed location or arranges for their delivery to the carrier. The seller is responsible for arranging and paying for the carriage of the goods from the delivery point to the destination. The transfer of risk from the seller to the buyer occurs when the goods are handed over to the carrier, irrespective of whether a carriage contract is in place. However, if the seller incurs unloading coasts at the destination, they are responsible for covering these unless otherwise agreed.

The seller is also responsible for clearing the goods for export, if required, and bears all associated risks. However, there is no obligation for either the seller or the buyer to arrange for insurance.

4. Carriage and Insurance Paid (CIP)- The seller's responsibilities under the CIP Incoterm are similar to those under the CPT Incoterm. This includes delivering the goods to the carrier arranged by the seller and clearing them for export. Additionally, the seller must arrange for insurance to cover the buyer's risk of damage to the goods from the delivery point to at least the destination point. Upon contract completion, the seller must provide the buyer with the insurance policy or certificate.

5. Delivered at Place(DAP)- Unlike the DPU Incoterm, DAP is chosen when the seller is not required to bear the risk and cost of unloading. Under DAP, goods are considered delivered when they are made available to the buyer on the vehicle, ready for unloading at the agreed destination or an agreed location within that destination.

6. Delivered Duty Paid (DDP)- Under DDP, the seller is considered to have delivered the goods to the buyer when they are made available for unloading at the destination or an agreed location within that destination, cleared for import, and on the approaching vehicle. DDP imposes the highest level of obligation on the seller as it requires them to clear the goods for import, unlike any other Incoterm.

Similar to other Incoterms, DDP necessitates the seller to arrange and pay for transport but does not mandate an insurance contract between the seller and buyer.

7. Free Alongside Ship (FAS)- Under Incoterm, the seller fulfills their delivery obligation by either placing the goods alongside the buyer's identified ship at the specified port of shipment or ensuring the goods are delivered to that location. Once the goods are beside the ship, the risk of damage transfers to the buyer. The seller must ensure the goods are cleared for export, not import. There is no requirement for the seller to arrange a carriage contract. The buyer is responsible for all transportation costs from the designated port of shipment.

8. Free On Board (FOB)- Under the FOB Incoterm, the seller fulfills their delivery

obligation when the goods are loaded onto the buyer's nominated ship at the specified port of shipment, or when the seller arranges for the goods to be loaded. Once the goods are on board the ship, the risk of loss or damage shifts to the buyer. The seller must ensure the goods are cleared for export, not import.

Similar to the FAS Incoterm, the seller is not required to arrange a carriage contract. The buyer bears all costs related to transporting the goods from the specified port of shipment.

9. Cost and Freight (CFR)- Under the CFR Incoterm, the seller fulfills their delivery obligation by placing the goods on board the ship or arranging for them to be loaded. The risk of loss or damage to the goods shifts to the buyer when the goods are loaded onto the vessel at the port of delivery, which differs from the FOB Incoterm where the risk is transferred at the port of destination. The seller is responsible for arranging a contract of carriage for the goods to the port of destination and covers the costs of unloading at the destination port unless otherwise agreed. Insurance is not required from either the seller or the buyer.

➢ **Cargill International S.A.v Bangladesh Sugar and Food Industries Corporation(BSFIC)[2031]:** This case involved the dispute over the interpretation of the CIF incoterm in the contract for the sale of sugar. The court held that under the CIF term, the seller is responsible for arranging and paying the cost for insurance and freigth to deliver the goods to the agreed-upon destination. The case emphasized the importance of understanding the obligations and responsibilities under different incoterms to avoid disputes.

➢ **Sofrimport SARL v. The United Republic Of Tanzania**: In this case, the seller and the buyer had agreed to use the FOB Income for the sale of rice. However, a dispute arose regarding the loading of the goods onto the vessel. The court ruled that under FOB term, the seller's responsibility ends once the goods are loaded of the goods onto the vessels, and any cost or risk associated with any loading are the buyer, 's responsibility This cause illustrates the importance of clear and precise language when specifying incoterms in the international sale contract.

➢ **Grupo Editorial Norma S.A.v.E. Magalhaes and Co**: This case involved a dispute over the interpretation of the EXW incoterm in the contract for the sale of books. The court held that under the EXW term, the seller is only responsible for making the goods available at their premises, and the buyer is responsible for all transportation costs and risks. The case underscores the need for parties to carefully consider the implications of different incoterms and clearly define their respective obligations in the court in the contract.

These case laws highlight the importance of understanding and correctly applying special trade terms in international sale contracts to avoid disputes and ensure the smooth execution of transactions. They also emphasize the role of the courts in interpreting and enforcing in accordance with international trade practices and convection

LEGAL FRAMEWORK FOR SPECIAL TRADE TERMS

International commercial contracts are agreements between parties from different countries. According to the United Nations Convention on Contracts for the International Sale of Goods (CISG), these contracts are considered "international" when the parties are from different countries. The definition can also include contracts where parties choose the laws of different countries, have significant connections with more than one country, or affect international trade interests. Such contracts are termed "commercial" when each party is acting in their profession or trade, as described in the Hague Principles. These contracts govern business transactions between nations under international law and customs.

The International Sale Contract is a widely used commercial agreement that governs trade relations between two different nations. It outlines the rights, duties, obligations, and

[2031] (1997) EWCA Civ J1119-9

remedies for breach of the parties involved, who can be either exporters/ sellers or importers/ buyers. The UN Convention on Contracts for the International Sale of Goods, also known as the Vienna Convention, is commonly used for these contracts. Other sources of uniform contracts law, such as the Uniform Law on the International Sale of Goods, and the principles of International Commercial Contracts (2010), are also utilized.

This type of contract should include details such as the quantity and type of product, delivery time, payment conditions, price, governing law, the forum for dispute resolution (if needed), and the method of resolving disputes. If these issues are not addressed in the agreement, the dispute resolution auhtority may intervene, potentially leading to unexpected outcomes. Some of the clauses of international sales contract are:

- Delivery Terms- The time and place of delivery should be clearly stated in the contract. The International Chamber of Commerce has published the Incoterms Rules, which are widely used worldwide as reference points. These rules are standardized and can be incorporated into international sale contracts at the discretion of the parties. They are revised every 10 years and help nform sales contracts by defining obligations, risks, and costs involved.

The Incoterms Rules are divided into four classes: Ex, Free, Cost, and Delivery, which specify rules for different modes of transport and rules for sea and inland waterway transport. These rules allocate responsibilities between the buyer and seller for:

✓ The point at which transfer of ownership and risk occurs.

✓ International transport and administrative costs.

✓ Responsibilities for customs, payment of impport duties, and obtaining insurance coverage.

- Description of Goods- This clause is crucial in a sales contract because buyers typically prefer a detailed and precise description of the goods from the seller. If the goods are not described in a way that satisfies the buyer, they may be considered in a way that satisfies the buyer, they may be considered unsuitable for the buyer's commercial needs. However, it is practical to anticipate and allow for minor deviations from the description.

- Price- It's important for parties to clearly state the price and the currency of the contract in both numerical and written form. The contract should also include a provision outlining how to determine the price if the parties cannot agree on the indicated price.

It can be helpful to list the price of the goods separately from any additional changes for non-product services provided by the seller, such as insurance and freight. This practice serves two purposes: it reinforces the chosen delivery term (incoterms) by clearly indicating what is included in the total selling price, and it addresses the varying treatment of non-product charges by different countries for ad valoreem duty valuation purposes.

- Law Applicable- When negotiating contract terms, parties have the liberty to select the governing law for their international sales agreement. This decision can be contentious, as each party may favor their own national laws. To address this, the CISG provides a standardized framework. If the contract does not specify a governing law, the CISG applies by default. Parties also have the option to choose a different governing law by explicitly stating it in the contract.

- Retention of Title- The most common clause in international sales contract contracts is the retention of title clause. This clause states that the seller retains ownership of the goods until the buyer has paid the full purchase price. It also allows the seller to reclaim the goods if the buyer fails to make payment. This clause can be straightforward, or it can be extended to include the seller's claim to proceeds from the sale of goods and any other debts owned by the buyer. Additionally, a transfer of ownership clause must be included in the contract, except for vessel shipments under a negotiable marine bill of lading, where ownership and possession

rights are conferred by the original shipment document.

- Dispute Resolution- The contract should include a dispute resolution clause detailing the process for resolving any dispute that may arise. Parties typically have the choice between litigation and arbitration. Arbitration is often preferred due to its speed and cost-effectiveness compared to litigation. Most arbitrations follow the rules of an arbitration institution, with the ICC International Court of Arbitration being one of the most common and experienced. If arbitration is chosen, the contract should specify the location and language of the arbitration. If litigation is chosen, the contract should specify the national or municipal courts where a lawsuit must be filed.
- Inspection of Goods- A contract should include an inspection clause requiring pre-shipment inspection of goods, specifying the location and company responsible for inspection. Both the seller and buyer should inspect the goods. Government requirements for inspection in each nation should also be considered before drafting the contract.
- Insurance- When Incoterms rules are utilized, the parties must decide who is responsible for arranging insurance, which is not covered by the Incoterms. Typically, when goods are being exported, it's advisable to specify in the contract which party will bear the costs of insurance.
- Force Majeure- It's typical for an international sales contract to include a force majeure or hardship clause. This clause relieves a party from fulfilling their contractual obligations due to unforeseeable circumstances beyond their control, such as war, pandemics, earthquakes, and other similar events.

THE UNITED NATIONS CONVENTION ON CONTRACTS FOR INTERNATIONAL SALES OF GOODS:

The CISG, finalized in 1980 at the UN conference on contracts for the international sale of goods in Vienna, is available in six official UN languages. It took effect in 1988 with eleven initial contracting states. Developed under the UN Commission on International Trade laws, the CISG is part of a series of conventions, including the uniform laws on the formation of contracts for the International Sale of Goods and the convention relating to a uniform law for the International Sale of Goods. CISG is a significant step towards harmonizing commercial law globally, aiming to facilitate international trade by establishing modern rules for the rights and obligations of parties in international sales contracts. It applies when either the law of the contracting state is chosen by Private International Law or when both parties are located in contracting states. Contracting states can choose to deviate from CISG rules or exclude its applications in favor of other laws.

The CISG does not have special tribunals or coats of its own. The national coats and arbitral institutions having the jurisdiction over transactions interpret it, further, it is governed by the convention with an aim to maintain its uniformity and international character. [2032]

CONCLUSION

The use of special trade terms, such as incoterms, in international sale contracts is a critical aspect of global trade. Through a series of case studies and analyses, it becomes evident that the choice of special trade terms can have a significant impact on the overall cost, risk allocation, and efficiency of international transactions.

Case studies illusrate how the selection of an incoterm can affect the division of responsibilities between buyer and seller. For example, choosing EXW places more responsibility on the buyer for transportation and insurance, while opting for DDP shifts these responsibilities to the seller. These case studies underscore the importance of parties carefully considering their needs and negotiating the most suitable terms for the transactions.

[2032] Honnold, J.O. (2023). Uniform Law for International Trade (4th ed.) LexisNexis

Further, the analysis reveals the importance of clear and precise contractual language when using special trade terms. Ambiguities or misunderstandings regarding the interpretation of these terms can lead to disputes, highlighting the need for parties to ensure mutual understanding and agreement.

The legal framework surrounding special trade terms, including the CISG and domestic laws, provides a consistent set of rules and principles for their use and interpretation. This framework enhances the legal certainty and predictability of global trade.

In conclusion, special trade terms are powerful tools that can unlock new opportunities and efficiencies in international trade. By understanding their impact and nuances, parties can navigate the complexities of global commerce with greater confidence , ultimatly fostering more robust and mutually beneficial trade relationship.