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# RISK TRANSFER, DOCUMENTARY OBLIGATIONS AND CARRIER LIABILITY: A CRITICAL ANALYSIS OF INCOTERMS IN INTERNATIONAL CARRIAGE REGIMES

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## Introduction

The architecture of international trade is built upon a complex web of contracts, primarily the contract of sale and the contract of carriage. International carriage contracts form the foundation of world commerce, which makes it easier and quick for the businesses to efficiently trade goods across borders. Since these contracts are complicated, there needs to be clear guidelines on division of responsibilities, expenses, and risks among parties. The International Chamber of Commerce (ICC) created INCOTERMS (International Commercial Terms) to standardize these aspects across every region, to make international trade more predictable and consistent. The short three-letter rules (e.g., FOB, CIP, DDP) which were published for the first time in 1936 and periodically updated (most recently as Incoterms 2020), are now used almost everywhere in international trade to make explicit as to who is responsible for arranging carriage, insurance, export and import formalities and precisely at what point the risk switches from the seller to the buyer.<sup>1</sup> The seamless execution of a cross-border transaction hinges on the precise alignment of these distinct yet interconnected agreements. Thus, INCOTERMS serves as a critical instrument that bridges this divide.<sup>2</sup>

Even though INCOTERMS are part of the selling contract, their rules have a big and direct effect on the contract of carriage. They make important decisions on things like who is responsible for making the contract and paying for the shipping, when the risk of loss or damage to the products passes from the seller to the buyer, and how to divide up the duties for clearing items for export and import.<sup>3</sup> This interplay, however, is a significant source of operational, financial, and legal risk. Misunderstanding or misapplication of INCOTERMS can

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<sup>1</sup> (n.d.). *Know your incoterms*. International Trade Administration | Trade.gov. <https://www.trade.gov/know-your-incoterms>

<sup>2</sup> Int'l Chamber of Commerce, INCOTERMS 2020 5 (ICC Publ'n 2020).

<sup>3</sup> Jonathan Davis & John Vogt, Hidden Supply Chain Risk and Incoterms®: Analysis and Mitigation Strategies, 14 J. Risk & Fin. Mgmt. 619, 2 (2021).

lead to inoperable contracts, unexpected liabilities, costly disputes, and supply chain disruptions.<sup>4</sup>

Digital technologies, specifically blockchain as well as smart contracts, hold the potentiality to transform this industry significantly. Researchers are studying the possibility of integrating INCOTERMS into self-executing smart contracts to automate obligations as well as reduce the complexity as well as problems associated with traditional trade documents.

Primary aim of the research paper is to analyse the effect of INCOTERMS on international shipping contracts comprehensively. It will investigate prevalent issues and vagueness, discuss developments in law and technology, and suggest an avenue to mitigate the issues at the time of sales and shipment.

### **Statement of the Problem**

Issues arise because of the common variation between the sale agreement INCOTERM liabilities and the carriage agreement execution. It diverges on the significant grounds like practitioners mostly do not recognize or use INCOTERMS in a strategic manner.<sup>5</sup> It is suggested that over half the specialists who use INCOTERMS do not have extensive experience, and most entities use a solitary or double standard for all transactions regardless of logistics competence or intricacy of the trade channel.<sup>6</sup> It culminates into the non-strategic term selection, where the entity less qualified to conduct a transit leg is responsible, resulting in higher cost and risk.<sup>7</sup> Some INCOTERMS guidelines do not align with current shipping operations, leaving legal and practical grey areas. FOB is exercised on freight in containers. FOB transfers the risk only once the cargo crosses the ship's railing.<sup>8</sup> However, where the shipping is in containers, the vendor physically forfeits possession of the goods once they reach the carrier terminal, something that occurs before the point of transferring the risk. Where the container gets damaged after being sealed at the terminal before loading on the ship, it is difficult to determine who is liable, hence the controversy.<sup>9</sup> INCOTERMS also offer a challenge in "C" group rules (CPT, CIP, CFR, CIF) since the seller charters and pays the master

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<sup>4</sup> Id

<sup>5</sup> Davis & Vogt, *supra* note 3

<sup>6</sup> Id

<sup>7</sup> Id

<sup>8</sup> Int'l Chamber of Commerce, *supra* note 2

<sup>9</sup> Davis & Vogt, *supra* note 3

carrier after the risk has passed to the buyer.<sup>10</sup> The buyer is then subject to the loss of goods as the seller gets to decide the carrier as well as the routing. Sellers are then enticed into cheaper, less reliable carriers, leaving buyers open in a way they cannot prevent.<sup>11</sup>

It is not required for the carriers to abide by INCOTERMS since they are standard clauses that are implied by reference. Shipping contract and associated transport regulations (Hague-Visby Rules, Montreal Convention) specify the carrier's obligation.<sup>12</sup> When a sale agreement necessitates an INCOTERM document that the carrier need not issue under the shipping agreement, difficulties may be caused.

### **Research Questions**

How do the allocation of responsibilities and risks under different INCOTERMS rules shape the formation, execution, and liabilities under international carriage contracts and to what extent does their misapplication and misunderstanding pose operational and financial risks within the international supply chain?

### **Hypothesis**

Effective application of INCOTERMS in international sales contracts reduces controversies, costs, and risks in shipping contracts. On the other hand, their wrong application gives rise to problems. Furthermore, the integration of INCOTERMS with other international frameworks improves ease and clarity in the compliance of regulations during international commerce.

### **Objective of the Study**

1. To critically analyse the legal and functional interface between INCOTERMS in the sale contract and the international contract of carriage.
2. To identify and categorize the specific risks and operational failures that arise from the misalignment between INCOTERMS and carriage obligations.
3. To evaluate the role of digitalization, particularly smart contracts, in reconfiguring

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<sup>10</sup> Int'l Chamber of Commerce, *supra* note 2

<sup>11</sup> Davis & Vogt, *supra* note 3

<sup>12</sup> Beier Shang, Positive Changes and Remaining Shortcomings of Incoterms®2020, 13 *Frontiers in Bus., Econ. & Mgmt.* 268, 272

INCOTERMS for more secure and efficient international trade.

4. To analyse the interplay and overlap of INCOTERMS with CISG and municipal laws
5. To propose a strategic framework for practitioners to select and implement INCOTERMS in a manner that optimizes the entire supply chain, including carriage.

### **Scope of the Study**

This study analyses the history and evolution of INCOTERMS, the effect INCOTERMS 2020 edition have on international carriage contracts of goods. It interprets the clauses based on the impact they have on the parties' rights, duties, and risks under the carriage contract. It also analyses the practical and legal implications of international instruments such as the CISG on carriage contracts, and interface with them.

### **Research Methodology**

This study employs a qualitative, doctrinal methodology to examine the impact of INCOTERMS in international carriage contracts. As the research focuses on legal principles and industry practices, it excludes quantitative data and instead emphasizes interpretation and critical evaluation by employing library-based legal research. The doctrinal approach is applied by analysing primary legal instruments such as the International Chamber of Commerce's *INCOTERMS 2020*, the United Nations Convention on Contracts for the International Sale of Goods (CISG), and international carriage conventions including the Hague-Visby Rules. These are supplemented by judicial interpretations and arbitral awards where relevant ensuring a comprehensive and contemporary understanding.

## **1. History of INCOTERMS**

### **1.2. Origins: Pre-INCOTERMS Issues**

Prior to the ICC issuing INCOTERMS in 1936, commercial terms in international trade, such as the acronym FOB (Free on Board) and CIF (Cost, Insurance and Freight), were interpreted by trade customs and different national laws. These terms had different interpretations across jurisdictions: e.g. English and American courts disagreed on the timing of passing of risk of loss under FOB contracts. This absence of uniformity created litigation and higher transaction

costs as the courts tried to find common ground between conflicting trade usages and the statutory provision.<sup>13</sup> The ICC thus sought to codify standard definitions to reduce uncertainty and ensure predictability in cross-border sales.<sup>14</sup>

## 1.2. Major Revisions of INCOTERMS

The 1936 edition introduced a limited set of terms (FOB, FAS, C&F, CIF, EX Ship, EX Quay) tailored mainly to maritime trade.<sup>15</sup> The 1953 revision added terms for non-maritime transport, responding to the rise of air freight and inland carriage.<sup>16</sup>

In 1967 and 1976, amendments clarified documentation obligations, reflecting the increasing role of multimodal transport and containerization.<sup>17</sup> The 1980 edition was groundbreaking, introducing FCA (Free Carrier), recognizing containerized shipping and the shift away from traditional ship-rail delivery concepts.<sup>18</sup>

The revisions of 1990, 2000, unified the terms, added Delivered Duty Paid (DDP), and explained the documentary requirements to keep pace with changing logistics. The ICC also narrowed the terms to 11 in 2010, and classified them as any mode or sea/inland waterway to make them easier to understand.<sup>19</sup>

Finally, INCOTERMS 2020 made targeted refinements: clarifying allocation of costs, strengthening security obligations, increasing insurance cover under CIP, and introducing the FCA “on-board bill of lading” option to address persistent documentary credit issues.<sup>20</sup>

## 1.3. Relevance for International Sales and Carriage

The development of INCOTERMS shows their preservation in importance in the organization of cross-border sales. They provide the interface between sales law (e.g., CISG) and carriage law (e.g., Hague-Visby Rules) by defining the points of delivery, cost allocation, and transfer

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<sup>13</sup> Int'l Chamber of Commerce, *supra* note 2

<sup>14</sup> Michaela Petrová, Martina Krügerová & Michal Koziel, *New challenges in INCOTERMS in the background of their historical development*, 27 ACC Journal 90–101 (2021).

<sup>15</sup> Int'l Chamber of Commerce, *supra* note 2

<sup>16</sup> *Id*

<sup>17</sup> Michaela Petrová, *supra* note 14

<sup>18</sup> Int'l Chamber of Commerce, *supra* note 2

<sup>19</sup> Davis & Vogt, *supra* note 3

<sup>20</sup> Basic Overview of Incoterms® 2020 Rules (2020), <https://www.dhl.com/content/dam/dhl/global/dhl-global-forwarding/documents/pdf/glo-dgf-incoterms-2020-brochure.pdf>

of risks. They give assurance to the sellers and buyers when it comes to transactions with carriers and banks and since they are associated with documents relating to the carriage such as the bill of lading. It has been stressed by scholars that INCOTERMS are a type of privately based standardization in the *lex mercatoria*, so that traders all around the world are operating under a common interpretive framework.<sup>21</sup>

Thus, while INCOTERMS themselves do not create contracts of carriage, their evolution reflects the dynamic adaptation of international trade practices to changing transport technologies, legal regimes, and commercial expectations.

## 2. INCOTERMS 2020

### 2.1. Necessity and Context for Revision

The revival of INCOTERMS in 2020 represented the ICC's initiative to redefine trade practice within the context of globalisation, digitalisation, and increased application of multimodal transport. The earlier editions, such as INCOTERMS 2010, were criticised with ambiguity regarding cost apportionment and uncertainty regarding contemporary issues of containerisation, electronic documentation, and increased security concern.<sup>22</sup> The 2020 update thus aimed at providing clarity, simplicity, and adaptability for businesses operating in increasingly complex supply chains.

### 2.2. Integral Features of INCOTERMS 2020

INCOTERMS 2020 retain **eleven terms**, categorized into two groups:

#### 1. Rules for any mode of transport:

EXW (Ex Works)

FCA (Free Carrier)

CPT (Carriage Paid To)

CIP (Carriage and Insurance Paid To)

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<sup>21</sup> Juana Coetzee, *The interplay between INCOTERMS® and the CISG*, 32 Journal of Law and Commerce 1–22 (2013).

<sup>22</sup> Davis & Vogt, *supra* note 3

DAP (Delivered At Place)

DPU (Delivered at Place Unloaded)

DDP (Delivered Duty Paid)

## 2. Rules for sea and inland waterway transport:

FAS (Free Alongside Ship)

FOB (Free On Board)

CFR (Cost and Freight)

CIF (Cost, Insurance and Freight)<sup>23</sup>

This dual grouping provides a better picture on whether a term can be applied to multimodal shipments and reducing disputes in cases where inappropriate sea terms (e.g., FOB) are applied to containerized transport.

### 2.3. Major Changes Introduced

The **first major change** was the adjustment of **CIP insurance obligations**, requiring a higher level of coverage (Institute Cargo Clauses (A)) compared to CIF, which still mandates minimum coverage.<sup>24</sup>

The **second significant development** is regarding **FCA and bills of lading**. To address the common problem in documentary credit transactions, where banks require an “on-board” bill of lading, the ICC introduced a choice for the sellers under FCA to request carriers to issue such a document even when goods were delivered inland.<sup>25</sup>

Other refinements included:

- Clearer breakdown of **cost allocation** at each stage of transport.
- Explicit treatment of **security obligations**, reflecting the post-9/11 emphasis on cargo

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<sup>23</sup> Int'l Chamber of Commerce, supra note 2

<sup>24</sup> Basic Overview of Incoterms ® 2020, supra note 20

<sup>25</sup> Int'l Chamber of Commerce, supra note 2

safety.

- Replacement of **DAT (Delivered at Terminal)** with **DPU (Delivered at Place Unloaded)**, broadening its applicability beyond terminal-only delivery.<sup>26</sup>

## 2.4. Practical Impact and Commercial Relevance

INCOTERMS 2020 enhance the certainty of contracts in sales transactions by minimizing the interpretive contests. As an example, they reduce lawsuits brought against them on demurrage and handling fee in multimodal contracts by clarifying cost obligations. In addition, the increased insurance coverage in CIP gives more protection to purchasers in the international supply chains. The FCA bill of lading solution integrates trade finance with transport law and enhances the importance of INCOTERMS in the process of unifying a sales contract with a carriage document.

Scholars say that INCOTERMS 2020 are quite pragmatic balance between consistency and flexibility, so that the rules can be applicable to both big-scale international trading and small-to-middle-sized enterprises that conduct cross-border business.<sup>27</sup>

## 3. Interplay of INCOTERMS, CISG, and Domestic Laws

### 3.1. Distinction Between INCOTERMS and CISG

While INCOTERMS and the United Nations Convention on Contracts for the International Sale of Goods (CISG, 1980) both regulate aspects of international trade, they serve different purposes. INCOTERMS, developed by the ICC, standardize trade terms focusing on delivery obligations, cost allocation, and risk transfer.<sup>28</sup> The CISG, on the other hand, makes the rules for how contracts are made, what rights and duties sellers and buyers have. The CISG does not explain trade terms like FOB or CIF; it only covers delivery obligations when there are no clear rules.<sup>29</sup>

Therefore, parties often incorporate INCOTERMS into contracts to fill gaps left by the CISG,

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<sup>26</sup> Michaela Petrová, *supra* note 14

<sup>27</sup> Juana Coetzee, *supra* note 21

<sup>28</sup> Int'l Chamber of Commerce, *supra* note 2

<sup>29</sup> Franco Ferrari, *CISG and Incoterms 2020: Complement or Conflict?* 38 J. Int'l Arb. 421 (2021)

creating a symbiotic relationship between the two instruments.

### 3.2. Interaction in Risk Allocation and Delivery Obligations

The CISG, under Article 31, provides default rules on delivery: handing goods to the first carrier satisfies delivery obligations where carriage is involved. INCOTERMS, however, specify precise points of delivery and transfer of risk (e.g., FCA vs. FOB). Courts and arbitral tribunals have repeatedly emphasized that explicit incorporation of INCOTERMS overrides CISG's default provisions.<sup>30</sup>

For instance, under FCA in INCOTERMS 2020, delivery occurs when goods are handed to the carrier at the seller's premises, not merely when placed at the seller's disposal as CISG Art. 31(a) would dictate. This reduces disputes over timing and risk transfer in multimodal carriage contracts.

### 3.3. Role of Domestic Laws and Judicial Interpretation

Domestic courts play a key role in mediating between INCOTERMS and CISG. For example, U.S. courts have treated FOB terms as governed by UCC § 2-319 unless INCOTERMS were expressly incorporated, while English courts traditionally rely on trade usage.<sup>31</sup> This reciprocity shows that INCOTERMS cannot entirely displace domestic law; in turn, they must be interpreted within or integrated into national legal frameworks.

Further, arbitration tribunals under the ICC and UNCITRAL rules have increasingly recognized INCOTERMS as expressions of transnational commercial custom or *lex mercatoria*, which may be applied even absent explicit contractual incorporation.

### 3.4. Harmonization and Practical Challenges

Although their coverage is complementary, strain exists. Theorists posit that overlapping between the CISG rules on risk (Arts. 66–70) and INCOTERMS poses problems of interpretation where contracts lack a choice of applicable law.<sup>32</sup> Harmonization is made even

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<sup>30</sup> Ingeborg Schwenzer & Ulrich G Schroeter, *INCOTERMS and the CISG*, Schlechtriem & Schwenzer: Commentary on the UN Convention on the International Sale of Goods (CISG) 774–803 (2022).

<sup>31</sup> Michael Bridge, *The International Sale of Goods* 111–13 (4th ed. 2017)

<sup>32</sup> Juana Coetzee, *CISG and regional sales law: Friends or foes?*, 2 *Journal of Law, Society and Development* (2015).

trickier by domestic mandatory rules that prevail over contractual risk allocation, e.g., consumer protection or transport law.

Yet commentators generally subscribe to the views that INCOTERMS and CISG coexist complementarily: INCOTERMS provide standardized usages of trade to make operational terms of carriage and of sales, while CISG sets out a harmonized legal frame.

#### **4. INCOTERMS, Carriage Documents & Carriers**

##### **4.1. Impact on Carriage Contracts**

The choice of INCOTERMS in an international sale contract has a direct, structural effect on the carriage contract. Incoterms define three main things: (1) the delivery point, which is when the risk moves from the seller to the buyer; (2) the responsibility for arranging and paying for transport; and (3) the obligation to get and send the necessary transport documents to meet downstream needs, like those under letters of credit. Incoterms are not mandatory public law; they are soft rules that are included in private contracts of sale. This means that parties can make their own rules about them. In practice, though, the chosen Incoterm becomes the main guide for deciding whether the seller or buyer will negotiate and sign the carriage contract with a carrier, whether the seller must choose the contracting carrier and issue a bill of lading, or whether the buyer must arrange for carriage and insurance at a certain point.<sup>33</sup>

It is not simply administration that assigns these obligations; it also determines when risk is passed on and shipping costs. The vendor provides items to the buyer's carrier under a Free Carrier (FCA) contract. Cost, Insurance, and Freight (CIF) deals involve the seller paying for shipment and insurance to the target port. These discrepancies affect the transport contract's provisions, such as who contracts and what risk they take during transit.

##### **4.2. Documentation**

Carriage documents act as the key to international commerce because they provide proof of shipment and allow sellers to collect payment. Such terms as FOB, CFR, and CIF (and sometimes FCA) typically oblige the seller to provide a bill of lading or other carriage document showing shipment; under CIF and CFR, the seller also undertakes and pays carriage

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<sup>33</sup> Int'l Chamber of Commerce, *supra* note 2

to the port agreed and, under CIF, takes out minimum insurance to the buyer's benefit.<sup>34</sup> By way of comparison, Delivered-At-Place (DAP), Delivered-At-Place-Unloaded (DPU), and Delivered-Duty-Paid (DDP) differ the terms by shifting documentary requirements to proof of delivery rather than a negotiable bill of lading.

Since many of these payments depend on letters of credit, document obligations should be consistent with bank rules including the Uniform Customs and Practice for Documentary Credits (UCP 600). When the adopted Incoterm stipulates shipment documents but the financing bank wants delivery evidence, confusion can be caused, with payment being delayed or the credit falling. UNCTAD's research has highlighted this perennial issue, with a comment that transport document and financing document mismatches add to disputes and hinder efficiency in international transactions.<sup>35</sup> Such issues make the case, therefore, of having the adopted Incoterm be consistent with the carriage documents and the conditions of payment of the transaction.

### 4.3. Carrier Relationships

The contract of carriage and document type determine carrier connections. When the seller contracts with and pays the carrier (CFP or CIF), the carrier owes the seller contractual duties, while the bill of lading gives the consignee or lawful holder rights. When a buyer hires an EXW or FCA carrier, the carrier assumes certain duties. This discrepancy matters when products spoil or are lost in transit. International regimes like Hague-Visby or Hamburg Rules impose liability on contractual carriers, and the bill of lading may grant third-party holders rights. Such differences between the document holder and the contracting party can produce standing, culpability, and remedy disputes.<sup>36</sup>

Modern trade practices like multimodal transport contracts and electronic bills of lading complicate these linkages. Electronic papers' efficiency and transparency challenge custody, endorsement, and documentary title. Without a clear allocation, carriers risk contractual duty to the contracting party and documentary liability to a third-party holder. Parties can reduce these risks by (a) confirming which Incoterms version is used in their sales contract, (b)

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<sup>34</sup> U.N. Conference on Trade & Dev. (UNCTAD), *Bills of Lading and Use of Transport Documents in International Trade* (UNCTAD, 2020)

<sup>35</sup> *Id*

<sup>36</sup> TT Club, *Incoterms 2020: A Comprehensive Guide* (TT Club 2020), <https://www.ttclub.com/news-and-resources/publications/article/incoterms-2020>

aligning their documentation needs with their financing approach, and (c) clearly documenting which party will complete the contract of carriage and provide negotiable documents. Making these connections work requires ICC and UNCTAD expertise.<sup>37</sup>

## **5. Practicalities, Dispute Resolution and Case Study**

### **5.1. Common Disputes and Its Causes**

There are frequent disputes in that (a) INCOTERMS cannot be found (there is no edition or year specified); (b) the recipient, and recipients of the document of carriage cannot be determined; (c) there is a mismatch between risk transfer and insurance; and (d) difficulties arise between documentary credit requests and carriage documents. Empirical research and industry surveys have indicated that most disputes are due to poor transactional draughting and not due to issues with the law.<sup>38</sup>

### **5.2. Case Study: Pyrene Co. Ltd. v. Scindia Steam Navigation Co. Ltd.**

The court in *Pyrene v. Scindia* looked at whether the Hague Rules limited the shipowner's liability when loading activities caused damage before the cargo had physically crossed the ship's rail in a FOB sale. The court decided that the Hague Rules adhered to the contract of carriage even though there was no bill of lading at the time of the disaster. It also said that the shipowner might limit their obligation under the Rules. The case shows how the contract of carriage and carriage customs can bind parties (including sellers) and limit recovery, even when sale-of-goods rules say that property or risk can be transferred. *Pyrene* is still a great example of how complicated the regulations for sales and carriage can be when they meet.<sup>39</sup>

### **5.3. Arbitration and Choice of Forum**

Most parties usually choose arbitration as a remedy to international carriage disputes as a way of getting predictability and enforceable awards in the New York Convention. INCOTERM and choice of governing law should be aligned with arbitration provisions otherwise, the parties may engage in battle over the procedure (jurisdiction, seat, *lex arbitri*) to add to substantive

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<sup>37</sup> Int'l Chamber of Commerce, *supra* note 2

<sup>38</sup> Davis & Vogt, *supra* note 3

<sup>39</sup> Case Analysis, *Pyrene v. Scindia*, CMLC Database, <https://cmlcmidatabase.org/pyrene-co-ltd-v-scindia-navigation-co-ltd>

carriage issues. This means that the modern arbitral practice typically uses the analysis of INCOTERMS to define the contractual liabilities of parties and documental responsibilities.<sup>40</sup>

#### **5.4. Insurance Allocation and Issues**

Practical problems arise with INCOTERMS imposing insurance coverage on one party (e.g., CIP) while the insured is not the legal owner on loss, with negative implications on subrogation and recovery against carriers. Careful attention to drafting of contracts to align insurance coverage, named insured, and first loss exposure party avoids disputes. Industry manuals by insurers and by reinsurers emphasize aligning INCOTERMS, insurance clauses, and documentary requirements.<sup>41</sup>

#### **Conclusion**

INCOTERMS are the best way to predict international trade, but they are not sufficient. Whether they reduced carriage contract conflicts, costs, and dangers relies on their integration with documentary practices, substantive instruments, and carriage regimes. Bills of lading, such as, continue to be crucial to INCOTERMS' operationalisation since they prove shipping, transfer title, and support letters of credit. Similarly, substantive legal frameworks like the CISG establish seller and buyer default responsibility, with INCOTERMS extending but not removing it. Structured carriage regimes like the Hague, Hague-Visby, and Hamburg norms allocate liability and risk to parties and carriers. INCOTERMS act as the commercial check between these tools as they made sure that delivery, risk, and cost are distributed in a clear way.

INCOTERMS 2020 offer realistic changes that reduce friction. The FCA on-board bill system addresses documentary credit, while new CIP insurance guidelines clarify coverage. Such optimizations demonstrate that accurate use of INCOTERMS may bring coordination between contractual and commercial and financial reality, and minimise disputes. However, issues persist. Ambiguities during draughting, absence of INCOTERMS edition specification, and incongruity with letters of credit or applicable law might lead to confusion and litigation. Thus, cautious, situation-specific wording and correct INCOTERMS reduce contractual problems, while generic, non-consistent, or insufficiently integrated employment

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<sup>40</sup> Munichre, [https://www.munichre.com/content/dam/munichre/mram/content-pieces/pdfs/specialty-insurance/Incoterms-Rules-FS-WEB-FINAL.pdf/\\_jcr\\_content/renditions/original/Incoterms-Rules-FS-WEB-FINAL.pdf](https://www.munichre.com/content/dam/munichre/mram/content-pieces/pdfs/specialty-insurance/Incoterms-Rules-FS-WEB-FINAL.pdf/_jcr_content/renditions/original/Incoterms-Rules-FS-WEB-FINAL.pdf)

<sup>41</sup> Id

increases risk. INCOTERMS are powerful and precocious, but they only work when employed in the context of the legal and business world.