

Documentary Credit

WORLD

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■ INCOTERMS® APPLICATION PROBLEMS

As the most widely-used set of ICC rules, Incoterms® have played an important role for decades in facilitating trade and instilling confidence among contracting parties. However, the rules can only work effectively when they are properly applied. With Incoterms®2020 entering into force on 1 January 2020, a review is warranted of past problematic uses of the rules in the hope that it may highlight cautionary lessons to support the sound application of the Incoterms®2020 rules moving forward. Toward this aim, Jun XU first identifies use of specific Incoterms® rules that have led to frequent disputes. She then addresses common errors, including misapplication of Incoterms® in LCs, and misunderstanding of Incoterms® rules, particularly regarding trading parties' inability to adequately fulfill their obligations under Incoterms® rules and sales contracts. XU then offers points to consider when using Incoterms®.