

The Case for Control

Most international contracts which include the movement of goods need to contain clear terms regarding which company will complete which part of the movement and which company will pay for which activities. Sometimes this is expressed in full text but more often this is expressed in short hand by the inclusion of an INCOTerm®. INCOTerms® are legally binding and offer standardised terms that should be understood internationally.



The choice of which company will do what usually revolves around cost and sometimes risk. Often customer demand is the driver for choices.

Customers inexperienced in international trade often prefer the seller to do everything and pay everything to do with the international transit of the goods including import duty and taxes.

Sellers often prefer to do as little as possible but are forced into meeting their customers' requirements.

The element that is often forgotten is who has the benefit of control over the shipment. For example what if the contract requires your item to be delivered on a certain day to a particular place otherwise penalties arise and the buyer's project has to be put on hold until it does arrive. If you were the buyer with a big project riding on the arrival of the item which would you prefer?

1. Control of the choice of transportation along with the ability to make choices if something like bad weather gets in the way because your project matters more to you than levying penalties on the seller or
2. Allowing the seller to make all the choices without reference to you so you have to rely on the seller making choices that might or might not achieve the result you want

The same dilemma often applies to the import clearance process. Aside from the tax reclamation issues who would be better placed to discuss issues with the local customs authorities? – the foreign supplier who might not speak the language let alone understand the intricacies of local tax or the local buyer who is familiar with both language and market place?

I would recommend adding control to your list of things to think about when concluding international contracts.

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