From the fact of question the issued has been identified and discussed in turn such as

1. FOB and CIF term of contract of its form, applications and right and duty.
2. The effect and essence of the Bill of Lading in CIF and FOB
3. The payment method of international sale of contract
4. The duties, right, obligation and liabilities of the buyer, seller and carrier under international sale of contract

Right and obligation under Strict Fob term:

Under a FOB contract KCE may exercise control over the choice of carrier/vessel but he also must bear the risk of changes in the cost of the carriage and also take the responsibility of making carriage arrangement. The essential obligation of the parties under FOB contract were described in Winble,Sons & Co v Roseberg[1].where the CEL obligation is to put the goods on the board and confirmed and pay all the charges in connection with loading. The price naturally includes covering this cost but the advantage for KTC is that he does not have to concern himself with loading of the goods as this is CEL responsibility.
On regarding the nomination of the ship, where CEL is not obliged to book for the shipping space in advance, on this regard KCE is obliged to nominate the ship and contractual port of loading has become identified, these steps usually taken by buyer (KTC) see inCunningham ltd v Robert A.Munro & co Ltd[2].
Prima facie it is the KTC option on what date the goods are to be loaded. This time of nomination is usually the essence and must be effective failure to do so with in due time then the CEL entitle to claim damages and the contract will be repudiated Bunge Corpn v Tradax Export SA[3].
In FOB terms the property passes when the goods pass over the ship's or rail and the risk will pass at the same time. So the buyer will be at risk when the goods will be on the voyage at the sea. The seller only bears the risk until the point when he loads the goods on board. However if CEL agrees to deliver goods on board which is nominated by the KTC on the nominated port and ship at that time goods are risk on KTC, however CEL makes the contract of carriage in classic FOB (Devlin J) stated that the buyer (KTC) nominated the ship and seller (CEL) makes contract of carriage, after loading seller is given BOL which is sends to Buyer, where buyer is now constructive possession of goods which he can collect at the pot of destination. In the modern variant of FOB is "FOB buyer contracting with carrier" so that Seller get mate receipt after loading rather than BOL, which sent to Buyer who get BOL., the variation of FOB, again seller makes contract of carriage and has BOL in his name i.e reservation of title ,so that seller would normally insure also.

Under the Section 32(3)Sale of Goods Act 1979, the seller(CEL) has obligation to notice the buyer(KTC) that the goods were being sends by the sea, as KTC nominate the ship and loading time so he ought to possess all the information which is enable him to arrange insurance, Wimble,Sons & Co Ltd v Rosenberg & Sons[4].

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[1] [1913]1 KB 279
[2] [1922]28 COM Cas 42
[3] [1981]2 ALL ER513
[4] [1913]3 KB 743

On the other hand under S32(3) SGA, where goods sent from seller to buyer by route involving sea transit, at that time seller must give notice to the buyer which would enable buyer to insure the goods(ie name of ship, particular of goods and port of departure and destination),if seller fail to give buyer such notice, then goods remain at seller risk during sea transit.
During the loading of the goods the consignor is issued with the document called a 'mate receipt' which normally acknowledges as a receipt of the goods which contains itemised as to quantity, description and confirmed to be in apparent goods order and condition. As the contract is FOB term so this document will be given to the seller who will receive on the behalf of the buyer and payment will be made in exchange for this document.
Prima Facie the goods pass when the property passes and the property pass when the intention passes between the parties, this presumed intention of the parties is governed by the r5 and (2) of the section 18 of the Sale of the Goods Act 1979. however the problem may arises where the bill of lading is being made out to the order of the seller which is usually arises in the extended FOB contract or through made out to the buyer(KTC) is retained by the seller, eg pending payment of the price.
One may argue that whether the seller have a right to disposed by negating an unconditional appropriation of the goods to the contract which preventing the property to be passing under the Sale of the goods Act.
It has being suggested that this matter is entirely on the intention of the parties, by taking possession of the bill of lading or did the CEL intend merely to retain the goods as constructive possession.
On the other hand if the CEL procures a bill of lading by which the goods are deliverable in order of himself or his agent is deemed to reserve the right of disposal, which is governed by the statue under section 19(2)Sale of Goods Act.
In case of any selling contract the risk always possess either from the buyer or from the seller which is common to any contract. However as far as our question concern the subject of the risk is not escapable.
In the FOB contract the risk usually passes to the buyer (KTC) on the shipment even through the seller (CEL) has retained the bill of lading, even if he intended to reserve the right of disposal. Williams v Cohen5 . Nevertheless if the KTC accept the shipping document relating to the goods that are only quasi specific then the risk may pass to him even though the property does not Sterns Ltd v Vickers Ltd6, "if goods whole is lost or damages, a question may arise as to the incident of the risk. However this Act does not contain to the incidence of risk in relation to the bulk, since it is passing of the risk in relation to the goods that are to be transferred to the buyer under the contract of sale".
The buyer (KTC) can reject the document and goods, where if both are found to be conformity with the contract, even if the buyer accepts the documents he may subsequently reject the goods for unconformity with the contract and which is not apparent from the document.

DOCUMANTARY OF CREDIT

From the question of fact it appears that there was selling contract between the parties where they agreed to make a payment through documentary credit.
Documentary of credit provide security to the seller by giving assurance before making the shipping arrangement that seller would be paid after the shipment. Prima facie this document of credit is often referred to as a letter of credit or a commercial credit.

[5] [1871] 25 LT 300
[6] [1923]1 kb 78

A documentary credit is the most important part in international selling contract, where a bank plays an important role on the assurance of the payment against the presentment of specified document. It is defined by UCP 600 Art 2 as: "A documentary credit is 'any arrangement, however named or described, that is irrevocable and thereby constitutes a definite undertaking of the issuing bank (the bank that issues a credit at the request of an applicant or on its own behalf) to honour a complying presentation"

So the applicant KTC would be the buyer of the goods and the seller CEL would be the beneficiary of the documentary credit. "Seller is hereafter used for convenience to denote the beneficiary, through the letter of credit is not always issued to the seller himself but may, at his request, be opened in favour of a third party"

Here, KTC need to make an application for the credit were requesting a bank in his own country(the 'issuing' bank) to open a documentary credit in favour of CEL on terms specified by the KTC instruction.

The issuing bank opens an irrevocable credit by its terms undertakes to pay the contract payment or to incur a deferred payment or to accept a bill of exchange which will drawn by the CEL. The issuing bank may open the credit by sending it direct to the CEL or alternatively the issuing bank may arrange for a bank in the CEL country (the 'advising' or 'correspondent's bank) to advise the CEL that the credit has been opened. After that the issuing bank may ask the advising bank to add its 'confirmation' to the credit, then the advising bank gives the CEL a separate payment undertaking in terms similar to that given by the issuing bank. Then CEL need to ship the goods provided the letter of credit conforms to the contract of sale, on the other hand CEL may entitle to reject the letter of credit if it is not in conformity with the contract of sale.

After goods ship CEL need to presents the documents which stipulated by the terms of the credit and the sale contract to the correspondent bank. Typically he will require presenting a bill of lading showing the goods have been shipped.

Generally if the issuing bank has no branch in the seller's country, he may therefore require the KTC to arrange a confirmed credit, in which case the correspondence bank will not only notifies the seller on regarding open the credit but also confirmed the issuing bank's payment undertaking. Therefore the CEL has benefit of payment undertaking from both the issuing and confirming banks and has the security provided by his home jurisdiction. Normally the correspondent bank will confirm a credit which is irrevocable. The confirming bank will have to be paid for adding its confirmation so that the confirmed credit will cost the KTC more than an unconfirmed credit.

On the other hand the irrevocable credit cannot be revoke even if the buyer request for revocation, unless there is clear evidence of fraud by the seller. Revocable credit is very rare, so rare that a revocable credit is not a credit for the purposes of the UCP. So this is another advantage for the CEL that has sufficient bargaining power he will therefore insist on the buyer (KTC) opening an irrevocable credit, where the issuing bank can modify or cancel the payment at any time without the notice of the beneficiary and UPC 600 only applies to irrevocable credit with is not apply to the revocable credit.

A credit which is not indicate whether it is revocable or irrevocable on that occasion it deemed to be irrevocable credit, UPC 600,art 3,however it cannot be used to argue that the credit must be irrevocable. because a revocable credit offer no security to the seller, nevertheless there is strong possible presumption that the parties intend the credit to be irrevocable.

Right and obligation under CIF contract

Under CIF contract the seller (CEL) is responsible for the supplying the goods, insuring and shipped them. A CIF contract is not only involves the CEL entering into sale of contract but also at a later date, insurance and carriage contract. Therefore the seller (CEL) fixes a price to cover all these costs and he will also carries the risk of fluctuations in insurance and fright costs. The seller is also responsible for the transportation and insurance cover to a named port of destination, where the buyer agrees to pay not against the delivery of the goods but against the shipping document. This is perhaps the indication that such contract may in fact be a contract for the sale of document. The seller need to be fulfilled his part by tendering the correct document and he does not have to ensure the arrival of the goods. Therefore he can demand payment on tender of the document. The documents which play a central role in the CIF contract give the contract its special characteristics which make a contract for the sale of documents. The seller (CEL) performs the contract by tendering to the buyer the bill of lading, insurance policy and invoice (together with any other documents required by the contract, such as a certificate of quality or origin).

The most important document in the CIF term of contract is bill of lading, the exclusivity of the bill of lading is attributable partly the court recognize as a new form of negotiable document and partly to the carriage of goods by sea 1971,which embodies the Hagues Visby rules which imposes the carrier obligation. Bill of lading setting out the identification and detail of the goods, the transfer of the bill of lading operated to transfer the holder's contractual right against the carrier to the transferee, where the goods are agreed to be sold under a contract of sale which govern the contract under the transfer of the property of the goods,S17 of the SOGA 1979.

The parties may agree expressly or impliedly which is produce result is the transfer of the bill of lading, but in such case the contract of sale is not transfer the bill of lading as such which operate the transfer of the property. These documents represent the goods, and protect the buyer against most risks of loss during transit. They also enable him to deal with the goods before they arrive at the port of destination. If the goods shipped on good condition, it must be mention on the face of the bill of lading as a evidence, however it is not treated as caused by reason of notations showing damages to the goods after the shipment and the insurance will work from the time shipment were being made.

Transfer the bill of lading operates as constructive delivery of the goods and may pass to the buyer title to the goods, the right to obtain possession, and rights of action against the carrier in the event of loss, delay etc; the policy of insurance gives protection against the perils of the sea. This important document is illustrated by the rule that allows the CEL to tender documents even after the goods they represent have been damages or lost.

Similarly, if the documents conform to the contract, the KTC must accept them; if he rejects them he is in breach of contract even if the goods themselves do not comply with the contract when they arrive, although if the documents have been accepted, the KTC may reject the goods themselves if they prove unidentified, defective, and not satisfactory quality and the purpose of buying, which is govern by the Sale of goods Act 1979 s(13) &(14), which is breach of condition. On the breach of condition, buyer can reject the good and can claim for damages.

Here in order to regulate the shipment of goods, the international shipping community set out numbers of duties and the liabilities of the parties to the carriage contract. There are three different set of rules such as, Hague rules 1924, the Hague Visby Rules 1968/1979 and Hamburg rules.

The application of the Hague Visby Rules is determined by a combination of art I and X of the rules and the 1971 Act., there are three main requirement for the application of the articles of the rules.
Firstly, contract of the carriage must be covered by a bill of lading or any similar document of title under, Art 1(b) and carriage of goods by sea act 1971 s1(4),the 'covered by a bill of lading' mean carriage of contract expressly or impliedly provides the issuance of bill of lading which is the evidence of the contract of carriage. However these rules will not apply if the contract is based on specimen bill of lading which is not intended to embody the term o f the contract.
Secondly, the bill of lading must relate to the carriage of goods between ports in two different states and finally the contract must either have specified connection with a contracting state or the rules or relevant legislation imposing the rules govern the contract.
Under Hagues Visby rules Art iii,rule 1, stated "that carrier is bound before and at the beginning of the voyage to exercise due diligence to make ship seaworthy, properly man and supply the ship make all of the holds, containers and other places" where the goods will be fit and safe for the reception and carriage and preservation of the goods. However these duties are not strict in the common law but carrier has to exercise due diligence. If carrier who exercise due diligence is not liable for any loss or damages caused to the cargo resulting form the unseaworthiness of the vessel. The goods must be properly and carefully to load, handle, stow (Art III,, r 2.).

After receiving the cargo the carrier or master or agent of the carrier is required on the shipper's demand to issue a bill of lading showing, leading marks of identification, quantities or weight and apparent order and condition of the goods.(Art. III, r1)
In the Art IV of the HVR excludes the owner from liability for loss or damage arising from the act like cover Act, neglect, or default of the master, mariner, pilot, or the servants of the carrier in the navigation or in the management of the ship, Fire, unless caused by the actual fault or privity of the carrier.

The shipper can bring contractual action against the carrier under the Carriage of Goods by sea 1992 if the goods found to be partly or wholly damages during the sea transit. Under S(1) the act define the terms bill of lading, sea waybill and delivery order. The act also provide the lawful holder of a bill of lading or the person entitle to delivery under a sea way bill shall have transferred and vested all right of suit and the right are transferrable under s(2) the act extinguishes any right to enforce the contract which is previously vested in any other person.. where right are transferred to a person under S(2) that person also become liable under the contract as if he was an original contracting party if he takes or demand delivery of the goods and makes a claim under the contract of carriage and he also took demanded delivery before the right under the contract were vested on him..

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