UNIT 3 EXPORT SALES CONTRACT

Structure

3.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the nature of export sales contract
- distinguish between domestic sales contract and export sales contract
- describe various Incoterms
- explain the rights and duties under principal Incoterms
- describe general conditions in export contracts
- explain the methods of dispute settlement.

3.1 INTRODUCTION

Exports and imports are carried out by traders who are residents of different countries. Goods have to cross national frontiers and several types of physical and financial risks are to be faced. Laws and regulations of the exporting and importing countries are also to be observed. It is, therefore, very important that the parties to an export-import transaction put down the terms of agreement clearly to avoid misunderstanding and disputes. Further, in Indian context, an exporter is supposed to show a documentary proof of an export contract to secure special export facilities. In this unit, you will learn the nature of export sales contract and various provisions of Incoterms. You will also learn the methods of settlement of disputes.

3.2 NATURE OF EXPORT SALES CONTRACT

Contract is a legal concept. It has been defined in the Section 2(h) of the Indian Contract Act, 1872. In simple terms, a contract is an agreement which can be enforced by law. An agreement, on the other hand, takes place when a valid offer has been made and accepted by the other party without any qualification. This process of contract formation is valid all over the world.

Though the offer-acceptance sequence appears logical and simple, sometimes complexities can arise. Let us consider a common situation in export business. An exporter sends his offer in a proforma commercial invoice along with his standard conditions of sales. The importer accepts the offer but refers to his own standard conditions of purchase. Since these two sets of conditions are different no contract is formed. Importer's acceptance will not be considered legally as acceptance but only as a counter-offer. If the exporter in turn confirms his acceptance without referring again to his standard conditions, a contract is formed.

3.2.1 Form of Contract

There are no universally acceptable norms as to the form of export contracts. It need not be a formal document signed by both the parties nor it need to be stamped. What is necessary is to have some documentary evidence to show that there had been an agreement. These evidences can be letters, telex messages, electronics data interchange, purchase orders or letters of credits. Oral contracts are also legally binding but in the Indian context, the exporter must have some written evidence because of the need to produce evidence of contract to a number of export-service organisations and regulatory agencies.

3.2.2 Distinction between Domestic Sales Contract and Export Sales Contract

A major point of distinction between a domestic and export contract lies in identifying the proper law governing the export contract. This is not a problem for domestic sales contracts because the proper law will always be the Indian law in India. It will be the respective national laws in each country so far as their domestic transactions are concerned. But in export transactions, there are two nations, that of the exporter and importer. Therefore, the question arises, which country's law will apply to an export contract.

This is a very complex problem but the principle generally followed is that the parties to the contract may agree mutually about the applicability of particular country's law. The country chosen must be either that of the exporter or the importer. In special circumstances, a third country's law may be chosen, provided that the country has something to do with the contract. For example, that may be the country where the goods will be re-exported by the importer subsequently. Only when the parties fail to mention the applicable law and a dispute arises later on, the court will decide which law should apply.

Each country's law has developed a set of rules which the courts consider while deciding on this issue. This is commonly known as **'conflict of laws'** situation. Some of the factors considered by the courts are: the place where the contract is signed, the language the contract is written, the place of business of the parties, etc. However, these days, the courts normally identify as **'proper law'**, i.e., the law applicable to the contract (as the one where the contract is to be carried out, i.e., the place where the delivery is to take place). Since in most export transactions, delivery is made in the exporter's country (normally when the goods are placed on the carrier in the exporter's country), the applicable law becomes the exporting countries law.

3.3 INTERNATIONAL CONTRACT TERMS

Since in international transactions, traders are from diverse nations, specific term should be interpreted in a similar way by all the parties concerned. Otherwise, disputes are bound to arise. To solve this problem the International Chamber of Commerce (ICC) Paris has developed 'Incoterms'. These terms are commonly used in export-import transactions. These terms have been revised several times since they have been introduced to incorporate new commercial practices. The current version of Incoterms has been issued in 1990. Incoterms have been almost universally adopted. Even the socialist countries, including Russia and China, use Incoterms. Let us discuss them briefly.

1. **Ex-works (Ex-W):** 'Ex-works' means that the seller fulfils his obligation to deliver when he has made the goods available at his premises (i.e., works, factory, warehouse, etc.) to the buyer. The buyer bears all costs and risks involved in taking the goods from the seller's premises to the desired destination. This term thus represents the minimum obligation for the seller.

2. **Free Carrier (FCA):** Free carrier means that the seller's obligations are fulfilled when the goods are delivered to the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into his charge. This term may be used for any transport.

3. **Free Alongside Ship (FAS):** This means that the seller fulfils his obligation to deliver when the goods have been placed alongside the vessel on the quay or in lighters at the named port of shipment. The buyer has to bear all costs and risks of loss or damage to the goods from that point. This term can only be used for sea or inland waterway transport.

4. **Free On Board (FOB):** This means that the seller fulfils his obligation to deliver when the goods have passed over the ships rail at the named port of shipment. The buyer has to bear all costs and risks of loss or damage to the goods from that point. This term can only be used for sea or inland waterway transport.

5. **Cost and Freight (CFR):** This means that the seller must pay the costs and freight necessary to bring the goods to the named port of destination. The risk of loss of or damage to the goods after the goods have been delivered on board the vessel is transferred to the buyer. This term can only be used for sea and inland waterway transport.

6. **Cost Insurance and Freight (CIF):** This means that the seller has the same obligations as under CFR, but with the addition that he has to procure marine insurance against the buyer's risk of loss of or damage to the goods during the carriage. The term can only be used for sea and inland waterway transport.

7. **Carriage Paid to (CPT):** This means that the seller pays the freight for the carriage of the goods to the named destination. The risk of loss of or damage to the goods is transferred to the buyers when the goods have been delivered into the custody of the carrier.

8. **Carriage and Insurance Paid to (CIP):** This means that the seller has the same obligation as under CPT but with the addition that the seller has to procure cargo insurance against the buyer's risk of loss of or damage to the goods during the carriage. This term may be used for any mode of transport.

9. **Delivered at Frontier (DAF):** This means that the seller fulfils his obligation to deliver when the goods have been made available, cleared for export, at the named point and place at the frontier, but before the customs border of the adjoining country. This term is primarily intended to be used when goods are to be carried by rail or road, but it may be used for any mode of transport.

10. **Delivered Ex-Ship (DES):** This means that the seller fulfils his obligation to deliver when the goods have been made available to the buyer on board the ship uncleared for import at the named port of destination. The seller has to bear all the costs and risks involved in bringing the goods to the named port of destination. The term can only be used for sea or inland waterway transport.

11. **Delivered Ex-Quay (Duty Paid) (DEQ):** This means that the seller fulfils his obligation to deliver when he has made the goods available to the buyer on the quay at the named port of destination. The seller has to bear all risks and costs of delivering the goods thereto. This term can only be used for sea or inland waterway transport.

12. **Delivered Duty Unpaid (DDU):** This means that the seller fulfils his obligation to deliver when the goods have been made available at the named place in the country of ~~importation~~. The seller has to bear the costs and risks involved in bringing the goods thereto (excluding duties, taxes and other official charges payable upon importation). The seller also bears the costs and risks of carrying out customs formalities. This term can be used in all modes of transport.

13. **Delivered Duty Paid (DDP):** This means that the seller fulfils his obligation to deliver when the goods have been made available at the named place in the country of importation. The seller has to bear the risks and costs including duties, taxes and other charges of delivering the goods thereto. The seller represents maximum obligation. This term can be used in all modes of transports.

Incoterms set out the rights and the obligations of the buyer and the seller for each of the terms. Therefore, each party knows precisely what he is supposed to do and in turn what he can expect from the other party. Consequently, the scope of misunderstanding and dispute becomes less. There is, however, one point that you must note. Incoterms is not a treaty or a convention which has been adopted by the trading nations. This is only a document prepared by a business organisation. Therefore, to make Incoterms applicable to an export contract, the parties must specifically mention that they would like their contract to be interpreted as per Incoterms.

3.4 RIGHTS AND DUTIES UNDER PRINCIPAL INCOTERMS

You have learnt various Incoterms. Let us now discuss in brief the provisions for the two major terms viz., FOB and CIF.

FOB (named port of shipment) Contract: Following are the duties of exporter under FOB contract:

i) Supply the contracted goods in conformity with the contract of sale and deliver the goods on board the vessel named by the buyer at the named port of shipment.
ii) Bear all costs and risks of the goods until such time as they shall have effectively passed the ship's rail.
iii) Provide at his own expense the customary clean documents in proof of the delivery of the goods.

Duties of the importer include:

i) Reserve the necessary shipping space and give due notice of the same to the exporter and
ii) Bear all costs and risks of the goods from the time they have effectively passed the ship's rail and pay the price as provided for in the contract.

CIF (named port of destination) Contract: Following are the duties of the exporter under CIF contract:

i) Supply the goods in conformity with the contract of sale, arrange at his own expense for the shipping space by the usual route and pay freight charges for the carriage of goods.
ii) Obtain at his own risk and expense all documentation regarding governmental authorisation necessary for the export of goods.
iii) Load the goods at his own expense on board the vessel at the port of shipment. He should procure at his own cost in a transferable form a policy of marine insurance for a value equivalent of c.i.f plus 10 per cent.
iv) Bear all risks until the goods have effectively crossed the ship's rail and furnish to the buyer a clean negotiable bill of lading.

Duties of the importer include:

i) Accept the documents when tendered by the exporter, if these are in conformity with the contract of sale and pay the price.
ii) Receive the goods at the port of destination and bear all costs except freight and marine insurance incurred in respect of the carriage of the goods.
iii) Bear all risks of the goods from the time they have effectively passed the ship's rail at the port of shipment.

Check Your Progress A

1. **What do you mean by contract ?**

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2. **Distinguish between domestic sales contract and export sales contract.**

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3. What is the difference between FOB Contract and CIF Contract ?

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4. State whether the following statements are True or False.
   i) Oral contracts are not legally binding.
   ii) In export business, the parties involved in the contract agree mutually about the applicability of particular country's law.
   iii) In Ex-works contract there is a minimum obligation for the seller.
   iv) In CFR contract the seller has to pay the costs and freight necessary to bring the goods to the named port of destination.
   v) Incoterms are a treaty adopted by the trading nations.

3.5 GENERAL CONDITIONS IN EXPORT CONTRACTS

Export contract refers to the subject matter of the contract. In addition, the contracts also mention the rights of the party concerned against the party which may have failed to honour his contractual obligations, except under some valid reasons. The movement of goods in export transactions involve risk and costs. The goods may get lost, stolen or damaged during transit. The contract must specify who will bear this risk and upto what point. Similarly, physical movement of goods will mean costs. Whose responsibility will it be to bear these costs ? These issues are to be resolved through contracts.

Most exporters have developed standard general conditions of exports to be incorporated in an export Contract. It simplifies the day-to-day export operations. It also reduces the possibility of missing out some important aspect, each time a contract is drafted. The complexity of the general conditions depends upon what is being exported. If the product is standard, such as garments, handicraft or light engineering goods, a simple set of general conditions will suffice. On the other hand, a contract for the sale of petrochemicals plant may run into hundreds of pages. For a majority of products being exported from India, the following aspects should be covered under the general conditions:

1. The parties
2. The description of the products
3. Quality
4. Price per unit
5. Total value
6. Currency
7. Tax and Charges
8. Packing
9. Marking and Labelling
10. Mode of Transport
11. Delivery : Place and Schedule
12. Insurance
13. Inspection
14. Documentation
15. Mode of Payment
16. Credit period, if any
17. Warranties
18. Passing of Risk
19. Passing of property
20. Availability/non-availability of Export-Import Licences
21. Force Majeure
22. Settlement of Disputes
23. Proper Law of the Contract
24. Jurisdiction

Indian Council of Arbitration which has been set up by the Ministry of Commerce, Government of India has developed a Model Contract form for the benefit of Indian exporters. This model is appropriate for most small and medium enterprises exporting standard products.

3.6 SPECIAL CONTRACTS

You have learnt that the applicable law can be the law of either party or that of a third party. It will be the Indian Contracts Act, if Indian law will apply. This act also provides that if the parties use special trade terms the duties and the liabilities under the act can be changed by the expressed provisions in the contract. Similar provisions exist in acts of other countries as well. Further, over the centuries, courts in various countries have interpreted trade contracts. This has given rise to some accepted interpretations of contract terms, such as FOB and CIF. Let us discuss some principal features of these two types of contracts.

1) **FOB Contract:** Under FOB contracts, the seller has the duty to place the goods onboard the carrier which has been nominated by the buyer. However, sometimes due to reasons of convenience, the exporter himself may contract with the carrier. In both cases, the freight has to be paid by the importer. The exporter's responsibility ends when he delivers the goods to the carrier.

The major legal implications of FOB contracts are:

i) The delivery is completed by delivering the goods to the carrier. This means that delivery to the carrier operates as delivery to the buyer, unless the seller has reserved the right of disposal over the goods.
ii) The price in a FOB contract covers all expenses upto the loading of the goods on the carrier. All costs subsequent to that point will be on the buyer's account.
iii) Risks in the goods passes from the seller to the buyer at the same time when delivery is completed i.e. when the goods are placed on the carrier.
iv) Normally property in the goods also should pass from the exporter to the importer along with risks. The passing of property may be postponed by a specific provision in the contract.
v) Payments fall due when the delivery is completed. It is generally stipulated that property will pass only when the buyer fulfils his contractual obligations under the relevant terms. For example, acceptance of the Bill of Exchange submitted alongwith the Bill of Lading or the Airway Bill.

From a practical point of view, it is easier for an exporter to implement an FOB contract. This is because of the following two reasons:

1. When the space is not available on ship, the exporter will be unable to export the goods. In FOB contract reservation of ship is the duty of importer. Therefore, this is the fault of buyer.
2. In FOB contract, risks associated with freight escalation has to be borne by the importer.

   Though selling on FOB basis may be easier for an exporter, this is not good for the country as a whole. This is because since under on FOB contract, the importer will organise both shipping and insurance, he will give the business to local firms in his own country. As a result, the Indian shipping/Air lines and insurance companies stand to lose considerable amount of business.

2) **CIF Contracts:** The exporter undertakes the responsibility of contracting the shipping space and also getting the insurance cover for the goods in a CIF contract. These responsibilities are in addition to what he does under an FOB contract.

   The legal nature of a CIF contract is rather complicated as it necessarily involves three contracts, viz., **contract of sale, contract of affreightment** and **contract of insurance.** Further, over the centuries, the nature of CIF contracts has evolved based upon **courts** interpretation all over the world. One of the objectives of CIF contract is to facilitate resale of goods while on transit on the basis of only shipping documents. The shipping documents represent title to the goods and, therefore, physical transfer of goods is not required for trading purposes. It is, therefore, said that legally speaking, a CIF contract is **not a sale of goods themselves but a sale of documents relating to the goods. Under a CIF contract, the right of the buyer is to have the shipping documents and not the goods. The** seller can claim payment only by tendering the relevant shipping documents.

The major legal implications of CIF Contracts are:

i) The seller has to procure a contract of affreightment. This will enable him to ship the goods on the due date to the named port of destination.
ii) He must deliver the goods on board the ship, collect the shipping documents and send to the importer.
iii) He must also procure a contract of insurance covering the shipped goods and the risks, as desired by the importer.
iv) He also has to send along with the shipping documents the payment document, such as the Bill of Exchange.
v) The importer has to make the payment on the basis of the documents tendered to him. He has a right to scrutinise the documents or reject them.
vi) The property in the goods does not normally pass on shipment. It passes when the Bill of Lading is delivered to the buyer and thereby he acquires the right of disposal of the goods.
vii) The property right that the buyer is acquiring is conditional.
viii) The exporter's duty comes to an end when the goods have been placed on board the vessel. The goods will be at the importer's risks, though the freight & insurance premium have been paid by the exporter.
ix) The CIF contract is so structured that even if the buyer knows that the goods have already got lost or damaged, he is under an obligation to pay. The importer has his remedy either under the contract of affreightment against a shipowner or under the policy of insurance against the insurance company.

3.7 FRUSTRATION OF CONTRACTS

There can be several factors beyond the control of the parties to a contract which makes the performance of contractual obligations impossible. Examples are wars, civil disturbances, floods, fire at the factory or strike at ports. In the Common Law countries (principally the UK and the Commonwealth countries), such situations are referred to as **'frustration of contracts'**. The equivalent concept is known as **'force majeure'** in the civil law countries (principally Western Europe). The term used for the same purpose while trading with the Russia and the East European countries is **Relief**. If due to such reason, the party concerned cannot do what he is supposed to do under the contract, the contract can be terminated and the party will not be liable to pay damage to the other party.

There is no unanimity of opinion as to what factors should be covered under frustration of contract. It is, therefore, suggested by legal experts, that the contract itself should specify the factors, constituting force majeure.

3.8 METHODS OF DISPUTE SETTLEMENT

There are many reasons due to which a dispute may arise between an exporter and an importer. A common cause for dispute relates to quality. Under most contract terms, the importer will have an opportunity to inspect the goods only when the consignment reaches him. By that time, he may have already paid the value of the goods to the exporter. Therefore, if on inspection, the goods are found to be not as per contract terms, he will reject the consignment and sue for damages. Other common causes for disputes are failure to ship on time, refusal to ship because of changes in market conditions, government regulations restricting exports, etc.

There are two well recognised methods for settlement of disputes, i.e., litigation and arbitration. Litigation is not suitable for settlement of trade disputes due to time consuming process, high costs and uncertainty of the final decision. The basic limitations of litigations are:

i) Court process is proverbially slow, time-consuming and formalistic
ii) Avoidable necessity of expert witnesses and other evidence
iii) Inconvenience to the parties
iv) Adverse Public Image
v) Bitterness and disruption of trade relationships
vi) Unfamiliarity of the laws and procedures of different countries

These limitations encourage the arbitration for the settlement of various disputes. The basic advantages of arbitration are:

i) **Quickness:** Arbitration is much quicker than litigation. It can be completed as quickly as the parties want it, depending on the circumstances and the nature of the particular case. Under the Arbitration Act, the arbitrators have to make the award within four months from the date of entering on the reference. Usually an arbitration case may be settled between four months to one year.
ii) **Inexpensiveness:** The costs and expenses in arbitration are also much less than in litigation. The arbitration fees usually are around 2 per cent of the claim value or less in institutional arbitration. The other incidental expenses are also moderate and low.
iii) **Promotes goodwill:** Arbitration is a process of goodwill and it helps promote friendly trade relations between the parties. The arbitrator is a person chosen by the parties themselves on the basis of their faith and confidence in him.
iv) **Sound and Cogent decisions:** In arbitration it is possible to choose a person having knowledge and experience in the particular line of trade. This helps in avoiding the necessity of expert witnesses for educating the judge or for proving trade customs and practices.
v) **Privacy:** Arbitration proceedings are not open to public and arbitrator's decisions are not published in law reports like the court decisions. Therefore, arbitration preserves the privacy and trade secrets of the parties.

International Arbitration

In the case of international transactions, arbitration can take place either in the exporter's or importer's country. It is, therefore, necessary to have a legal system for the recognition and enforcement of arbitral award given in another country. The International "New York Convention" on Recognition and Enforcement of Foreign Arbitral Awards 1957 has been ratified by 40 countries which recognise and enforce arbitral awards given in the countries which are signatories to his convention.

Law for Enforcement of Foreign Awards in India: Countries which are parties to any of the International Convention have to pass implementing legislation giving effect to the respective Conventions. India, which is a party to the 1927 Geneva and the 1958 New York convention, has enacted the Arbitration (Protocol and Convention) Act, 1937 and the Foreign Awards (Recognition and Enforcement) Act, 1961, respectively, giving effect to the two Conventions. The provisions of the two acts are made applicable to foreign awards made in such countries as are notified by the Government from time to time in the Official Gazette under the respective Acts.

Procedure for Enforcement in India: Any person interested in a foreign award may apply in writing to any court having jurisdiction over the subject-matter of the award praying that the award be filed in the court. The application shall be numbered and registered in the court as a suit between applicant as plaintiff and the other parties as defendants. The court shall direct notice to be given to the parties requiring them to show cause why the award should not be filed. Thereupon, the court on being satisfied that the foreign award is enforceable under the act shall pronounce judgement according to the award. Upon the judgement so pronounced, a decree shall follow and no appeal shall lie from such decree except in so far as the decree is in excess of or not in accordance with the award.

Enforcement of Indian Awards in Foreign Countries: It is understood that awards made in India will be similarly enforceable in foreign countries which are parties to any of the international conventions relating to the enforcement of foreign awards (according to the provisions of the respective conventions). However, enforcement of awards in countries which do not adhere to either the 1937 or the 1961 convention or other similar international regulations is somewhat more difficult. The enforcement of awards in such other countries would largely depend on principles of private international law and might meet with considerable difficulties.

Check Your Progress B

1. What do you mean by 'Force majeure' ?

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2. Distinguish between litigation and arbitration.

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3. State whether the following statements are True or False.
   i) In FOB contract risks associated with freight escalation has to be borne by the importer.
   ii) Selling under FOB contract is good for the country as a whole.
   iii) In CIF contract the seller need not procure a contract of insurance covering the shipped goods.
   iv) Arbitration is inexpensive and it maintains privacy.
   v) Awards made in India will be similarly enforceable in foreign countries which are parties to any of the international conventions relating to the enforcement or foreign awards.

4. Fill in the blanks.
   i) Occurrence of several factors beyond the control of the parties to a contract which makes the performance of contractual obligations impossible is known as .... in common.
   ii) Incoterms have been developed by......................
   iii) The seller represents maximum obligation under...............
   iv) Arbitration can take place either on the .... or .... country.

3.9 LET US SUM UP

A contract is an agreement which can be enforced by law. In export sales contract, various parties involved in international transaction put down the terms of agreement clearly to avoid misunderstanding and disputes. In domestic sales contract, the proper law will always be the Indian law, whereas in export contract the parties to the contract agree mutually about the applicability of a particular country's law.

In order to avoid disputes and confusion in international transactions, the International Chamber of Commerce (ICC) Paris has developed Incoterms. Incoterms set out the rights and the obligations of the buyer and the seller. Incoterms include Ex-works (EX-W), Free Carrier (FCA), Free Alongside Ship (FAS), Free on Board (FOB), Cost and Freight (CFR), Cost Insurance and Freight (CIF), Carriage Paid To (CPT), Carriage and Insurance Paid to (CIP), Delivered Ex-Quay (DEQ), Delivered Duty Unpaid (DDU), Delivered Duty Paid (DDP). Incoterms have been almost universally adopted.

Most exporters have developed standard general conditions of exports to be incorporated in an export contract. This simplifies the day-to-day export operations. Indian Council of Arbitration has also developed a model form for the benefit of Indian exporters. If the parties use special trade terms, the duties and liabilities under the act can be changed by the export provisions in the contract.

Sometimes, the performance of contractual obligations become impossible due to the factors which are beyond the control of the parties, as for example, natural calamities like war, floods, fire, etc. In the common law countries, such situations are referred to **'frustration of contracts'**. This concept is known as 'force majeure' in the civil law countries. In Russia and East European countries, this is known as **'Relief'**. The contract can be terminated if the parties concerned do not follow the contract terms.

There are many reasons due to which a dispute may arise in export business. Litigation and arbitration are two well recognised methods for settlement of disputes. Litigation is not suitable due to time consuming process, high costs and uncertainty of final decision. Arbitration is more popular method of dispute settlement. The advantages of arbitration include quickness, inexpensiveness, promotes goodwill, sound and cogent decision and privacy.

In case of international transactions, arbitration can take place either in the exporter's or importer's country. The International **"New York Convention"** on Recognition and Enforcement of Foreign Arbitral Awards 1957 has been ratified by 40 countries. This recognises and enforce arbitral awards given in the countries which are signatories to this convention. India is a party to the 1927 Geneva and the 1958 New York Conventions. She has enacted the Arbitration i.e., Protocol and Convention Act, 1937 and the Foreign Awards i.e., Recognition and Enforcement Act, 1961.

3.10 KEY WORDS

Arbitration: Voluntary submission of a dispute to one or more impartial persons for final and binding determination.
Contract: A contract is an agreement which can be enforced by law.
Counter Offer: Acceptance of offer by the importer with some additional condition.
Force Majeure: The occurrence of several factors beyond the control of the parties to a contract which makes the performance of contractual obligations impossible (in the Civil Law countries).
Incoterms: Explain the rights and the obligations of the buyer and the seller.
Litigation: Machinery for the settlement of dispute through the judiciary process.

3.11 ANSWERS TO CHECK YOUR PROGRESS

A) 4 i) False ii) True iii) True iv) True v) False
B) 3 i) True ii) False iii) False iv) True v) True
4 i) Frustration of contract ii) International Chamber of Commerce iii) Delivered Duty Paid (DDP) iv) Exporter or Importer

3.12 TERMINAL QUESTIONS

1) Discuss the duties of an exporter under FOB and CIF contract.
2) Explain briefly various contracts under Incoterms.
3) Explain briefly various aspects covered under the general conditions in export contract.
4) Describe the major legal implications of FOB contract.
5) Do you think that arbitration is better than litigation ? Discuss.

Note: These questions and exercises will help you to understand the unit better. Try to write answers for them. But do not send your answers to the University. These are for your practice only.