

THE INCOTERMS DILEMMA BETWEEN MDUNDO CO. LTD AND THE GOVERNMENT OF MDAU

Mdundo Freight Ltd is an International limited company incorporated since 1986 offering transport and custom-tailored logistic solutions to its wide range of clients. Mdundo Freight is backed by over 30 years of solid experience and reputation in the hands of a formidable winning team of highly skilled and motivated workforce able to work beyond normal working boundaries to ensure timely and prompt clearance and delivery of cargo to customers. Its track record is unquestionable as it has worked with various local and international organizations / foreign firms. Currently, the company operates across countries in Africa and Asia. The most notable routes are Tanzania – Kenya – South Africa – China – India – Indonesia. The company is planning to go to the South American continent in the next few years.

The company is experienced in all aspects of customs clearance on imports and exports by sea, road, and air, offering reliable, efficient, and cost-effective service. It processes documentation and regularly reporting to its principals on each level of documentation and movement of cargo to final delivery.

Since June 2021 the company has started negotiation with the government of MdaU to transport the cashew nuts from the southern zone of MdaU to Far-East countries in Asia. The essence of this ongoing negotiation is to ensure that the Cashew nut farmers receive better prices of their cashew nuts and the Mdundo Freight Ltd has a better profit margin from the business.

One among the area of negotiation is agreement on the type of International Commercial Terms (INCOTERM) to be used. INCOTERMS are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC) relating to international commercial law. They are widely used in international commercial transactions or procurement processes and their use is encouraged by trade councils, courts and international laws. The INCOTERMS rules are intended primarily to clearly communicate the tasks, costs, and risks associated with the global or international transportation and delivery of goods.

The government of MdaU is insisting on using the Cost, Insurance, and Freight (CIF) contract term while Mdundo Freight Company Ltd prefer Cost and Freight (CFR).

As a general rule, buyers should understand Incoterms, with an awareness that these rules don't cover the full scope of international procurement. Incoterms set the standards, but they don't set the rules for title transfer, quality control, or other important factors. Knowing this in mind, the parties are still in critical discussion to agree on which contract term to apply.