SOME ASPECTS OF THE MODEL OF INTERRELATIONSHIP BETWEEN CONTRACTS OF SALE OF GOODS AND CONTRACT OF CARRIAGE BY SEA, ALSO THE ROLE OF BILL OF LADING IN INTERNATIONAL TRADE

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Study in Support of International Trade and Maritime Commercial Practice

Abstract

This article examines the model of a chain of commercial contracts for the international purchase and sale of a commodity that is transported by waterborne transport provided by an intermediary trading company that purchases the traded commodity from its exporter and accordingly resells the commodity to the importing buyer. On the other hand, the intermediate trading company concludes the charter for the carriage of the goods with a company that is not the actual owner of the ship. In this scenario, a series of contracts govern both the purchase and sale of the goods, as well as the carriage of the traded goods, for which the carrier issues a bill of lading. The transport document is used when paying for the goods, which is done with a transferable letter of credit, and also end-buyers receive the goods from the carrier.

Keywords: Purchase and Sale Contract; Charter party; Chain of commercial contracts for sale of goods and maritime transport services; Bill of lading

1.Introduction

The contract for the purchase and sale of goods, which determines which party will provide the international transport, plays a leading role in international trade. In cases where the international transport of the goods is planned to be carried out by water transport, the appropriate INCOTERM is chosen: FAS, FOB, CFR, CIF, or DAP.[1] It is common practice for international trading companies, as middlemen, to buy FOB and sell CIF. In this situation, the middleman hires a suitable ship with the relevant conditions for transportation—in this case, free IN/OUT. A charter for the transportation of traded goods can be concluded with the ship owner or with dispersed owners who are not actual shipowners but operate the vessel on a bareboat charter or time charter. After the completion of the loading, the carriers issue a Bill of Lading, which is given to the consignor in exchange for the goods. The consignor presents the bill of lading to his or her bank to get the agreed price. The same should be done by the intermediate trader, who pays the freight and receives the sale price of the goods from the end buyer. The end buyer receives the bill of lading from his bank and presents it to the master of the carrying vessel to get the goods.

2.The model of interrelationship between sale contracts of goods and contracts of carriage, also the role of Bill of Lading (fig. 1)

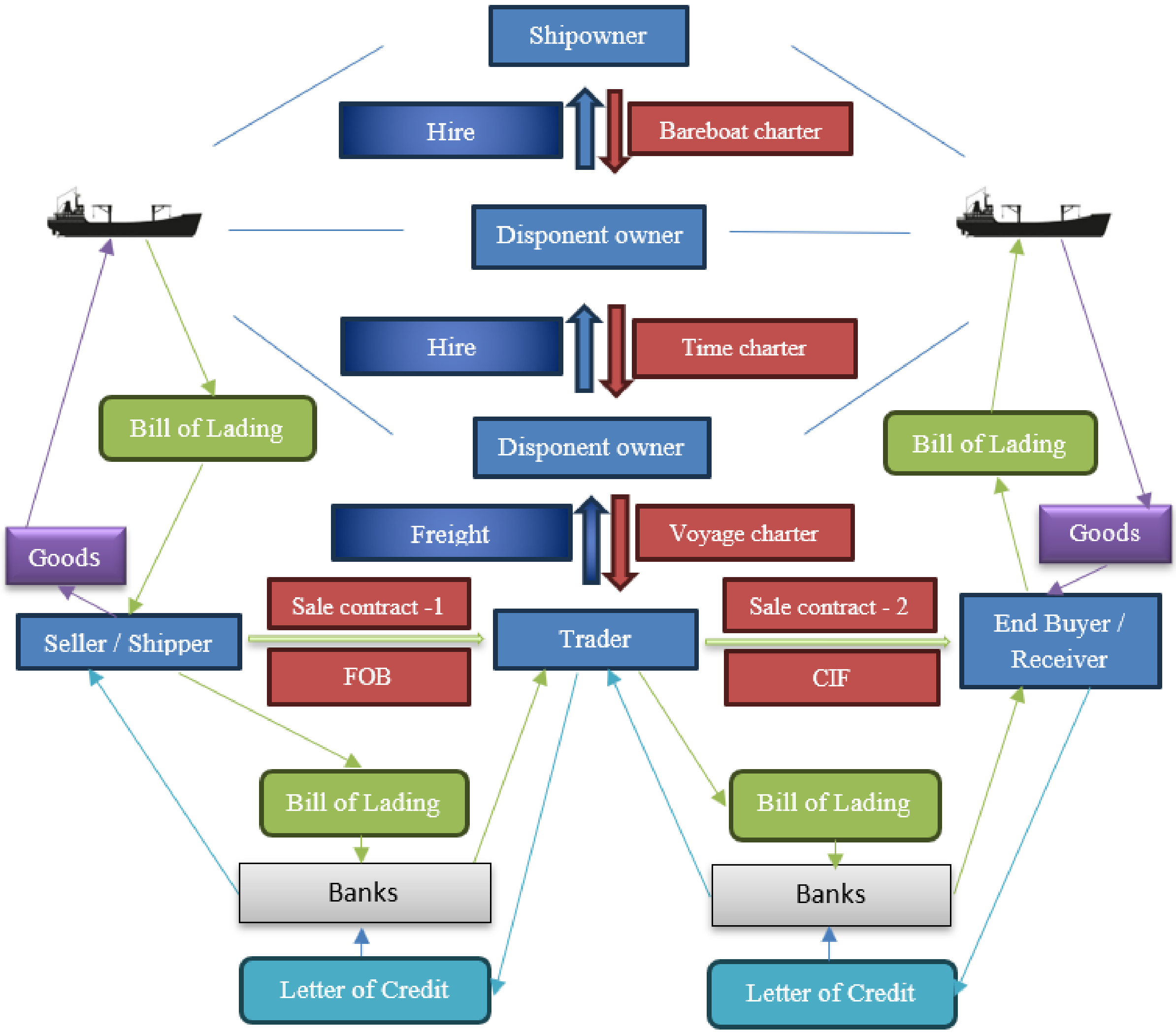

Fig. 1 - model of interrelationship between sale contracts of goods and contracts of carriage, also the role of Bill of Lading

2.1. Chain of Purchase and Sale contracts

The focus of the model is the intermediate trader, who is the party and driving force in the entire contract chain for the purchase, sale, and transport of the goods from the exporter's port to the importer's port. Bank payments for the goods and international sea transport facilitate the actual realization of the trade. The two commercial contracts for the purchase and sale of the goods reveal either two letters of credit or just one transferable. Under a selected system of payment through a transferable letter of credit, the intermediate trading company uses part of the funds from the letter of credit of the final buyer. Through the transferable letter of credit, the intermediate trader transfers to the exporter the amount due at the export price of the goods, i.e., by using the transferable letter of credit of the final buyer, the bank of the intermediate trader pays the exporter's price, leaving in the account of the intermediate trader the necessary amount to pay for the shipment and the planned profit from the transaction.

2.2. Chain of contracts for carriage by sea

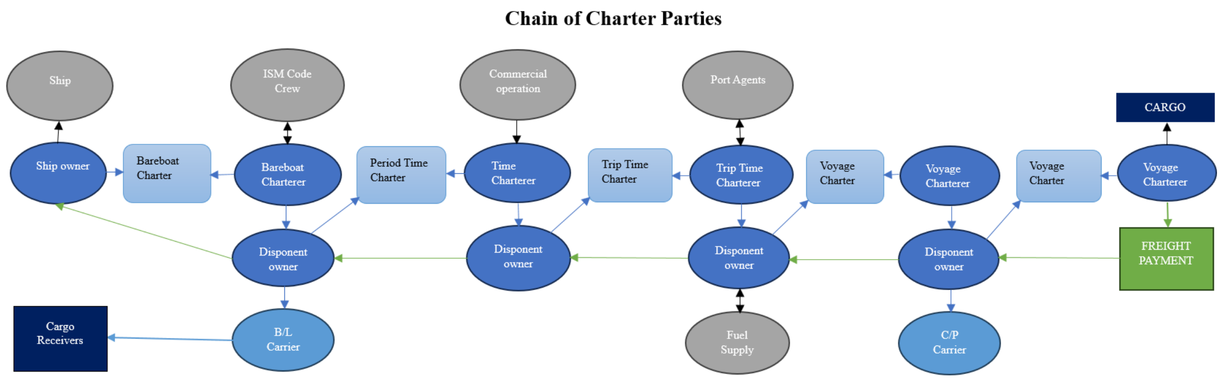

Fig.2. Chain of contracts for carriage by sea

Figure 2 is a basic scheme of chain of contracts for carriage by sea (or chain of charter parties)

In the presented model, water transport is carried out by a chain of contracts for carriage by sea a bareboat charter, a time charter, and a voyage charter. The intermediate trader responsible for the carriage of the goods under the two commercial contracts concluded the Voyage Charter. The Voyage Charter carrier is actually the Time Charterer of the vessel who got the ship on Time Charterer. On the other hand, Time Charterer hired the vessel from Bareboat Charterer. The bareboat charterer has hired the vessel from its actual owner. The intermediate merchant pays the freight under the Voyage Charter.[2]

2.3.Bill of Lading

The role of the bill of lading is crucial because all bank payments related to both sale and purchase contracts are affected by the presentation of the original bill of lading. The end buyer receives the original bill of lading from his bank and presents it to the master of the carrying vessel in order to receive the goods.[3]

3. Conclusion

The transport document (bill of lading) implements the interaction between the commercial contract and the transport contract also participates in the payment mechanism (transferable letter of credit) between the traders under the contract for the purchase and sale of the goods.

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