

# Management of International Sales and Goods Flows

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Ekstern Lektor

# Agenda

## TOPICS OF TODAY

### Supra-national Legal Framework of Trade

- Economic integration levels and trade facilitation
- What do you need to know for export/import operations

### Lex Mercatoria and Trade Terms

- International Procedural Law and Law of Sales Contracts
- Incoterms®2020

## READINGS

### Textbook 4<sup>th</sup> ed. Chapter 9

Grainger, A. (2011): Trade Facilitation: A Conceptual Review, *Journal of World Trade*, Vol.45, No.1, pp. 39-62.

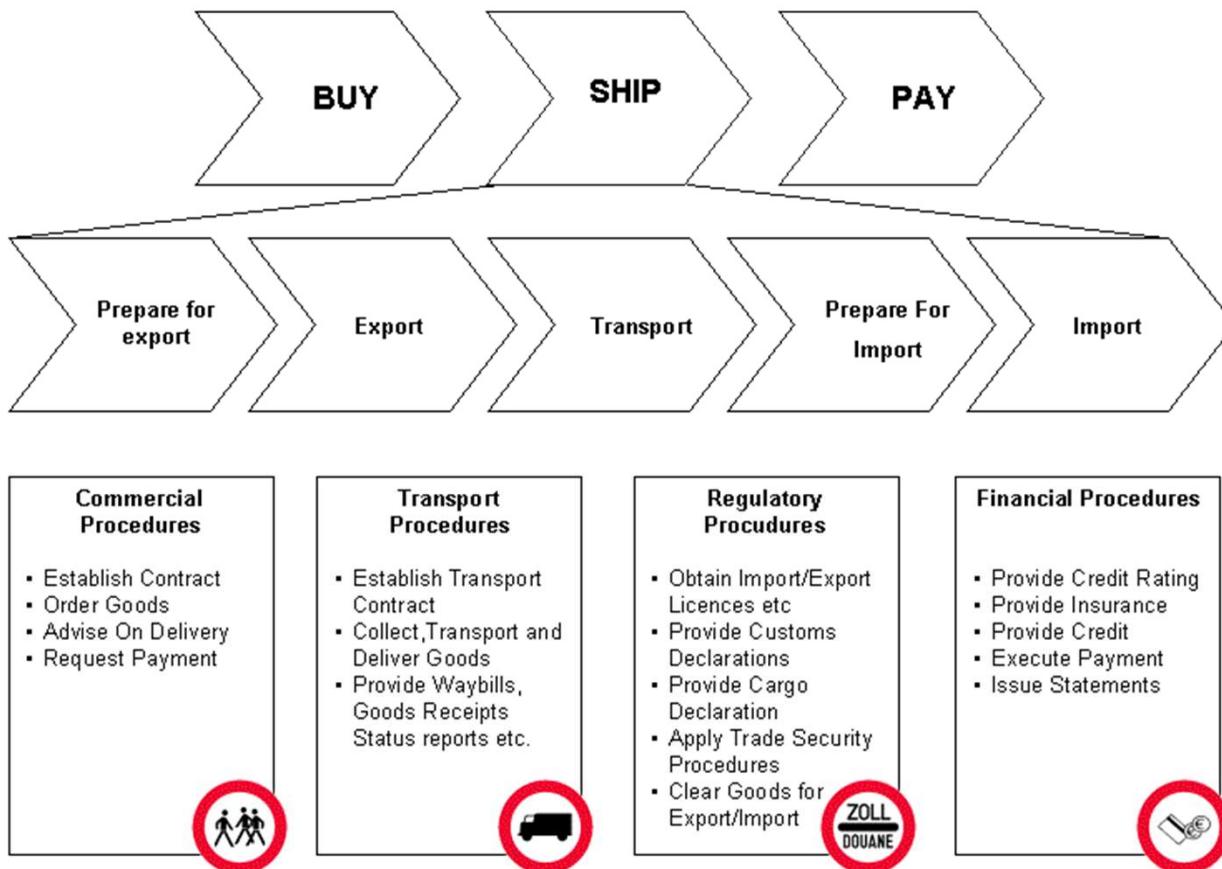
TFG (2020): *Incoterms® 2020 Rules*, Trade Finance Global.

<https://www.tradefinanceglobal.com/incoterms/>

# UN/CEFACT Buy-Ship-Pay Reference Model

Identifies the key commercial, logistical, regulatory and payment procedures involved in an international supply chain and provides an overview of the information exchanged between the parties throughout its various steps.

The model was formally developed according to the UN/CEFACT Modelling Methodology (UMM) and is also known as the **International Supply Chain Reference Model**.

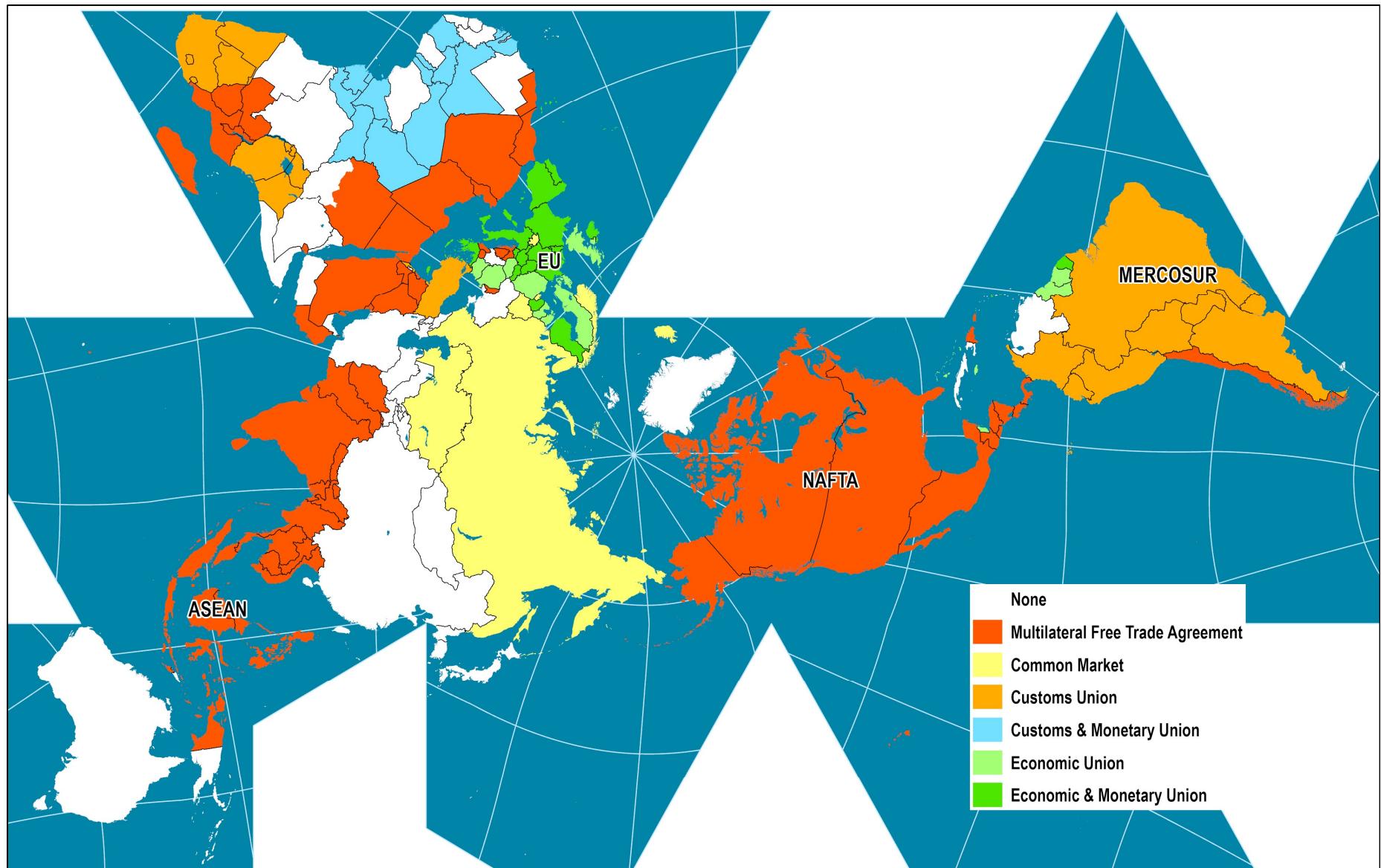


More about? See: <https://tfig.unece.org/suggested-itineraries/identifying-bottlenecks-and-opportunities-itinerary/the-buy-ship-pay-reference-models/>

# Legal Framework of Trade

- Norms and rules of international law and multinational treaties or agreements, building up a **supra-national legal framework**:
  - UNO, OECD, EEC/EC/EU, GATT/WTO,...
  - Bilateral Commercial Treaties and Trade Agreements.
- **National regulations**, mainly following national/regional interests:
  - External Trade Law, Customs Law,....
- **Lex Mercatoria: National and multinational regulations** allowing valid cross-border legal transactions and their enforcement
  - International procedural law and law of sales contracts
  - Regulations about cross-border enforcement of sentences
  - Mediation and International arbitration  
(instead of ordinary court litigation procedures)

# Economic Integration Levels 1/2



Source: Rodrigue (2020)

# Economic Integration Levels 2/2

## **WTO Membership:**

Most Favored Nation (MFN) principle as a maximum tariff level for export and imports for trade flows within WTO.

## **Free Trade Area:**

Concerns a wide range of countries that have established free trade agreements involving several partners. The most salient are USMCA (formerly NAFTA) and ASEAN (called RCEP).

## **Customs Union:**

Concerns countries that have opted for a free trade agreement as well as adopting common tariffs for external trade. Mercosur is the most salient example or customs unions between EU and Turkey, Switzerland and Liechtenstein.

## **Common Market:**

Concerns countries that have a customs union in addition to the freedom of movement of the factors of production (capital and labor). Examples are the European Free Trade Association (EFTA), the European Economic Area (EEC) or the Eurasian Economic Union (EAEU).

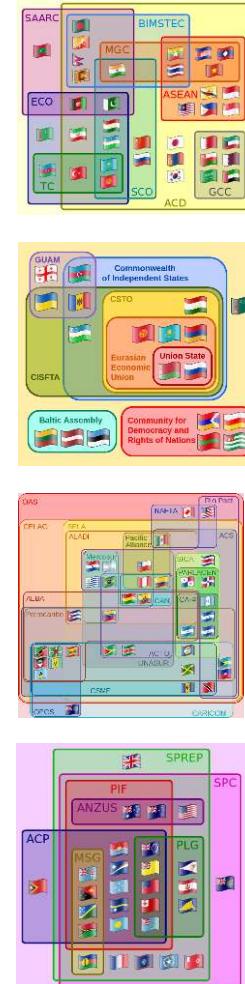
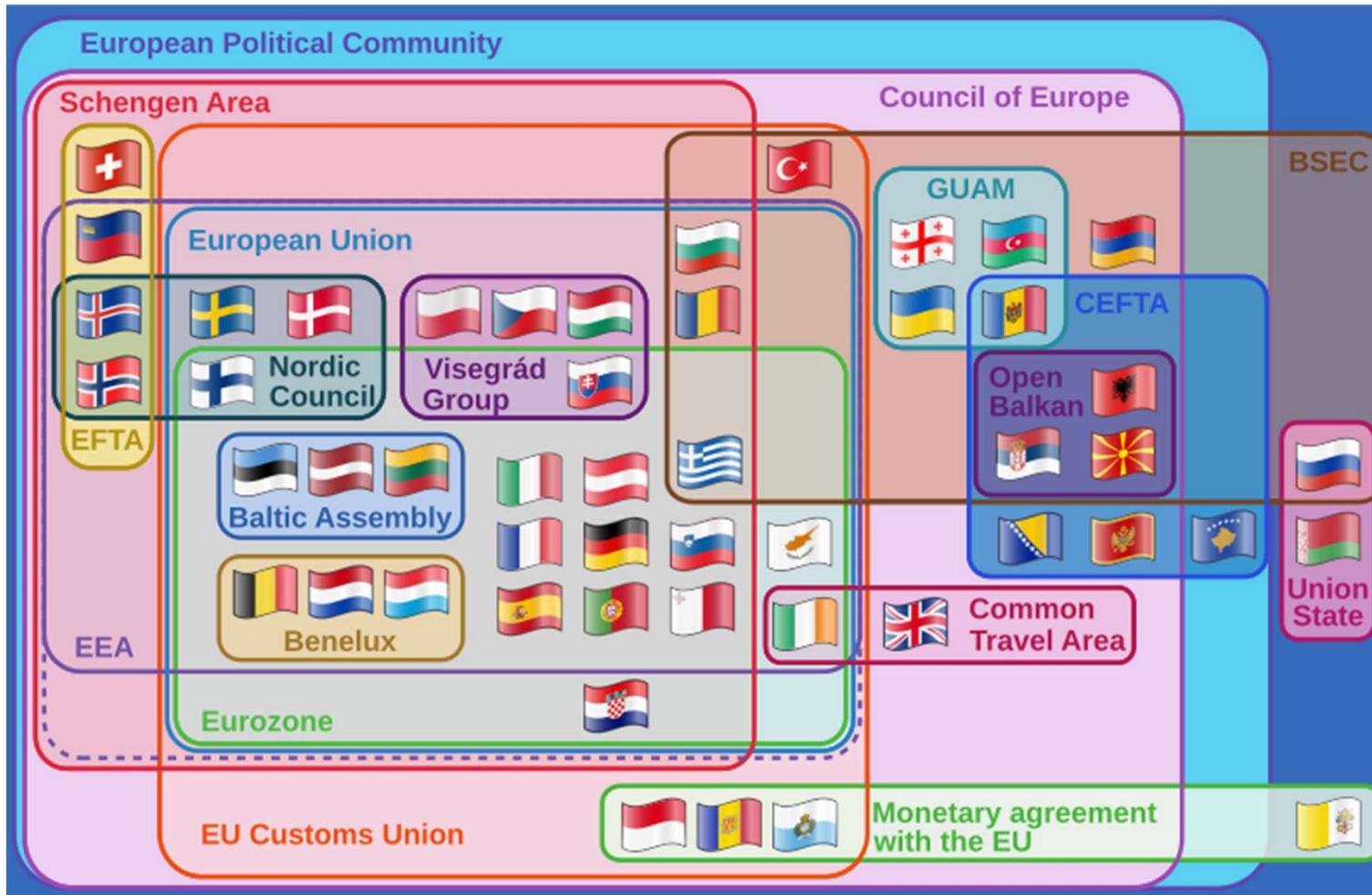
## **Economic Union:**

Further political integration. Mostly relate to countries that are part of the European Union but have kept the use of their own currencies.

## **Monetary Union:**

Concerns countries that have a common currency. One example is the Eurozone.

# Summary: Supranational European Bodies and Economic Integration



Source: [https://en.wikipedia.org/wiki/Template:Supranational\\_European\\_Bodies](https://en.wikipedia.org/wiki/Template:Supranational_European_Bodies)

# What is Trade Facilitation?

According to Granger (2011), the topic of trade facilitation has four interdependent themes:

- The simplification and harmonization of applicable rules and procedures;
- The modernization of trade systems, and the sharing and lodging of information between business and government stakeholders in particular;
- The administration and management of trade and customs procedures; and
- The institutional mechanisms and tools to safeguard effective implementation of trade facilitation principles and the ongoing commitment to reform.

#### World Trade Organisation (WTO)

Trade Facilitation Specific Articles: **GATT Article V** (freedom of transit), **GATT Article VIII** (fees and formalities) and **GATT Article X** (publication and administration of trade regulations)  
Customs Valuation: **GATT Article VII** (technical interpretation covered by the WCO)  
**WTO Agreement on Rules of Origin** (technical interpretation of 'non-preferential rules of origin' covered by the WCO)

#### World Customs Organisation (WCO)

**Kyoto Convention** for Harmonising Customs Procedures; WCO Harmonised Commodity Code Descriptions and Coding System (**HS System**); Framework of Standards to Secure and Facilitate Global Trade (**SAFE**);

#### United Nations Centre for Trade Facilitation and Electronic Business (UN/CEFACT)

**Rec. N°1:** United Nations Layout Key for Trade Documents; **Rec. N°. 2:** Locations of Codes in Trade Documents; **Rec. N°. 3:** Code for the Representation of Names of Countries; **Rec. N°. 4:** National Trade Facilitation Bodies; **Rec. N°. 5:** Abbreviations of INCOTERMS; **Rec. N°. 6:** Aligned Invoice Layout Key for International Trade; **Rec. N°. 7:** Numerical Representation of Dates, Time and Periods of Time; **Rec. N°. 8:** Unique Identification Code Methodology – UNIC; **Rec. N°. 9:** Alphabetic Code for the Representation of Currencies; **Rec. N°. 10:** Codes for the identification of Ships; **Rec. N°. 11:** Documentary Aspects of the Transport of Dangerous Goods; **Rec. N°. 12:** Measures to Facilitate Maritime Transport Documents Procedures; **Rec. N°. 13:** Facilitation of Identified Legal Problems in Import Clearance Procedures; **Rec. N°. 14:** Authentication of Trade Documents by Means Other than Signature; **Rec. N°. 15:** Simpler Shipping Marks; **Rec. N°. 16:** LOCODE - Code for Trade and Transport Locations; **Rec. N°. 17:** PAYTERMS - Abbreviations for Terms of Payment; **Rec. N°. 18:** Facilitation Measures Related to International Trade Procedures; **Rec. N°. 19:** Code for Modes of Transport; **Rec. N°. 20:** Codes for Units of Measure Used in International Trade; **Rec. N°. 21:** Codes for Passengers, Types of Cargo, Packages and Packaging Materials; **Rec. N°. 22:** Layout Key for Standard Consignment Instructions; **Rec. N°. 23:** Freight Cost Code – FCC; **Rec. N°. 24:** Trade and Transport Status Codes; **Rec. N°. 25:** Use of the UN Electronic Data Interchange for Administration, Commerce and Transport Standard (UN/EDIFACT); **Rec. N°. 26:** The Commercial Use of Interchange Agreements for Electronic Data Interchange; **Rec. N°. 27:** Pre shipment Inspection; **Rec. N°. 28:** Codes for Types of Means of Transport; **Rec. N°. 31:** Electronic Commerce Agreement; **Rec. N°. 32:** E-Commerce Self-Regulatory Instruments (Codes of Conduct); **Rec. N°. 33:** Single Window Recommendation

#### United Nations Conference on Trade and Development (UNCTAD)

ASYCUDA: an open source off-the-shelf computerised customs management system used in more than 70 countries (<http://www.asycuda.org>)

#### ICAO and IATA (Air)

IATA e-freight Initiative; ICAO Convention on International Civil Aviation (**Annex 9: Trade Facilitation**); "know shipper/know consignor" concept

#### International Maritime Organisation (IMO)

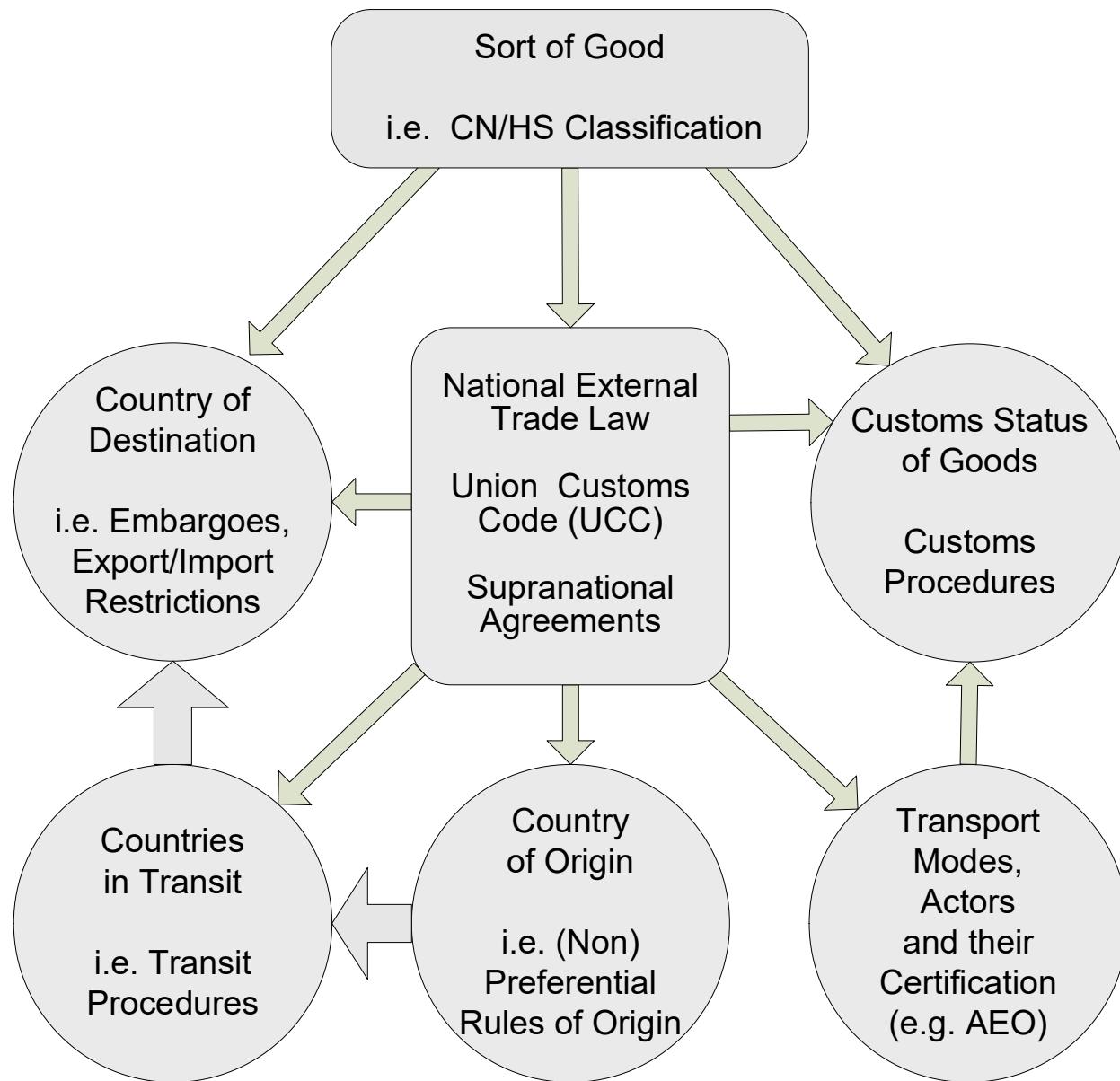
Convention on Facilitation of International Maritime Traffic (**FAL**); Safety of Life at Sea Convention (**SOLAS**); International Ship and Port Facility Security Code (**ISPS-Code**)

#### Other International Organisations

UNECE: Working Party 7 looking after **agriculture quality standards**; UNECE and IRU: **TIR** (Road Transit) Convention; ISO: countless product and quality standards; ICC: **Incoterms** (standardised trading terms used in international trade); ICC: Uniform Customs and Practices for Letters of Credit (**UCP**); ICS: **Standard [Shipping] Manifest** Report and Recommendation; ICS: **Standard Format of Bills of Lading**

Source: Granger (2011)

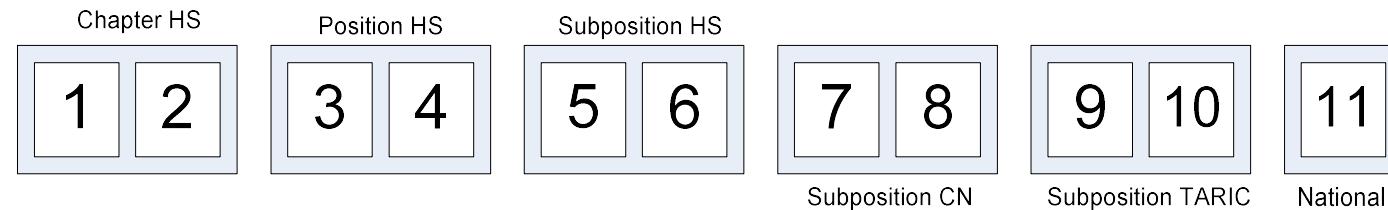
# What do you need to know for Export/Import Operations



# Classification of Goods

**Classification of Goods** are usually done according to **Harmonized System (HS)** which is included and extended by the **Combined Nomenclature (CN)**.

**HS Nomenclature** includes about 5,000 commodity groups which are identified by a 6-digit code and arranged according to a legal and logical structure based on fixed rules and is supported by well-defined rules to achieve uniform classification. The system is used by more than 200 countries and economies as a basis for their Customs tariffs and for the collection of international trade statistics. Over 98 % of the merchandise in international trade is classified in terms of the HS. For more details see: <http://www.wcoomd.org/en/topics/nomenclature.aspx>



The **Combined Nomenclature** of the European Union (EU) integrates HS and includes additional 4 to 5-digit subdivisions and legal notes specifically created to address the needs of the EU. For further information see:

[http://ec.europa.eu/taxation\\_customs/customs/customs\\_duties/tariff\\_aspects/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/customs_duties/tariff_aspects/index_en.htm)

# Example: Importation List from former German AWV

| Waren-nummer  | W a r e n b e z e i c h n u n g                                | Zu-ständigkeits-bereich | Genehmigungs- oder Lizenz-erfordernis | Bemerkungen |
|---|--|-------------------------|---------------------------------------|-------------|
| 1   | 2  | 3                       | 4                                     | 5           |
| <b>Büstenhalter, Hüftgürtel, Korsette, Hosenträger, Strumpfhalter, Strumpfbänder und ähnliche Waren, Teile davon, auch aus Gewirken oder Gesticken:</b>   |  |                         |                                       |             |
| 6212 10 00  | — Büstenhalter (Kat. 31) .....                                 | 09                      | 51) 52) 54) 56) 57) 59)               | U           |
|   | — 00)  |                         |                                       | UE          |
| 6212 20 00  | — Hüftgürtel und Miederhosen (Kat. 86) .....                   | 09                      | 51) 00)                               | UE          |
| 6212 30 00  | — Korseletts (Kat. 86) .....                                   | 09                      | 51) 00)                               | UE          |
| 6212 90 00  | — andere (Kat. 86) .....                                       | 09                      | 51) 00)                               | UE          |
| <b>Taschentücher und Ziertaschentücher:</b>   |  |                         |                                       |             |
| 6213 10 00  | — aus Seide, Schappeseide oder Bourretteseide (Kat. 160) ..... | 09                      |                                       | U           |
| 6213 20 00  | — aus Baumwolle (Kat. 19) .....                                | 09                      | 54) 07) 00) 00)                       | U           |
| 6213 90 00  | — aus anderen Spinnstoffen (Kat. 19) .....                     | 09                      | 54) 07) 00) 00)                       | U           |
| <b>Schals, Umschlagtücher, Halstücher, Kragenschoner, Kopftücher, Schleier und ähnliche Waren:</b>  |  |                         |                                       |             |
| 6214 10 00  | — aus Seide, Schappeseide oder Bourretteseide (Kat. 159) ..... | 09                      | 00)                                   | UE          |
| 6214 20 00  | — aus Wolle oder feinen Tierhaaren (Kat. 84) .....             | 09                      | 00)                                   | UE          |
| 6214 30 00  | — aus synthetischen Chemiefasern (Kat. 84) .....               | 09                      | 00)                                   | UE          |
| 6214 40 00  | — aus künstlichen Chemiefasern (Kat. 84) .....                 | 09                      | 00)                                   | UE          |
| — aus anderen Spinnstoffen:   |  |                         |                                       |             |
| 6214 90 10  | — — aus Baumwolle (Kat. 84) .....                              | 09                      | 00)                                   | UE          |
| 6214 90 90  | — — andere (Kat. 123) .....                                    | 09                      | 00)                                   | UE          |
| <b>Krawatten, Schleifen (z. B. Querbinder) und Krawattenschals:</b>   |  |                         |                                       |             |
| 6215 10 00  | — aus Seide, Schappeseide oder Bourretteseide (Kat. 159) ..... | 09                      | 00)                                   | UE          |
| 6215 20 00  | — aus Chemiefasern Kat. 85) .....                              | 09                      | 00)                                   | UE          |
| 6215 90 00  | — aus anderen Spinnstoffen (Kat. 85) .....                     | 09                      | 00)                                   | UE          |
| 6216 00 00  | Handschuhe (Kat. 87) .....                                     | 09                      | 00)                                   | UE          |
| <b>Fußnote 051:</b><br>Die Einfuhr ist genehmigungsbedürftig, wenn Ursprungsland Südkorea ist. Dies gilt nicht, wenn der Einführer eine von diesem Ursprungsland ausgestellte "Bescheinigung für handgewebte und handgefertigte Textilien sowie für handgearbeitete Textilierzeugnisse der traditionellen Volkskunst" vorlegt. Die Bescheinigung tritt an die Stelle eines Ursprungszeugnisses oder einer Ursprungserklärung. (051) |  |                         |                                       |             |
| <b>Fußnote 052:</b><br>Die Einfuhr ist genehmigungsbedürftig, wenn Ursprungsland Hongkong ist. (052)  |  |                         |                                       |             |

# Danish External Trade Law

The Ministry of Business and Industry Consolidating Act No 635 of 9 June 2011 on the application of certain European Communities Acts on economic relations to third countries (Enabling Act) offers mainly national implementation procedures for the Security Amendments of the Revised Community Customs Code after 9/11:

- (1) Restrictions of goods transports to third countries (e.g. Dual-Use Goods)
- (2) Prohibitions of technical assistance (i.e. 2000/401/CFSP) and
- (3) Execution of restrictive measures accruing from obligation under international law (e.g. GASP, OSCE, UN-Security Council)

Goods in this respect are all sort of physical merchandise (but not commercial papers and means of payment) and technical knowledge (e.g. software, manuals).

Given (1) sort and volume of goods to be shipped, (2) country of destination, (3) consignee and (4) end use, a permission is needed; but (1) an individual authorization, (2) a Community general export authorization, (3) a global national export authorization as well as one general authorization can be granted.

More about? See: <https://danishbusinessauthority.dk/international-trade>

# The Importation (Exportation) Procedure

**Several possibilities** depending on origin, quality and nature of a good:

- **No Importation (Exportation) restrictions**, therefore, no permit or licence needed.
- **Importation (Exportation) subject to a permit or licence**, according to an Importation List (Exportation List) or some other import (export) regulations. Examples are military and dual-use goods, technology, artworks, plants and animals, medicines and certain chemicals (e.g. explosives).
- **Simplified Importation (Exportation) Procedures: Pre-Declaration in Form of Entry Summary Declaration (ENS) or Exit Summary Declaration (EXS)**



More about? See:

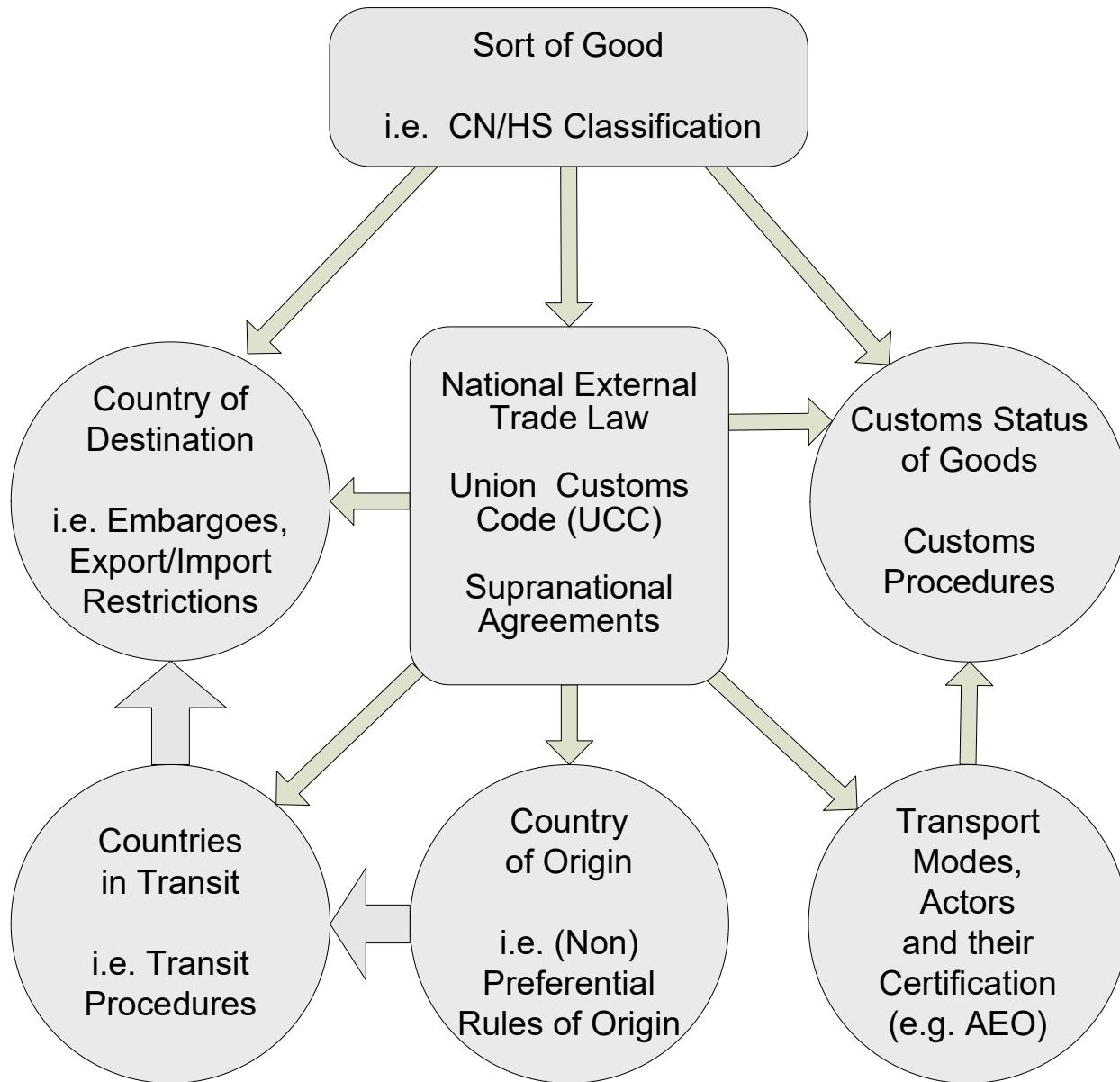
[https://web.archive.org/web/20190716054248/http://ec.europa.eu/ecip/model\\_transactions/index\\_en.htm](https://web.archive.org/web/20190716054248/http://ec.europa.eu/ecip/model_transactions/index_en.htm)

# Time Limits for lodging Pre-Declarations (ENS, EXS)

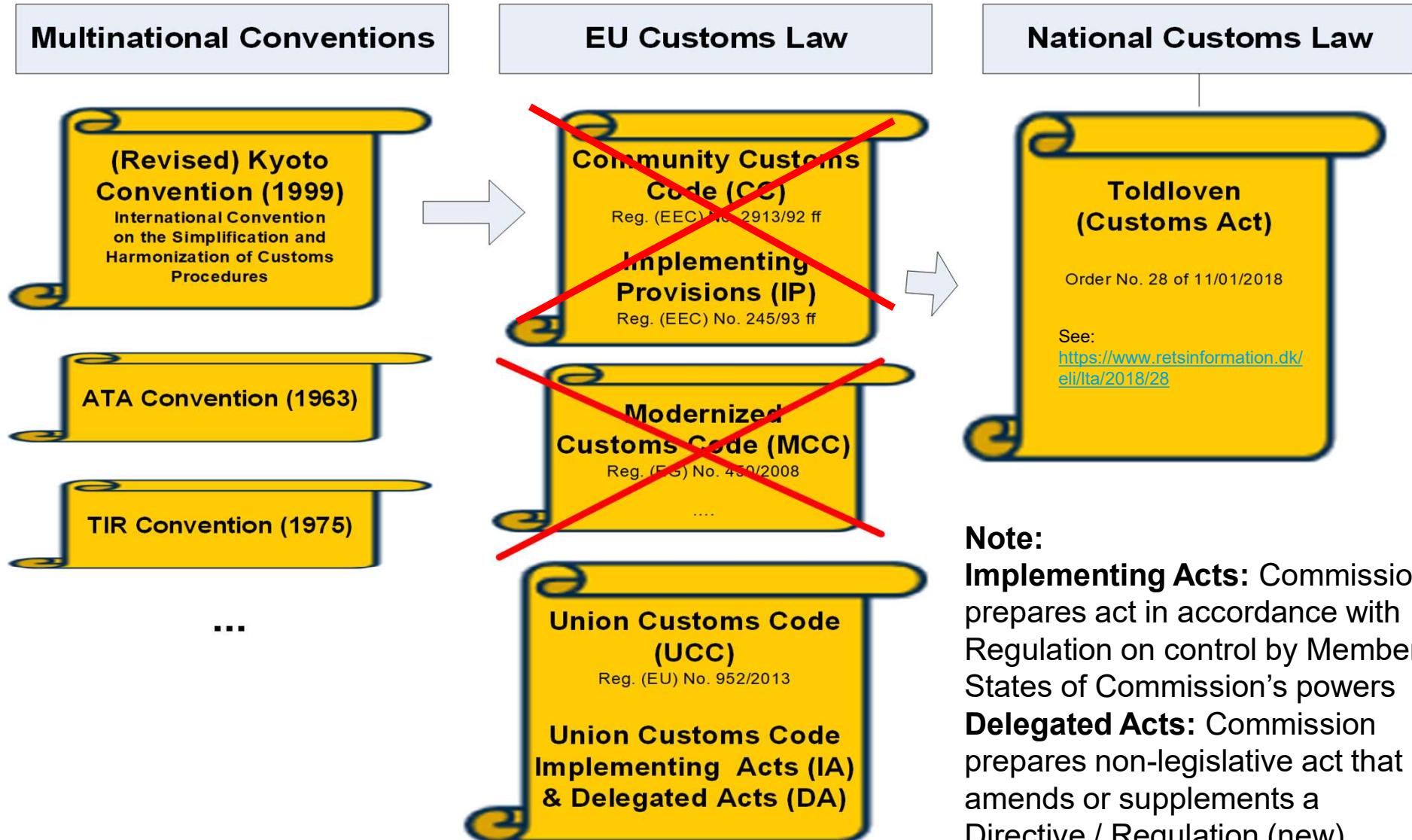
Time limits for lodging ENS (entry summary declaration) and EXS (exit summary declaration) depend on mode of transport:

| Mode of transport                       | ENS   | EXS   |
|---|---|---|
| Maritime cargo (containerized)          | 24 hrs before container is loaded onto the vessel       | 24 hrs before container is loaded onto the vessel |
| Maritime cargo (non-containerized)      | 4 hrs before arrival at first port in customs territory | 4 hrs before departure                            |
| Short sea shipping                      | 2 hrs before arrival                                    | 2 hrs before departure                            |
| Air transportation (long-haul flights)  | 4 hrs before arrival                                    | 0,5 hrs before departure                          |
| Air transportation (short-haul flights) | 2 hrs before arrival                                    | 0,5 hrs before departure                          |
| Rail transportation                     | 2 hrs before arrival                                    | 2 hrs before departure                            |
| Inland waterway navigation              | 2 hrs before arrival                                    | 2 hrs before departure                            |
| Road transportation                     | 1 hr before arrival                                     | 1 hr before departure                             |

# What do you need to know for Export/Import Operations



# Overview about Customs Law



## Note:

**Implementing Acts:** Commission prepares act in accordance with Regulation on control by Member States of Commission's powers

**Delegated Acts:** Commission prepares non-legislative act that amends or supplements a Directive / Regulation (new)

# Definition of Fiscal and Customs Territory

**The EU Customs Territory** consists of:

Austria; Belgium; Bulgaria; Croatia; Cyprus; Czech Rep.; Denmark (except the Faeroe Islands and Greenland); Estonia, Finland; France (including Monaco); Germany (except Büsingan and the Isle of Helgoland); Greece; Hungary; The Republic of Ireland; Italy (including San Marino except the communes of Livigno and Campione d'Italia and part of the Lake Lugano); Latvia; Lithuania; Luxembourg; Malta; Netherlands; Poland, Portugal (including the Azores and Madeira); Romania; Slovak Rep.; Slovenia; Spain (including the Balearic Islands but excluding Ceuta and Melilla); Sweden; (de facto Northern Ireland, Akrotiri and Dhekelia until further notice...)

There are some "special territories" which are **within the EU Customs Territory but outside the EU Fiscal (VAT) Territory**:

The Åland Islands; The Canary Islands; The Overseas Departments of France (Guadeloupe, Martinique, Reunion and French Guyana) and Mount Athos.

Further there are **Customs Unions** between Italy and San Marino, France, Spain and Andorra and a **Free Trade Agreement** with Turkey.

**The Vatican City** is not part of the EU and **Gibraltar**, or other overseas territories of EU member states not explicitly mentioned above are not regarded as part of the EU for VAT or customs purposes - the same holds true for the **Turkish part of Cyprus**.

# Customs Clearance - Standard Normal Procedure

## Goods Declaration / Customs Declaration

- Normally lodged using **Pre-Declaration** (or SAD in rare cases) and decision about assignment of the goods presented to a **customs procedure**
- Proof of admissibility and of responsibilities.

## Customs Examination of Goods

- **Physical inspection of goods** presented and/or taking samples by customs authorities to verify that nature, origin, condition, quality and value of the goods are in accordance with the particulars mentioned in the goods declaration.
- Customs authorities have a right to but not the obligation to examine goods presented
  - nevertheless, goods have to be presented!

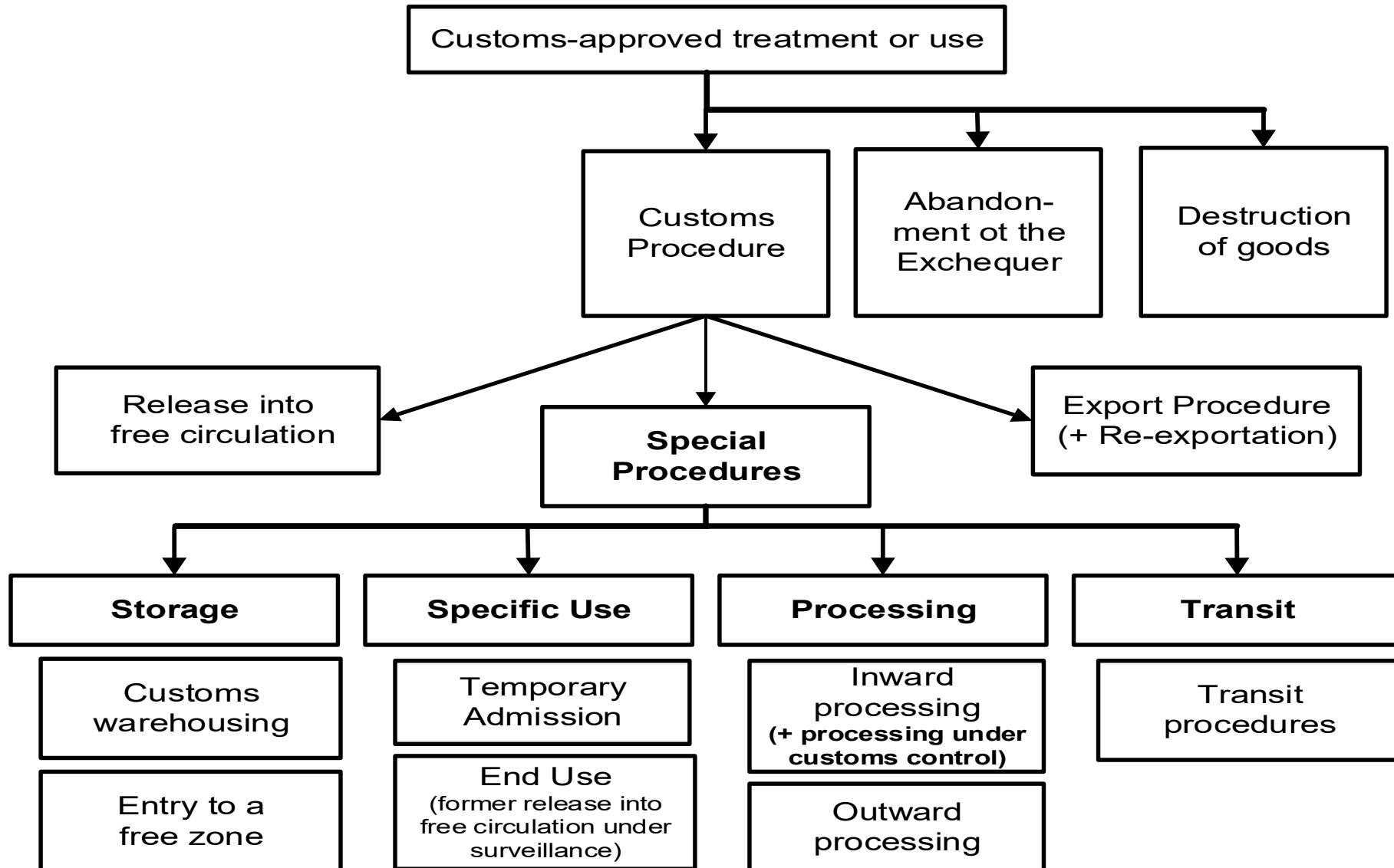
## Assessment of Duties and Taxes

- Determination of the amount of duties and taxes payable and giving authorisation to a customs-approved treatment on the goods declaration or some additional copy serving as a document of evidence about **Customs of Entry** or **Customs Relief**.

## Notice of Assessment

- Addressed to the debtor (importer, buyer, owner of the good), payable at once, but deferred payment possible, if securities or guaranteed payments are indicated

# Customs Declaration and Procedures (since 01/05/2016)

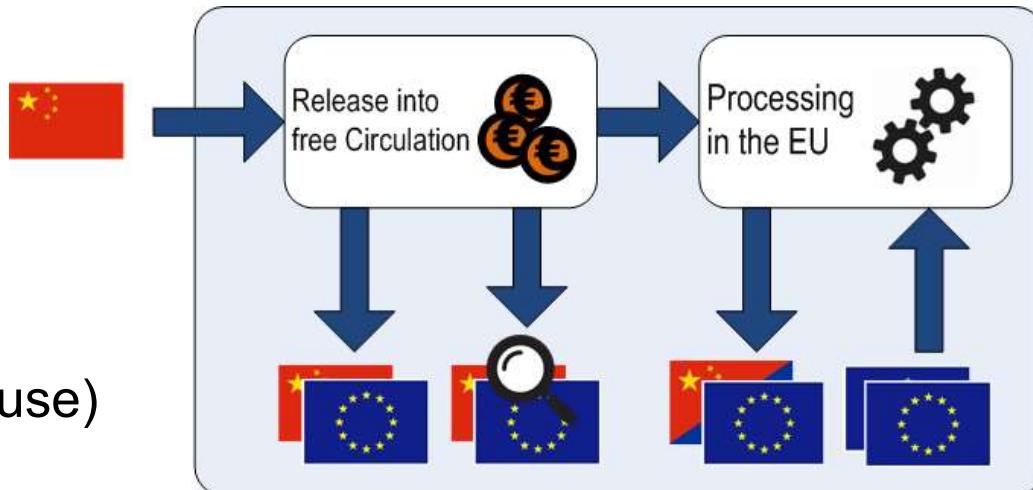


# Release into Free Circulation and Status of Goods

## Release into Free Circulation:

All duties and taxes paid  
on non-community goods

Free circulation with(out) further  
surveillance by customs authorities  
(depends on sort of goods and end-use)



## Status of Goods:

**Non-Union Goods** are goods from non-EU, third countries =>

**Union goods** are:

- Non-Union goods after release into free circulation =>
- Goods made in the EU based on (Non-)Union Goods =>
- Goods fully raised up or made from Union Goods in the EU =>

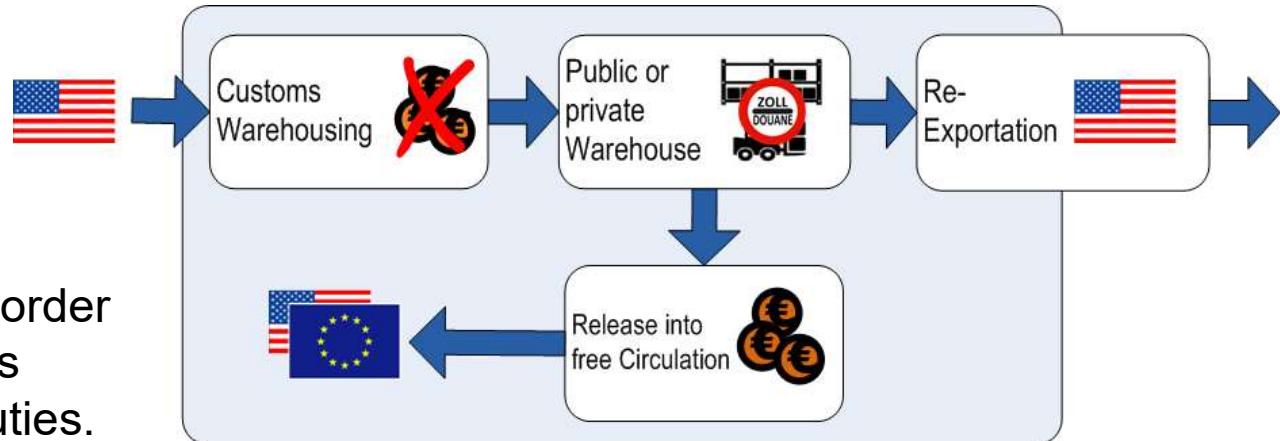
Normally, Country of Origin / heritage of goods does not change!

# Customs Warehousing and Entry in a Free Zone

## Customs Warehousing

Assessment of duties and taxes postponed until release in free circulation (or re-exportation).

Union goods may be put in customs warehouses, too, in order to benefit from export refunds or the repayment of import duties.



## Entry into a Free Zone

Special areas within the customs territory of the Union. Goods placed within these areas are free of duties and taxes.

Control type I free zones have a perimeter fence so that goods placed there, which is supervised by customs, are automatically under this regime. The rules for control type II free zones are essentially the same as those governing customs warehouses. For a list of Free zones in the EU see:

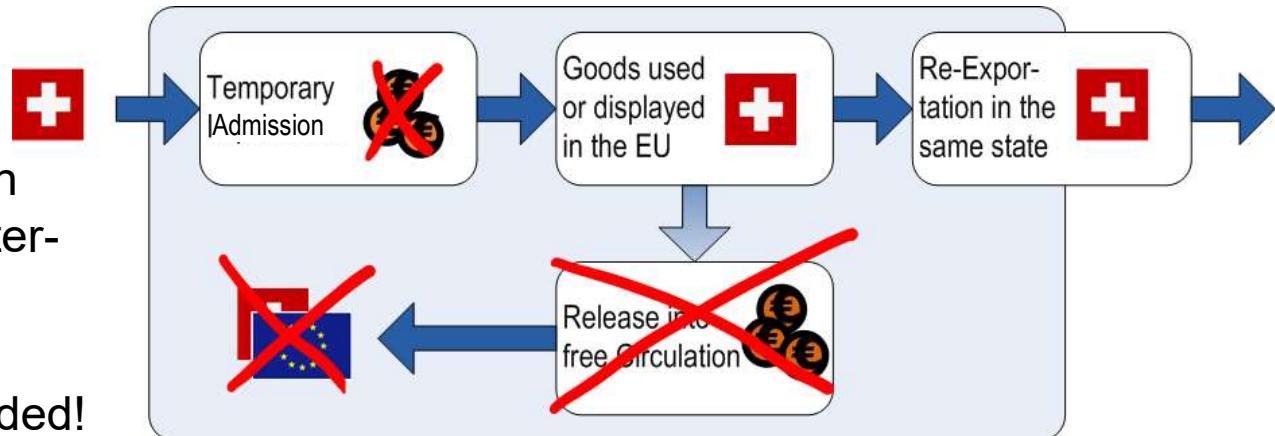
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# Temporary Admission and Processing under Customs Control

## Temporary Admission

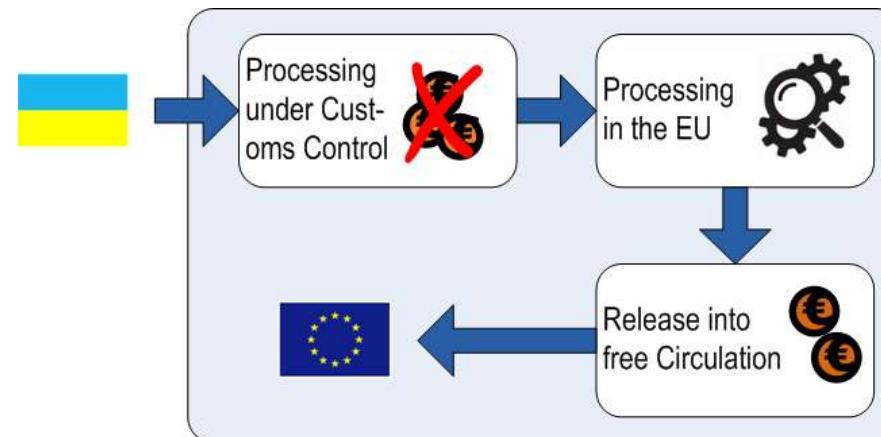
Goods may be used without payment of duty or taxes upon importation under certain conditions and re-exported afterwards in the same state.

Releasing into free circulation after use is normally not intended!



## Processing under Customs Control

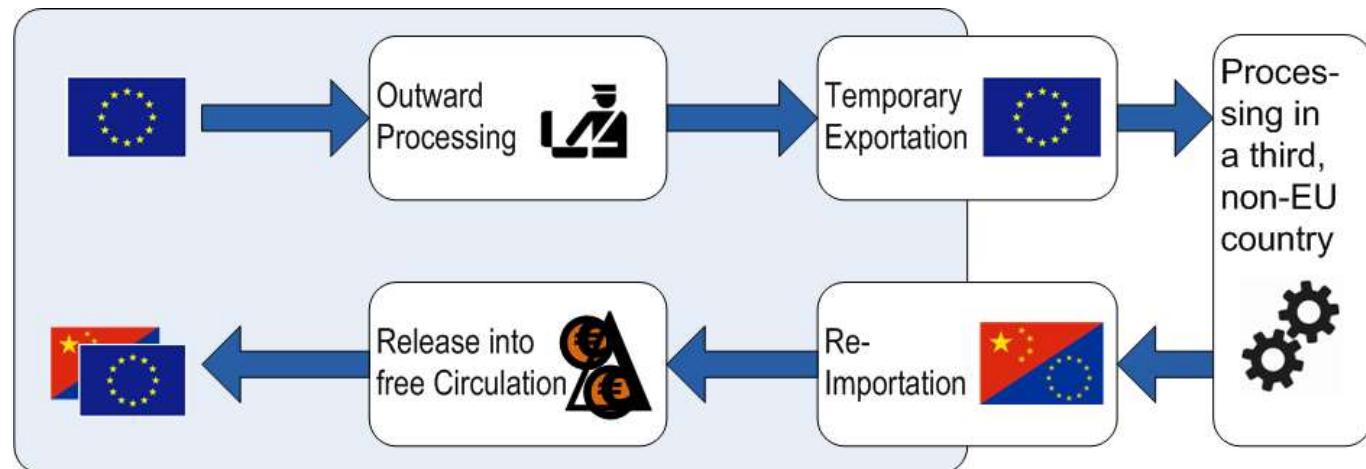
Assessment of lower duties and taxes postponed after processing in the EU with some sort of degradation of value (e.g. denaturation of alcohol)



# Inward and Outward Processing

## Outward Processing:

Union Goods to be processed abroad and released into free circulation when they come back, so that duty has to be paid only on the value added abroad.

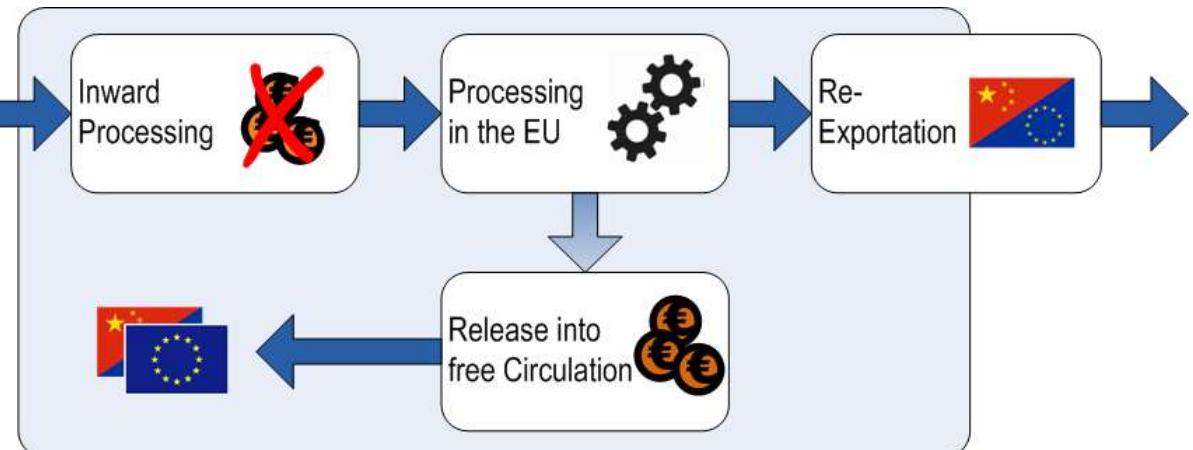


## Inward Processing:

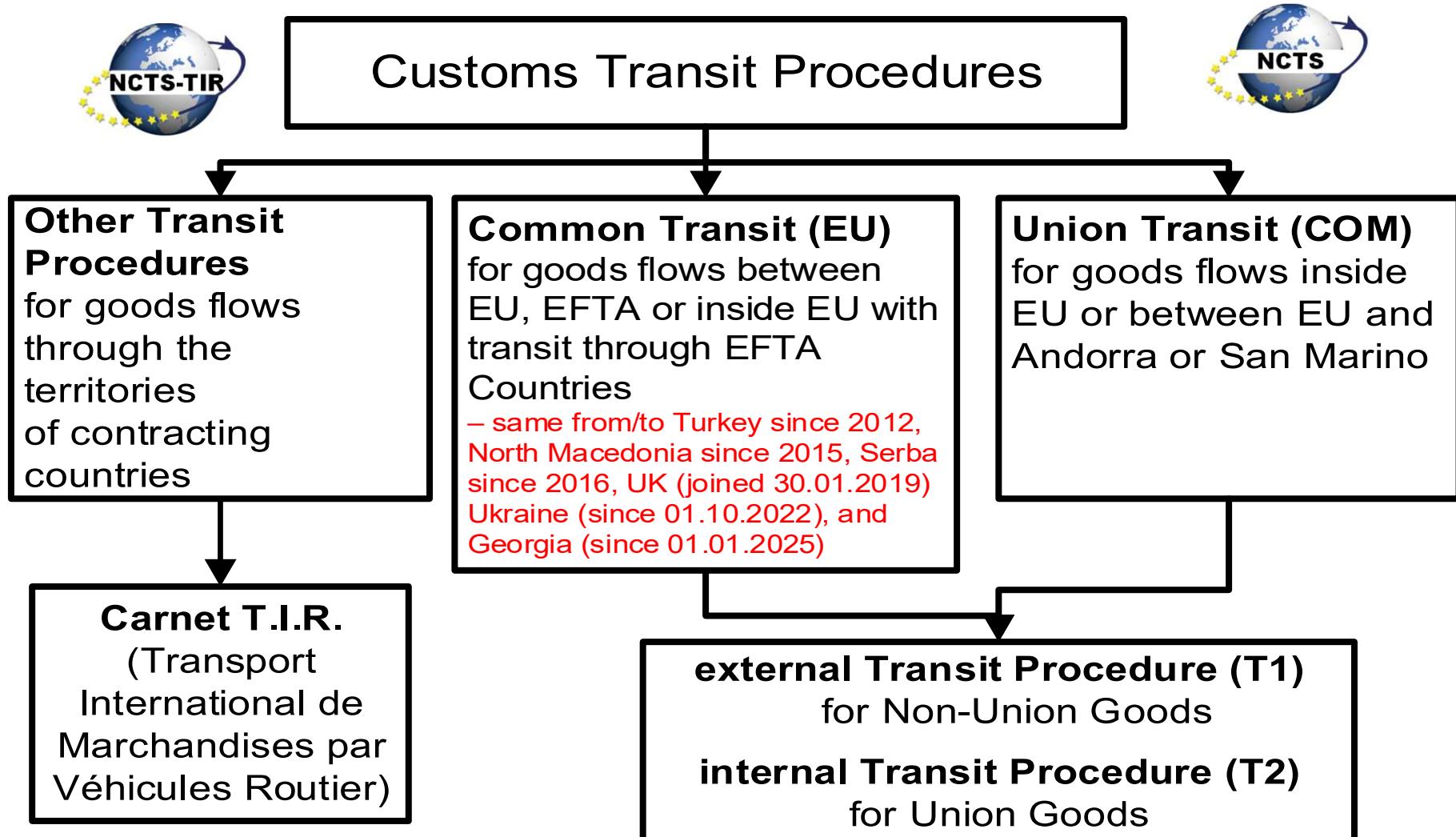
### Suspension arrangement:

No duties and taxes to be paid upon importation.

After processing in the EU it can be re-exported or released into free circulation...



# Forms of Customs Transit Procedures



Source: Kummer et al. (2010) with adaptions

# Common and Union Transit Statistics

Totals   
Per country   
In Progress

Country

Austria

Movements

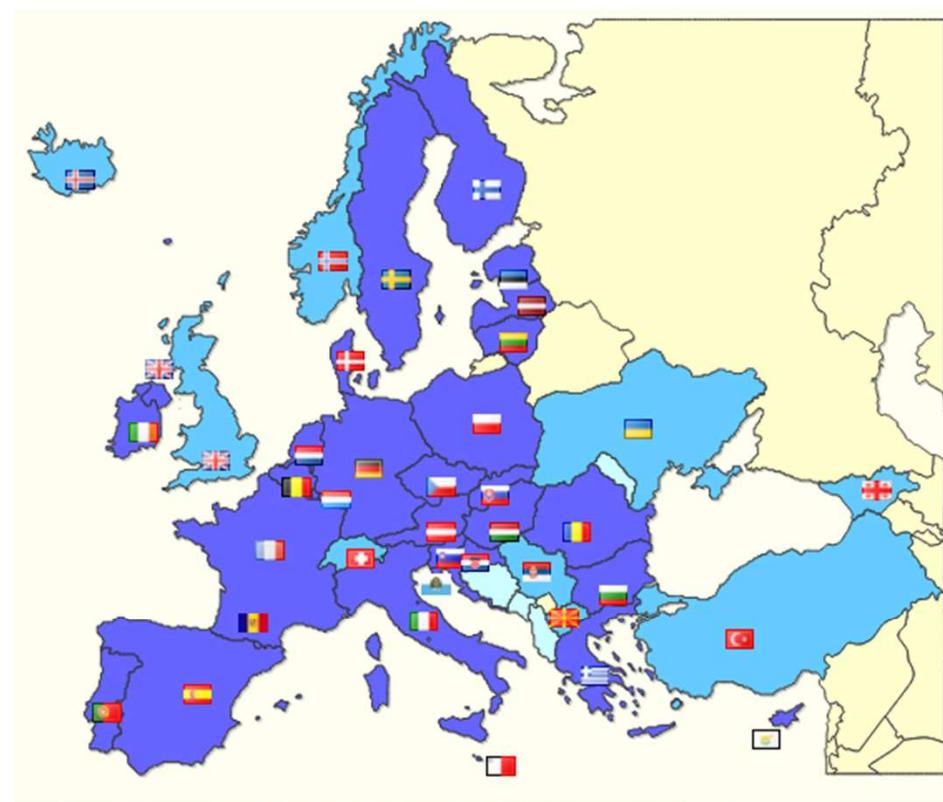
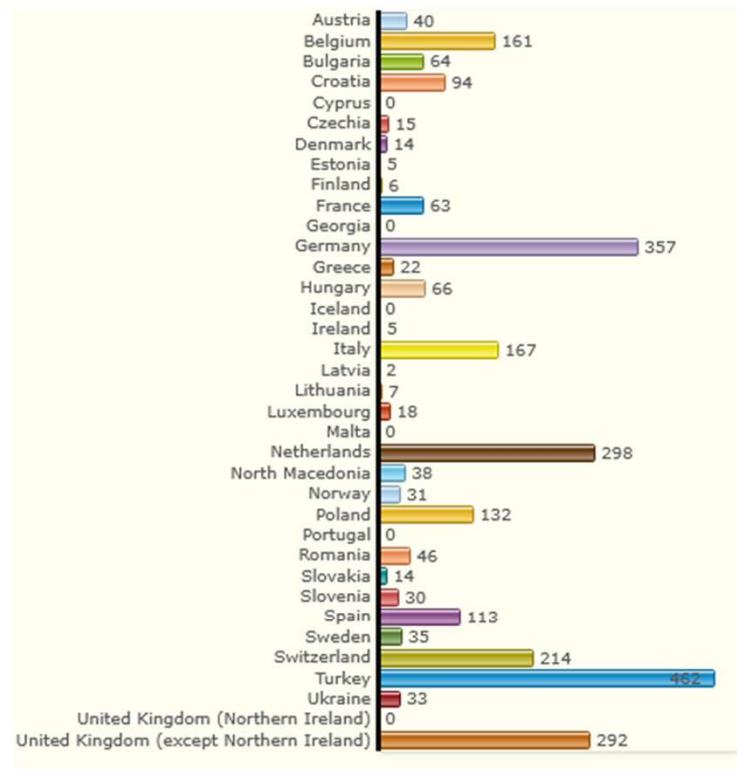
Departure

Period

Last half h

Refresh

15 min



(\*) For technical reasons: Andorra is connected via the Belgian gateway, San Marino is connected via the Italian gateway, Iceland is connected via the Norwegian gateway, Liechtenstein is connected via the Switzerland gateway.

The last update occurred on : 17-02-2025 12:05

Source: [http://ec.europa.eu/taxation\\_customs/dds2/tra/transit\\_emap.jsp?Lang=en](http://ec.europa.eu/taxation_customs/dds2/tra/transit_emap.jsp?Lang=en)

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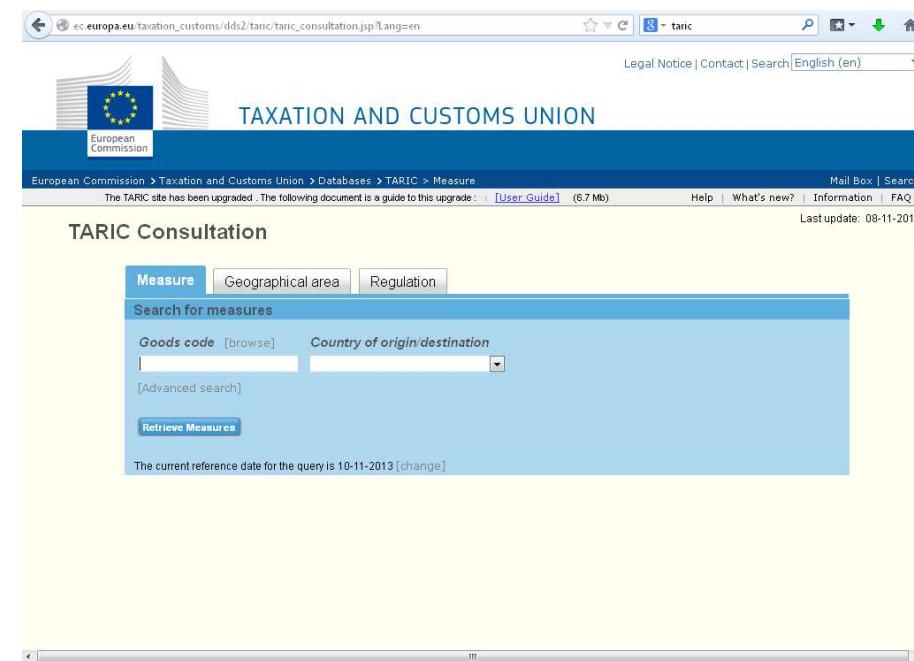
## Notice of Assessment

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# Tarif Intégré de la Communauté (TARIC)

TARIC, the online integrated Union Tariff, is a multilingual database in which are integrated all measures relating to EU customs tariff, commercial and agricultural legislation. It contains the following main categories of measures (Non exhaustive list):

- Tariff measures
- Agricultural measures
- Trade Defence instruments
- Prohibitions and restrictions to import and export:
- Surveillance of movements of goods at import and export.



[http://ec.europa.eu/taxation\\_customs/dds2/taric/taric\\_consultation.jsp](http://ec.europa.eu/taxation_customs/dds2/taric/taric_consultation.jsp)

# Toldtariffen: Danish National Customs Tariff

**Toldtariffen**, the integrated tariff environment - is designed for anyone who deals with trade in goods between the EU and third countries. The system provides accurate and updated data on the EU's Common Customs Tariff and national measures via the Internet.

With this Customs Tariff, it is possible to make web-based queries, customs calculations, generate transcripts and disseminate data.

See: <http://tarif.skat.dk/tariff/index.jsf>

The screenshot shows the homepage of the skat.dk Customs Tariff website. The header features the CBS logo and the text 'COPENHAGEN BUSINESS SCHOOL' and 'HANDELSHØJSKOLEN'. Below the header, there is a search bar and navigation icons. The main navigation menu includes 'Customs Tariff', 'HOME', 'TARIC', 'ABOUT', 'Nomenclature', 'Measures', 'Calc of duties', 'Quotas', 'Reports', 'More info', 'Help', and 'Print'. The footer contains contact information ('Kontakt os: 72 22 18 18') and a link to 'Om cookies'.

The Access2Markets is a website run by the Directorate-General for Trade (DG-Trade) of the European Commission and gives information to companies exporting from the EU about import conditions in third country markets:

- Duties and taxes on imports of products into specific countries
- Procedures and documents required for customs clearance in the partner country
- Statistics on trade flows in goods between EU and non-EU countries
- Trade barriers affecting exports
- Food safety, animal health, and plant health measures
- Preferential agreements and rules of origin
- Services for Small-Medium Enterprises (SMEs)
- Country trade information

More about? See:

<https://trade.ec.europa.eu/access-to-markets/en/content/>

# Rules of Origin – Preference and Cumulation Rules

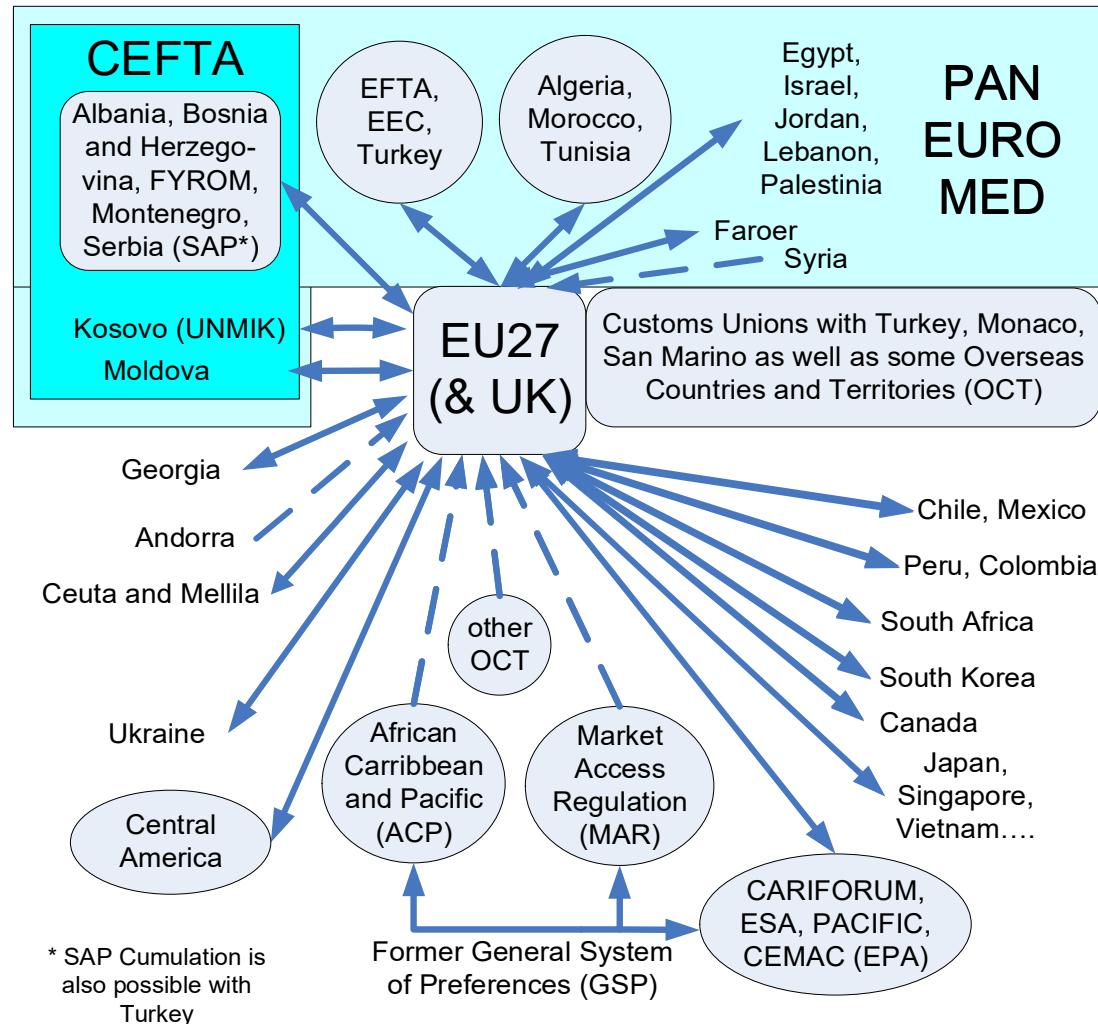
## Contractual customs

**preferences** for both ex- and imports e.g.  
EFTA, Turkey, CARIFORUM,  
ESA, Chile, Mexico, Peru, South Africa, South Korea, Moldova, Georgia, Ukraine, Canada, Japan, Singapore, Vietnam....

## Autonomous customs

**preferences** only for importation of goods e.g. ACP, MAR, Syria, Kosovo,

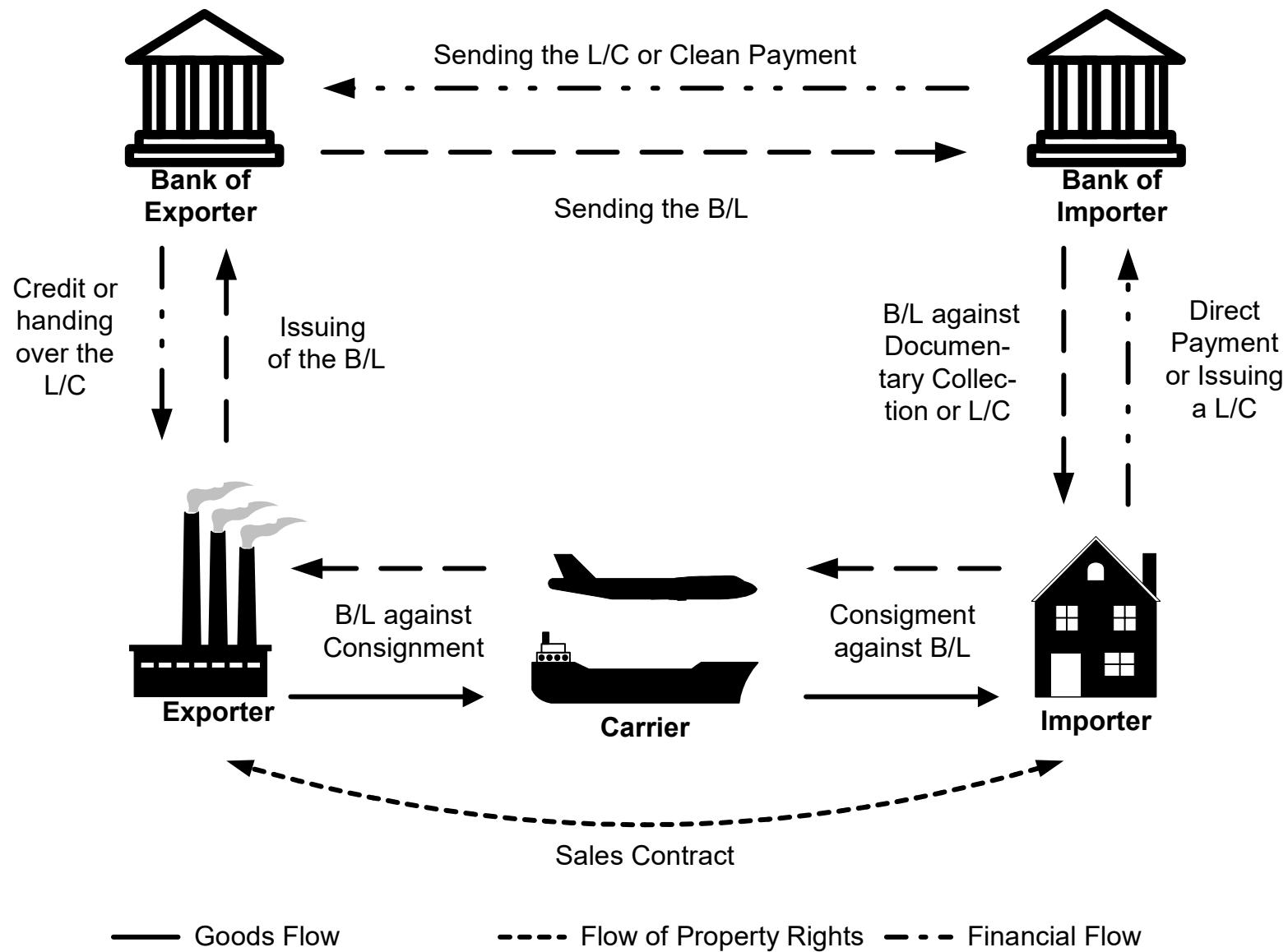
Further a **multilateral cumulation** is possible within the same preference zone and within e.g. CEFTA, EU28 or PAN EURO MED



For further details see:

[http://ec.europa.eu/taxation\\_customs/customs/customs\\_duties/rules\\_origin/index\\_en.htm](http://ec.europa.eu/taxation_customs/customs/customs_duties/rules_origin/index_en.htm)

# Goods Flow, Flow of Property Rights and Financial Flow



# Legal Framework of Trade

- Norms and rules of international law and multinational treaties or agreements, building up a **supra-national legal framework**:
  - UNO, OECD, EEC/EC/EU, GATT/WTO,...
  - Bilateral Commercial Treaties and Trade Agreements.
- **National regulations**, mainly following national/regional interests:
  - External Trade Law, Customs Law,....
- **Lex Mercatoria: National and multinational regulations** allowing valid cross-border legal transactions and their enforcement
  - International procedural law and law of sales contracts
  - Regulations about cross-border enforcement of sentences
  - Mediation and International arbitration  
(instead of ordinary court litigation procedures)

## International Procedural Law

- Fall-back solution, whenever nothing else is agreed upon in a sales contract by specific clause (i.e. choice of law, venue, arbitration, mediation)
- Here, each country regulates for himself autonomously in their international procedural law, which is the proper law of a contract and which court have jurisdiction to hear a case concerning parties from different countries.
- The overall principle is that the proper law of a contract is the system of law by reference to which the contract was made or that with which the transaction had its closest and most real connection (Rome Convention of 1980).

## Uniform Law of Sales Contracts

- International Sales Contracts can be subject to the **Vienna Convention** (UNCITRAL Convention on Contracts for the International Sale of Goods (CISG)) of 1980, forming a uniform law of sales contract (apart from some exclusions for special cases). In 1990, the CISG became status of national law in Denmark with some reservations concerning Art. 92 and 94 (e.g. Inter-Nordic Trade)
- The CISG can only applied if the parties have their place of business in different countries and both are contracting states of the CISG and/or the rules of their private international law lead to the application of the law of a contracting state.
- The application of the CISG can be excluded by an explicit arrangement (but this is not recommended)

## Trade Terms

- **Industry-specific contract terms or regional usances**, which are different interpreted from place to place or from country to country.

## International Commercial Terms (Incoterms®)

- Common and widely accepted set of standardised Trade Terms.
- 1936 first introduced by the International Chamber of Commerce (ICC) in Paris, several times revised, last revision with Incoterms® 2020
- The Incoterms® deal with obligations of buyer and seller from a sales contract and the apportion of costs and risks of transport movement.  
They can be divided in four Groups:
  - Group E: Ex-Works
  - Group F: Movement of Goods arranged by Buyer
  - Group C: Movement of Goods arranged by Seller
  - Group D: Goods Delivered

# Rules Concerning Obligations, Risks and Costs

## A - Rules for Sellers

**A1 General obligations of the seller**

**A2 Delivery (where/how?)**

**A3 Transfer of risks**

**A4 Carriage**

**A5 Insurance**

**A6 Delivery/Transport document**

**A7 Export/transit/import clearance**

**A8 Checking/packaging/marking**

**A9 Allocation of costs**

**A10 Notices to the buyer**

## B - Rules for Buyers

**B1 General obligations of the buyer**

**B2 Taking Delivery**

**B3 Transfer of risks**

**B4 Carriage**

**B5 Insurance**

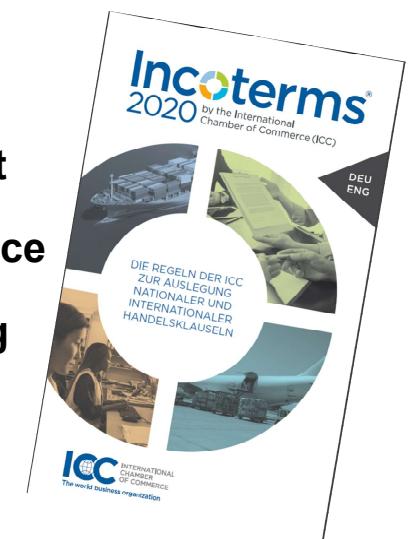
**B6 Delivery/Transport document**

**B7 Export/transit/import clearance**

**B8 Checking/packaging/marking**

**B9 Allocation of Costs**

**B10 Notices to the seller**



But Incoterms® say nothing about specification of Goods sold, price to be paid, method of payment, transfer of title, as well as consequences of a breach of contract...

For more details see <http://www.iccwbo.org/incoterms/id3038/index.html> or better  
<https://www.tradefinanceglobal.com/incoterms/>

# Incoterms® 2020 Overview

| Incoterm         | In Full words                  | Place of Delivery<br>(A2/B2, A1)         | Transfer of Risks<br>(A3/B3) | Transfer of Costs<br>(A2, A9/B9) | Packaging, Checking and Marking (A8/B8) | Inspection of cargo (B8) | Export Clearance (A2, A7/B7) | Loading of cargo (A4, A2/B2) | Cost of Pre-carriage (A2, A3/B3) | Handling at Port/ Point of Departure (A4, A9/B9) | Main Transport (A2, A4/B4) | Cargo Insurance (A5/B5) | Handling at Port/ Point of Destination (A4, A9/B9) | Cost of Onward Carriage (A2, A3/A3) | Transit Clearance (A2, A7/B7) | Import Clearance (A2, A7/B7) | Unloading of Cargo (A4, A2/B2) |
|------------------|--------------------------------|--|------------------------------|----------------------------------|---|--------------------------|------------------------------|------------------------------|----------------------------------|--|----------------------------|-------------------------|--|-------------------------------------|-------------------------------|------------------------------|--------------------------------|
| EXW <sup>A</sup> | Ex Works                       | Seller's Premises (or other named place) | Named Place of Delivery      | Named Place of Delivery          | Seller                                  | Buyer                    | Buyer                        | Buyer                        | Buyer                            | Buyer  | Buyer                      | -                       | Buyer  | Buyer                               | Buyer                         | Buyer                        | Buyer                          |
| FCA <sup>A</sup> | Free Carrier                   | Named Place of Delivery to 1st Carrier   | Named Place of Delivery      | Named Place of Delivery          | Seller                                  | Seller <sup>1</sup>      | Seller                       | Buyer or Seller <sup>2</sup> | Seller or Buyer                  | Buyer  | Buyer                      | -                       | Buyer  | Buyer                               | Buyer                         | Buyer                        | Buyer                          |
| FAS <sup>M</sup> | Free Alongside Ship            | Alongside Ship at Port of Departure      | Named Place of Delivery      | Named Place of Delivery          | Seller                                  | Seller <sup>1</sup>      | Seller                       | Seller                       | Seller                           | Seller and Buyer                                 | Buyer                      | -                       | Buyer  | Buyer                               | Buyer                         | Buyer                        | Buyer                          |
| FOB <sup>M</sup> | Free On Board                  | Ship at Port of Departure                | Delivered on Board           | Delivered on Board               | Seller                                  | Seller <sup>1</sup>      | Seller                       | Seller                       | Seller                           | Seller and Buyer                                 | Buyer                      | -                       | Buyer  | Buyer                               | Buyer                         | Buyer                        | Buyer                          |
| CFR <sup>M</sup> | Cost and Freight               | Ship at Port of Departure                | Delivered on Board           | Port of Destination              | Seller                                  | Seller <sup>1</sup>      | Seller                       | Seller                       | Seller                           | Seller   | Seller                     | -                       | Seller or Buyer <sup>4</sup>                       | Buyer                               | Buyer                         | Buyer                        | Buyer                          |
| CIF <sup>M</sup> | Cost, Insurance and Freight    | Ship at Port of Departure                | Delivered on Board           | Port of Destination              | Seller                                  | Seller <sup>1</sup>      | Seller                       | Seller                       | Seller                           | Seller   | Seller                     | Seller <sup>3</sup>     | Seller or Buyer <sup>4</sup>                       | Buyer                               | Buyer                         | Buyer                        | Buyer                          |
| CPT <sup>A</sup> | Carriage Paid to               | Named Place of Delivery to 1st Carrier   | Named Place of Delivery      | Place of Destination             | Seller                                  | Seller <sup>1</sup>      | Seller                       | Seller                       | Seller                           | Seller   | Seller                     | -                       | Seller or Buyer <sup>4</sup>                       | Buyer                               | Buyer                         | Buyer                        | Buyer                          |
| CIP <sup>A</sup> | Carriage and Insurance paid to | Named Place of Delivery to 1st Carrier   | Named Place of Delivery      | Place of Destination             | Seller                                  | Seller <sup>1</sup>      | Seller                       | Seller                       | Seller                           | Seller   | Seller                     | Seller <sup>3</sup>     | Seller or Buyer <sup>4</sup>                       | Buyer                               | Buyer                         | Buyer                        | Buyer                          |
| DAP <sup>A</sup> | Delivered at Place             | Named Place of Delivery                  | Named Place of Delivery      | Named Place of Delivery          | Seller                                  | Seller <sup>1</sup>      | Seller                       | Seller                       | Seller                           | Seller   | Seller                     | -                       | Seller   | Seller or Buyer                     | Buyer                         | Buyer                        | Buyer                          |
| DPU <sup>A</sup> | Delivered at Place Unloaded    | Named Place of Delivery                  | Named Place of Delivery      | Named Place of Delivery          | Seller                                  | Seller <sup>1</sup>      | Seller                       | Seller                       | Seller                           | Seller   | Seller                     | -                       | Seller   | Seller or Buyer                     | Seller                        | Buyer                        | Seller                         |
| DDP <sup>A</sup> | Delivered Duty Paid            | Named Place of Destination               | Place of Destination         | Place of Destination             | Seller                                  | Seller <sup>1</sup>      | Seller                       | Seller                       | Seller                           | Seller   | Seller                     | -                       | Seller   | Seller                              | Seller                        | Seller                       | Buyer                          |

<sup>A</sup>For all modes

<sup>M</sup>Only for maritime / inland navigation

<sup>1</sup>Costs for pre-shipment inspections to be paid by buyer

<sup>2</sup>Seller loads at his premises & buyer unloads otherwise

<sup>3</sup>Cargo insurance (110%) by seller, ICC A (CIP) or ICC C (CIF)

<sup>4</sup>Subject to terms of transport contract

# Further Main Characteristics

**One Point Clauses** (Transfer of risks and costs at same place):

- EXW, FCA, FAS, FOB, DAP, DPU, DDP

**Two Point Clauses** (Different place of transfer of risk and costs):

- CPT, CIP, CFR, CIF

**Principally for any mode(s) of transports applicable:**

EXW, FCA, CPT, CIP, DAP, DPU, DDP

**Only for maritime shipping / inland waterway whenever goods are delivered on board or along side a vessel in a port  
(NOT recommended for container transports):**

FAS, FOB, CFR, CIF

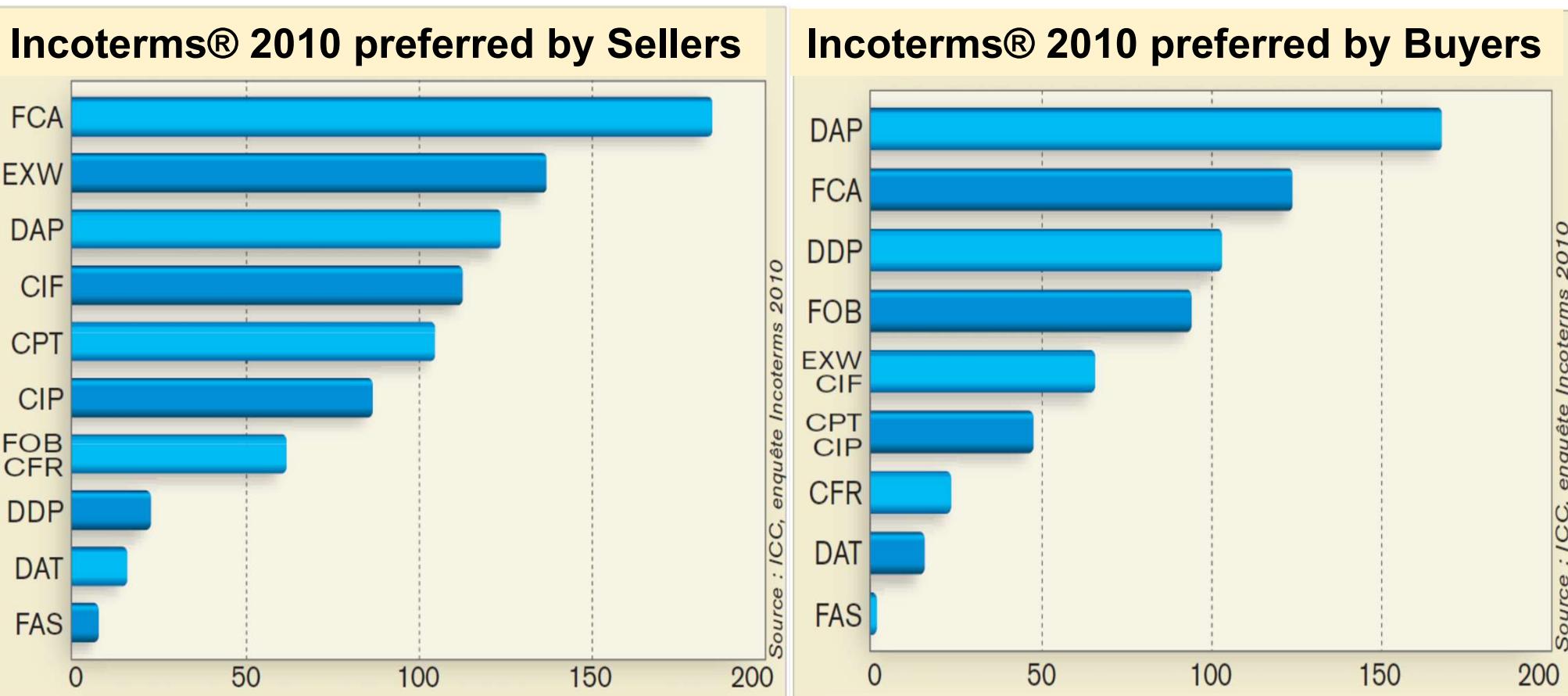
Can be also used for international as well as domestic shipments, and for arrangements for carriage with seller's or buyer's own means of transport in FCA, DAP, DPU and DDP

Have to be explicitly incorporated into a sales contract, like  
“[...] according to Incoterms® 2020”

“Named Place” has to be specified as precisely as possible, e.g. by postal address / UNLOCODE (<http://www.unece.org/cefact/locode/welcome.html/>)

# Usage of Incoterms®2010

In 2014, the ICC made a survey among Incoterms®2010 users with 569 respondents from 35 countries (with a concentration of replies coming from France, Belgium, Germany and Austria). Main outcomes are as follows:



# Outlook to Lesson 8

Topics are  
**Distribution Systems and  
Service Supply Chains**

Please have a look  
at the Case Study  
***Sell Direct-to-Consumer  
or Through Amazon?***  
posted on CANVAS!

**CASE STUDY**  
**SELL DIRECT-TO-CONSUMER  
OR THROUGH AMAZON?**  
AN E-BIKE MAKER  
WEIGHS THE TRADE-OFFS.  
BY THALES TEIXEIRA

**Sitting in his office,  
Mark Ellinas frowned at  
his computer screen.**

It was filled with row after row of electric bikes, from expensive models to cheap knockoffs that seemed held together by spit and a prayer. Though they varied in style and price, the bikes did have one thing in common: where they were being sold. The website he was looking at, flush with options, was Amazon.

As the CMO of Pedalspark, a small maker of high-end electric bicycles, Mark was considering strategies for selling the company's new ride. The market for electric bikes had exploded in the past few years, especially in China, and it showed no signs of slowing down. Pedalspark's signature bike, a \$4,000 luxury model available only through the company's website, was selling well and had been named to a few "best e-bike" lists. Now Pedalspark was about to introduce a cheaper, entry-level model, which it hoped would have broader appeal. The bike was targeted at price-sensitive riders, people who were willing to trade higher battery life and motor power for a lower price tag.

Two years ago Pedalspark had hired Mark away from his marketing position at a children's bicycle maker. That company had sold exclusively on its own site, and Mark's expertise had served Pedalspark well with its first product. He was excited by the challenge of selling the new bike in an increasingly crowded market, but the question was how to do it.

His two direct reports were split. Gideon Bear, the sales manager, tended to favor aggressive approaches. He wanted to sell the new model on Amazon, which had, as he'd put it, "a few more customers than our site." But Tamar Nourse, the product manager who'd recently come on board, was worried about whether the bike would stand out on Amazon. She thought that keeping the new model on Pedalspark's site, where their team could control the entire sales process, would be better over the long term.

Bzzt. Mark glanced at his phone and saw a text from the CEO: *Where are we on the online channel strategy? Looking forward to your presentation.*

THALES TEIXEIRA  
Family Associate Professor at Harvard Business School and the author of *Unlocking the Customer Value Chain: How Decoupling Drives Consumer Disruption* (Currency, 2019).

HBR's fictionalized case studies present problems faced by leaders in real companies and offer solutions from experts. This one is based on the HBS Case Study "Selling on Amazon at Tower Paddle Boards" (case no. 539-047-HCC-ENG), by Thales S. Teixeira and David Lopez-Lengowski, which is available at [HBR.org](http://HBR.org).

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