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ICC UAE WORKSHOP ON EXPORT / IMPORT

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Dubai Chamber of Commerce & Industry

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How to protect your business while drafting import export contracts/insurance and cargo claims to freight companies ?

Identifying and Understanding the Key Elements of these processes and their related functionality specific to the Trade Transactions will assist significantly in this safeguarding initiative.



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What's up?



**EVERYBODY,
SOMEBODY,
ANYBODY,
AND NOBODY**

This is a little story about four people named
Everybody, Somebody,
Anybody, and Nobody.

There was an important job to be done
and Everybody was sure that Somebody would do it.

Anybody could have done it, but Nobody did it.

Somebody got angry about that
because it was Everybody's job.

Everybody thought that Anybody could do it,
but Nobody realized that Everybody wouldn't do it.

It ended up that Everybody blamed Somebody
when Nobody did what Anybody could have done.



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Elements of

1. Import / Export Contracts

2. Insurance / Cargo Claims



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Import/ Export Contract

Key Elements:

- Seller / Buyer
- Quotation / Acceptance/ Consideration
- Local market / Free Zones / Customs Warehouse / GCC / ROW
- Shipping Documents
- Customs Code
- Good Description
- HS Code
- FIRS
- INCO Terms
- GCC Common Customs
- AOE (Any Other Elements involved)



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Market – Dubai Customs Segmentation

Free Zones
(about 30)

GCC

Local / UAE

Customs
Warehouse

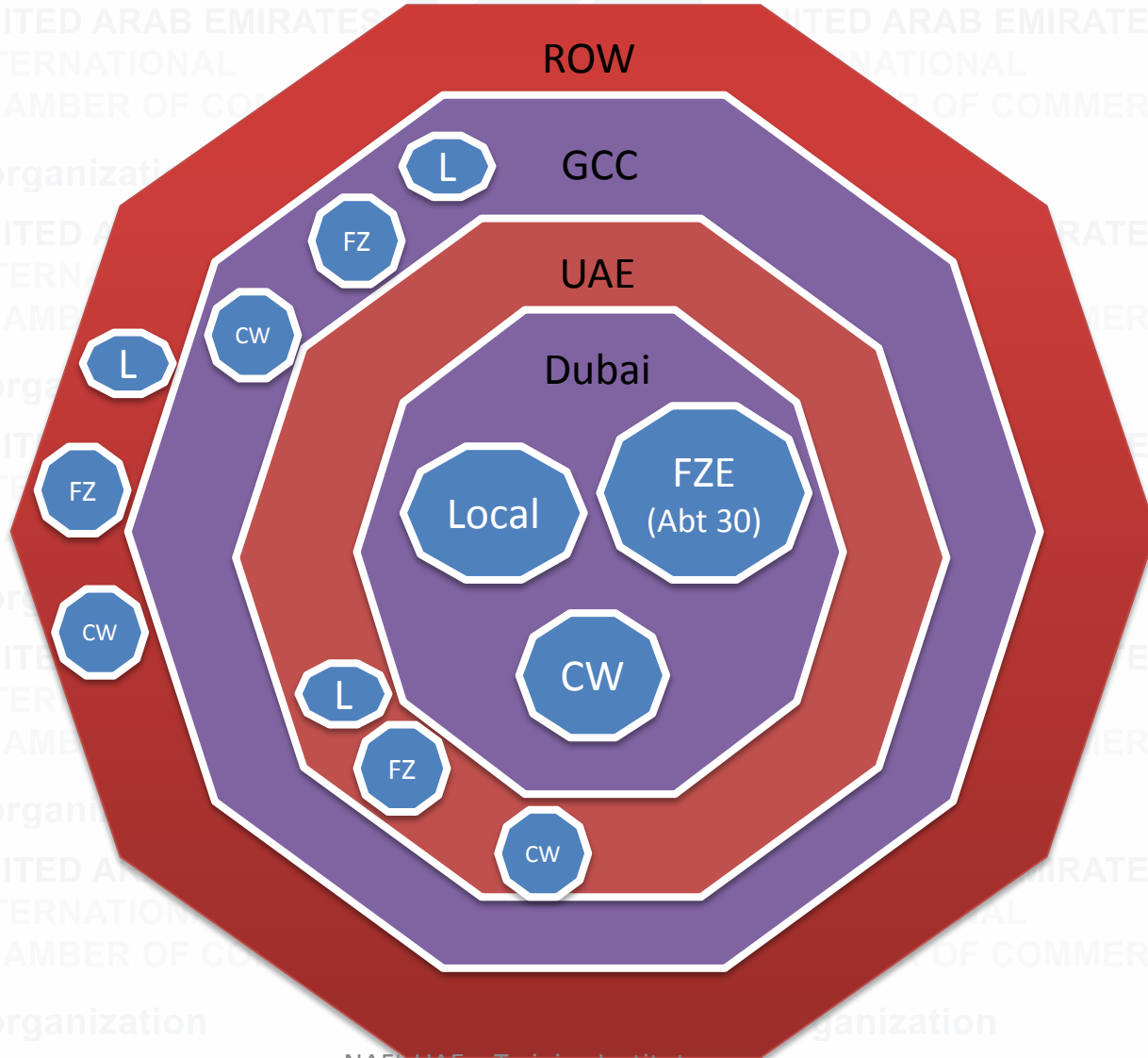
ROW



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Market – Dubai Customs Segmentation





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Shipping Documents

1. Original bill of lading (surrendered / express).
2. Original invoice.
3. Packing list.
4. Original certificate of origin.
5. Delivery Advise (Free Zones only)



Shipping Documents : Fields

Shipping Documents:

(Consign to IOR/ EOR) with below information:

- **Address to consignee**

XYZ Dubai LLC
PO Box 12345
Dubai, U.A.E.

- **Commercial Invoice**

- Shipper / Consignee (i.e. Supplier / Receiver)
- Commodity name
- HS Code for each line item
- Country of Origin
- Number of Packages / Pieces
- Weight / Volume
- Total Value / And Currency
- Shipping Terms (CIF or FOB etc.)

Packing List

- Shipper / Consignee (i.e. Supplier / Receiver)
- Commodity name
- HS Code & unique ID number for each line item (if available / as applicable)
- Country of Origin
- Number of package / Pieces
- Weight (Preferably in Kilos)
- Volume : Dimensions : LXWXH (preferably in CMS)

Commercial invoice and Packing list can be issued as a single document covering all the packing list details as well.

Suggested to always include any **additional documents** such as COO / Health Certificate/ Phytosanitary etc. (as applicable) along with the aforementioned

documents.

- **COO** must be either Engraved or Embossed or Stenciled or Labelled permanently on each physical item as this is a mandatory requirement from Customs

- For **Temporary Admission** the items must be clearly identifiable i.e. have the unique ID either Engraved or Embossed or Stenciled or Labelled permanently on each physical item as this is a mandatory requirement from Customs



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Customs Code

- Issued by the customs administration to the company for their customs transactional clearing.
- This is an ID issued by Dubai Customs to importers whose trade license permits them to import and export goods.
- Also known as importer / exporter code.
- Not to forget about the Valid Trade License issued from DED or FZA



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Goods : Descriptions

- **Goods** Any natural material or agricultural, animal, industrial or intellectual produce mentioned in the tariff nomenclature or may be classified under a tariff heading thereof.
- **Prohibited Goods** Any goods that import, export or movement of which is prohibited under the provisions of any law, notice, order or system issued by a legally authorized agency.
- **Restricted Goods** Those goods the import, export or movement of which is restricted under a system issued by a legally authorized agency.



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What is the Harmonized System (HS)?

- The Harmonized Commodity Description and Coding System generally referred to as "Harmonized System" or simply "HS" is a multipurpose international product nomenclature developed by the World Customs Organization (WCO).
- It comprises about 5,000 commodity groups; each identified by a six digit code, arranged in a legal and logical structure 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.
- The HS contributes to the harmonization of Customs and trade procedures, and the non-documentary trade data interchange in connection with such procedures, thus reducing the costs related to international trade.
- It is also extensively used by governments, international organizations and the private sector for many other purposes such as internal taxes, trade policies, monitoring of controlled goods, rules of origin, freight tariffs, transport statistics, price monitoring, quota controls, compilation of national accounts, and economic research and analysis. The HS is thus a universal economic language and code for goods, and an indispensable tool for international trade.
- The Harmonized System is governed by "The International Convention on the Harmonized Commodity Description and Coding System and the Brochure on Classification Decisions taken by the Harmonized System Committee.
- The maintenance of the HS is a WCO priority. This activity includes measures to secure uniform interpretation of the HS and its periodic updating in light of developments in technology and changes in trade patterns. The WCO manages this process through the Harmonized System Committee (representing the Contracting Parties to the HS Convention), which examines policy matters, takes decisions on classification questions, settles disputes and prepares amendments to the Explanatory Notes. The HS Committee also prepares amendments updating the HS every 5 – 6 years.
- Decisions concerning the interpretation and application of the Harmonized System, such as classification decisions and amendments to the Explanatory Notes or to the Compendium of Classification Opinions, become effective two months after the approval by the HS Committee. These are reflected in the amending supplements of the relevant [WCO Publications](#).
- <http://www.dubaitrade.ae/hs-code-search>
- <http://www.wcoomd.org/en/topics/nomenclature/overview/what-is-the-harmonized-system.aspx>




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<http://www.dubaitrade.ae/hs-code-search>

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 **HS Code Enquiry**

Detailed Consignment Description

Section (Category)

Chapter (Subcategory)

Headings

Contact Name

Company

Email Address

Contact Telephone No. (Include area code, eg. 02, 04, 06)

Fax Number



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Dubai Municipality - FIRS

- <https://www.dm.gov.ae/wps/wcm/connect/12ef96e0-f062-4cd4-bb0a-52f9c3fb2300/A.how+to+register+you+company+for+the+first+time+in+FIRS.PDF?MOD=AJPERES>
- <https://www.dm.gov.ae/wps/wcm/connect/2a153865-07d6-4ed1-a661-68f2990d3ac2/IMPORT+AND+RE-EXPORT+REQUIREMENTS+FOR+FOODSTUFF+Eng.pdf?MOD=AJPERES>
- FIRS = Food Import Re-export Services



wherever you go

INCOTERMS 2010

Service	"E" Dep.	"F" Main Carriage Unpaid			"C" Main Carriage Paid				"D" Arrival		
	EXW Ex-Works	FCA Free Carrier	FAS Free Alongside Ship	FOB Free Onboard	CFR Cost of Goods & Freight	CFI* Cost Insurance & Freight	CPT Carriage Paid To	CIP* Carriage Insurance Paid To	DAT Delivered At Terminal	DAP Delivered At Place	DDP Delivered Duty Paid

*Seller's obligation to provide and pay for at least minimum insurance.

** See below for details of Marine Insurance

Obligations of Importer (Buyer) and Exporter (Seller) and Charges

Service	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Warehouse Services	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Packing	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading at Point of Origin	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Inland Freight	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Port Receiving Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Clearance/Handling	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Ocean/Air Freight	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Charges at Foreign Port/Foreign Airport	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller
Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Customs Duties	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Delivery Charges to Final Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

Recommended Modes of Transportation

Mode	Term	
Any Mode Of Transport Including Multimodal	EXW	Ex-Works
	FCA	Free Carrier
	CPT	Carriage Paid To
	CIP	Carriage Insurance Paid To
	DAP	Delivered At Place
	DDP	Delivered Duty Paid
Air	FCA	Free Carrier
Rail	FCA	Free Carrier
	FAS	Free Alongside Ship
Ocean	FOB	Free Onboard
	CFR	Cost of Goods & Freight
	CFI	Cost Insurance & Freight
	DAT	Delivered At Terminal



wherever you go

Jebel Ali Free Zone
Near Gate # 4, Round About #6
Jebel Ali
Dubai
Tel: +97148059633
Fax: +97148059330
sudesh.chaturvedi@gac.com

Incoterms only relate to trade terms in the contract of sale between the buyer and seller and do not deal with the contract for carriage. The roles and responsibilities listed on this page can be altered/changed as long as there is an agreement between the buyer and seller. Only two Incoterms express when insurance is to be bought and issued - CIP and CIF.

** Goods are not insured unless independent arrangements have been made - GAC Logistics can now quote for marine insurance upon request



Common Customs law of GCC states

- Customs Union A union comprising the six GCC States having entered into force since 2003 with objective of removing inter-border points to achieve a common market
- Customs Union Bases Customs union is based on a common customs law and a unified customs tariff applicable towards outside world and approving the first entry point for collecting customs duties.
- Final Destination Mechanism The customs union approved the mechanism of collecting customs duties at the first entry point for the benefit of country of final destination during the interim period 2003 – 2007.
- Customs Transactions within Customs Union Consignments of goods within the customs union are divided into two types:
 - (1) Forwarded consignments.
 - (2) Consignments originating from the local market.
- Customs Duties Set Off The country of first entry point shall collect the customs duties on consignments of goods and deposit them in the customs union accounts for the purposes of setoff for the benefit of the country of final destination within the GCC states upon presenting a proof of arrival of such consignments in that country.



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Brief reference to AOE:

- * Incoterms and their application to Customs clearance
- * Delivery Order / FIRS / TRA / COO & GCC COO/ Health Certification / Legalization / Phyto-sanitary Certification / CITES/ Fumigation / Military Cargoes
- * Exchange BL / OBL endorsement
- * Forwarders STC and relative liability. (NAFL STC available for members)
- * Conformity Certificates
- * ATA Carnets / FIA - CPD Carnets
- * Makassa
- * Un-manifested Landing
- * Some Do's and Don'ts.



Principles of Cargo Insurance

Indemnify:

- “To replace that which has been lost”
- “To make good”

Insurable Interest:

1. Physical object
2. Exposed to peril in a maritime/air/land adventure
3. Insured has a legal relationship to the object (benefit from preservation of or are prejudiced by its loss)

**3
COMPONENT
PARTS**



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Why Insure? - Exporter

Competitive advantage in providing CIF/CIP:

- Cost to importer/control stays with exporter

Protection for exporter in CFR or FCA sales:

- Goods shipped but not paid for may not receive payment (damage, bankruptcy etc.)
- Goods or docs rejected at destination, insurance risk may revert to exporter
- “Seller’s Interest” insurance



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Why Insure? - Importer

- No hidden costs in CIF/CIP imports
- Coverage meets needs of importer
- Protection for importer of insuring with reputable insurer in Canada
 - Importer is the customer
 - Faster, more efficient claims process



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Why Insure? Freight Forwarder

Exporters or importers:

- Without insurance, forwarder will be expected to “help” obtain compensation for customer
- Importers and exporters don't know or understand carrier liability – they want to be indemnified
- Freight forwarders want customers to be competitive, to operate successful businesses and to be satisfied ...proper cargo insurance drives all three



Why Insure? - Everyone

- All carriers limit their liability
 - Possible to increase limitation by declaring value at time of shipment
 - Pay “valuation charges”
- High value cargo: Advised well in advance
 - Carrier can refuse the cargo or take the risk (by obtaining special insurance – passed on in form of higher freight rates)
 - Carrier can make security arrangements



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Types of Coverage

New Cargo Clauses

Institute Cargo
Clauses (A)

Institute Cargo
Clauses (B)

Institute Cargo
Clauses (C)

Old Cargo Clauses

All Risks

With Average (WA)

Free of Particular Average
(F.P.A.)



Risks

• Covered  Excluded

Fire or explosion

Vessel or craft stranded, sunk, burnt or capsized

Land conveyance overturned or derailed

Collision or contact of vessel, craft or conveyance
with any external object except water

Discharge of cargo at port of distress

Institute Cargo Clauses

	A	B	C
Fire or explosion			
Vessel or craft stranded, sunk, burnt or capsized			
Land conveyance overturned or derailed			
Collision or contact of vessel, craft or conveyance with any external object except water			
Discharge of cargo at port of distress			



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Risks

Institute Cargo Clauses

General Average Sacrifice

Jettison

Washing Overboard

Entry of sea, river or lake water into vessel,
craft, conveyance, container or place of storage

Total loss of any package lost overboard or dropped
while loading or unloading

Piracy

	A	B	C
General Average Sacrifice			
Jettison			
Washing Overboard			X
Entry of sea, river or lake water into vessel, craft, conveyance, container or place of storage			X
Total loss of any package lost overboard or dropped while loading or unloading			X
Piracy		X	X



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Risks

Institute Cargo Clauses

Earthquake, lightning or volcanic eruption





Malicious damage

Theft

Delay

Inherent Vice

Wilful misconduct of insured

	A	B	C
Earthquake, lightning or volcanic eruption			X
Malicious damage		X	X
Theft		X	X
Delay	X	X	X
Inherent Vice	X	X	X
Wilful misconduct of insured	X	X	X



Risks

Institute Cargo Clauses

War

Strikes, riots and civil commotions
(includes terrorists or political activists)

Use of atomic or nuclear weapon

Ordinary leakage, weight or volume loss, wear and tear

Insufficient or unsuitable packaging

Assured privy to un-seaworthiness of vessel,
conveyance, container at time of loading

Insolvency or financial default of vessel owners or
operators

A	B	C
X	X	X
X	X	X
X	X	X
X	X	X
X	X	X
X	X	X
X	X	X



Endorsements

- Modifies the insurance to include risks not covered in the basic policies by adding suitable clauses and paying additional premiums

**Free of Capture and
C.&S. Clause) Seizure
Clause (F.**

DELETED

**Free of Strikes, Riots
and Civil Commotions
Clause (F.S.R. & C.C.
Clause**

DELETED

ADDED or ENDORSED

Institute War Clauses

+ \$\$

ADDED or ENDORSED

Institute Strike Clauses

+ \$\$



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Coverage

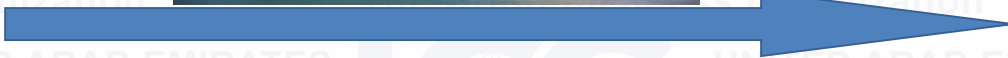
Policy usually includes “Warehouse to Warehouse” or “Extended Cover” clauses

- Coverage from time goods leave origin warehouse ... through ordinary transport by rail, truck, lighter, steamer, aircraft, vessel, other conveyance ... to warehouse at final destination.

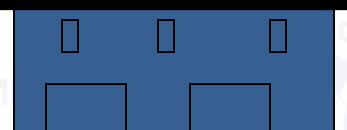


Coverage

Begins at place named
...



60 days from discharge



30 days from unloading

... and ends on delivery to consignee, warehouse of consignee or other for storage other than in ordinary course of transit ... or



Claims

- Notice of Intent to Claim/ Holding the concerned parties responsible to be sent immediately (to all potential responsible parties) including the Insurance company
- The insurer will need full and elaborate Claim details namely in the below format:
 - Place and Date of Incident
 - Origin and Destination
 - Name of actual claimant
 - Details of the alleged incident
 - Claim amount
 - Scope of work
 - Contract copy between Vendor and the client
 - Email exchanges between Vendor and the client
 - Necessary documents pertaining to the shipment
 - (BL, invoice, packing list, delivery order, receipt, proof of payment, Pictures, Police Report (if applicable) etc.)
- Surveyor (Independent 3rd Party) might be nominated on case to case basis.
- Once all papers in order the Claim (within Time bar) will get filed for final review and settlement.



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Q&A





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Getting the things done
right, the first time itself,
is Quality!



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Thank You!