



## **INCOTERMS 2000**

The International Chamber of Commerce (ICC) rules for:

The interpretation of the delivery terms in use in foreign trade contracts between the seller & buyer. They provide the parameters of responsibility between the seller & the buyer.

Incoterms are descriptions of terms of delivery of goods between seller and buyer. They describe points at which responsibility for costs and liability for risks pass from the seller to the buyer.

In addition, they describe the obligation, which devolve upon the seller prior to the arrival of the goods at that point, and the complementary obligation, which devolve upon the buyer after that point.

Put in a simple sentence, they concern themselves with “responsibilities” and “rules”. They do not touch the question of terms of payments nor of method of payment, nor do they touch the question of ownership. It would be quite incorrect to assume that ownership passes from seller to buyer at a point mentioned in the Incoterms.

## **PURPOSE OF INCOTERMS**

Incoterms provide a set of international rules for the interpretation of the most commonly used trade terms in foreign trade. The uncertainties of different interpretations of such terms in different countries may now be avoided and reduced or even eliminated.

Parties to a contract are frequently unaware of different trading practices in their respective countries.

The ICC first published a set of international rules in 1936 known as Incoterms and amendments and additions were subsequently made 6 times, the most recent in 2000.

The 1990 revision came about in order to adapt terms to the increasing use of electronic data interchange (EDI). This latest version has made it possible for parties to provide various documents e.g. commercial invoices, documents that are needed for customs clearance or for proof of delivery and transport documents. problems tend to arise with EDI where sellers have to present a negotiable transport document viz. bill of lading, as it is frequently used for the purpose of selling the goods while in still in transit. These situations make it vital for the buyer to ensure he has the same legal Position as though he had received a tangible bill of lading form the seller.



In addition the revision has allowed for the change in transportation techniques viz. unitisation of cargo in containers, multi-model transport and roll-on roll-off traffic with vehicles.

In the 2000 Incoterms the term “Free Carrier named place” (FCA) is adapted to suit all types of transport irrespective of the mode and combination of different modes. Therefore, FOR / FOT and FOB Airport have been removed.

Under Incoterms 2000 changes have been made in three areas:

1. The customs clearance and payment of duty obligations under FAS and DEQ, and
2. The loading and unloading obligations under FCA.
3. “where applicable” has been added to references of ‘customs clearance’ for use in free trade areas (e.g. European Union)

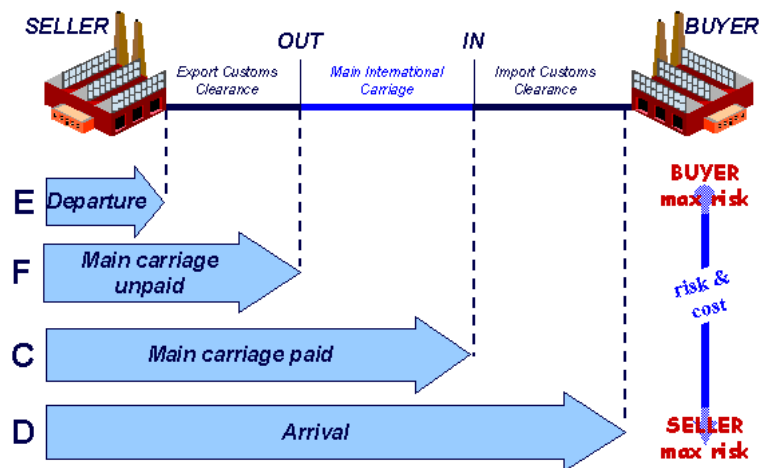
The terms have been grouped in four categories:

<b>E Terms</b>	The only terms where the seller makes the goods available to the buyer at the seller’s own premises. This is the term which places the minimum responsibility upon the seller and the maximum responsibility upon the buyer.
<b>F Terms</b>	The seller is called upon to deliver the goods to a carrier appointed by the buyer: Note that under the “F” term, the seller is not responsible for the main form of carriage.
<b>C Terms</b>	The seller has to contract for carriage, but without assuming the risk of loss of or damage to the goods, or additional cost incurred after shipment and dispatch.
<b>D Terms</b>	These last five terms all place increasing responsibility upon the seller of the goods until finally – if using DDP – he becomes totally responsible for all activities up to the delivery of the goods cleared through customs with all duties paid at a named point in the destination country (which will usually be the buyer’s premises). The seller has to bear all costs and risks required to bring the goods to the country of destination.



GROUPS	TERMS	DESCRIPTION
<b>GROUP E</b> Departure	<b>EXW</b>	Ex Works
<b>GROUP F</b> Main Carriage Unpaid	<b>FOB</b> <b>FAS</b> <b>FCA</b>	Free On Board Free Alongside Ship Free Carrier
<b>GROUP C</b> Main Carriage Paid	<b>CFR</b> <b>CIF</b> <b>CPT</b> <b>CIP</b>	Cost and Freight Cost, Insurance and Freight Carriage Paid To Carriage and Insurance Paid To
<b>GROUP D</b> Arrival	<b>DAF</b> <b>DES</b> <b>DEQ</b> <b>DDU</b> <b>DDP</b>	Delivered at Frontier Delivered Ex Ship Delivered Ex Quay Delivered Duty Unpaid Delivered Duty Paid

## INCOTERMS 2000 - GROUPS

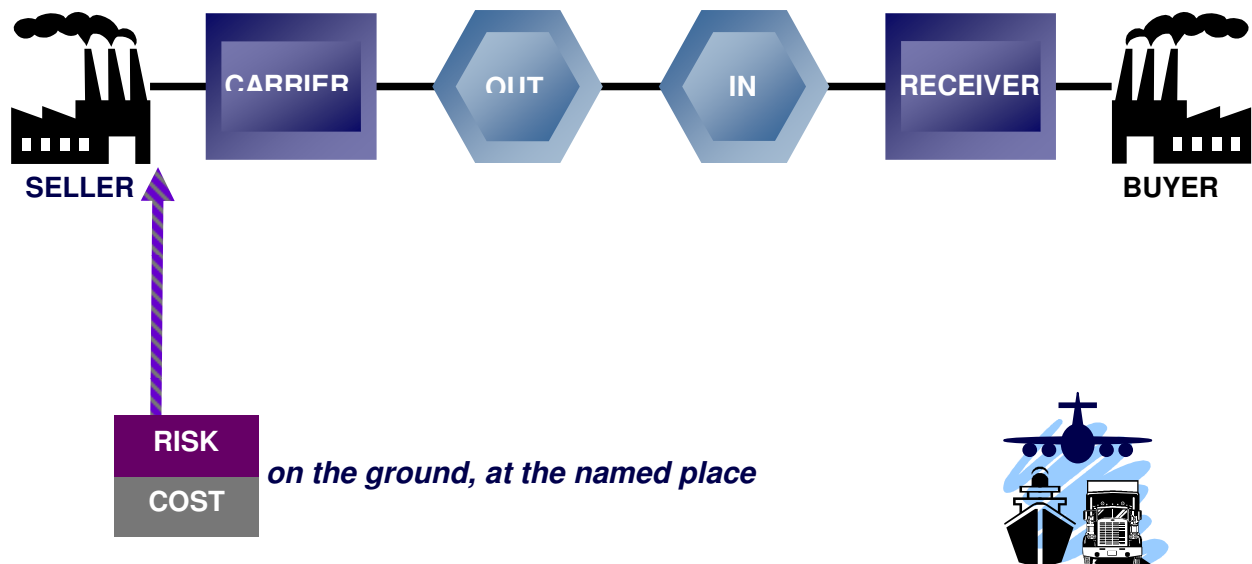


Both parties to an international contract must recognize the importance of intercommunication. The seller for his part must provide timely warning to the buyer prior to the moment when the responsibility for costs and for risks will pass from the seller to the buyer. This is important to the buyer so that he can ensure firstly, that there is no hitch in the forward movement of the goods, secondly, that needless expenses do not arise for his account, and thirdly, that he has sufficient warning to ensure that the risks in the goods will pass to him.

The buyer, for his part, must ensure that his instructions in respect of all matters for which the seller must assume responsibility are timorously transmitted.

## EX WORKS:

### EXW (...named place)

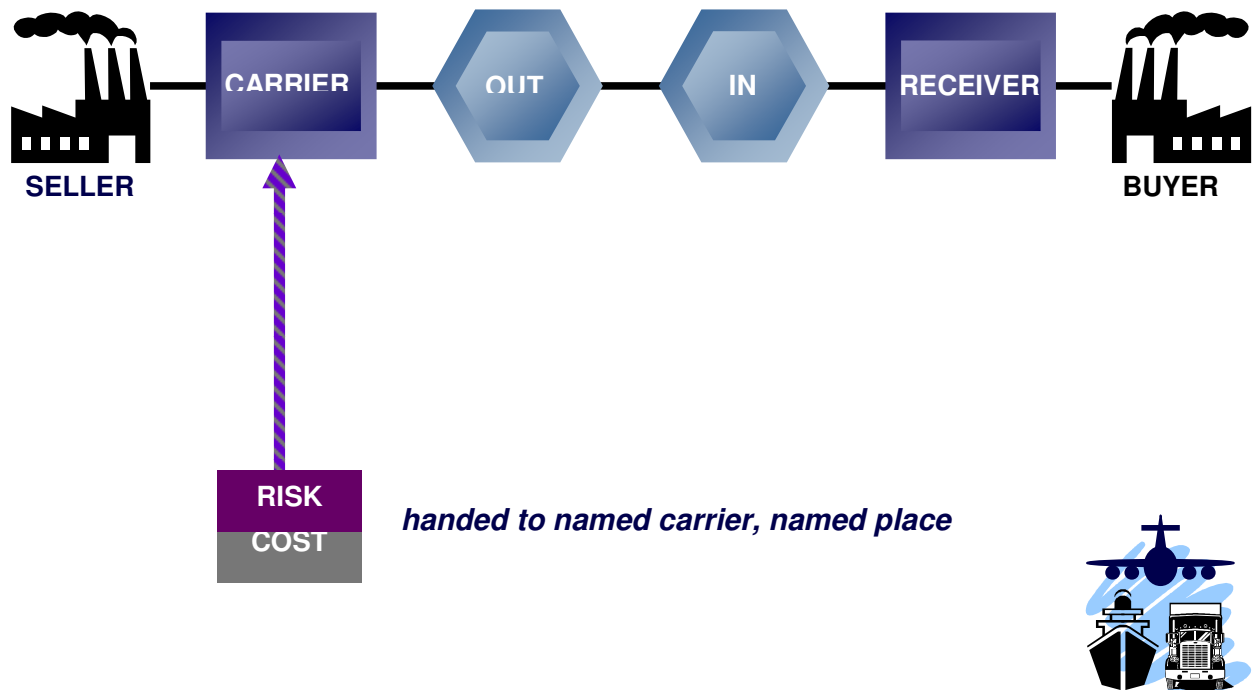


“Ex works” means that the **seller** fulfils his obligation to deliver when he has made the goods available at his premises (i.e. works, factory, warehouse, etc.) to the buyer. In particular, he is not responsible for loading the goods on the vehicle provided by the buyer or for clearing the goods for export, unless otherwise agreed.

The **buyer** bears all costs and risks involved in taking the goods from the seller premises to the desired destination. This term thus represents the minimum obligation for the seller and the maximum for the buyer.

## FREE CARRIER:

FCA (...named place)

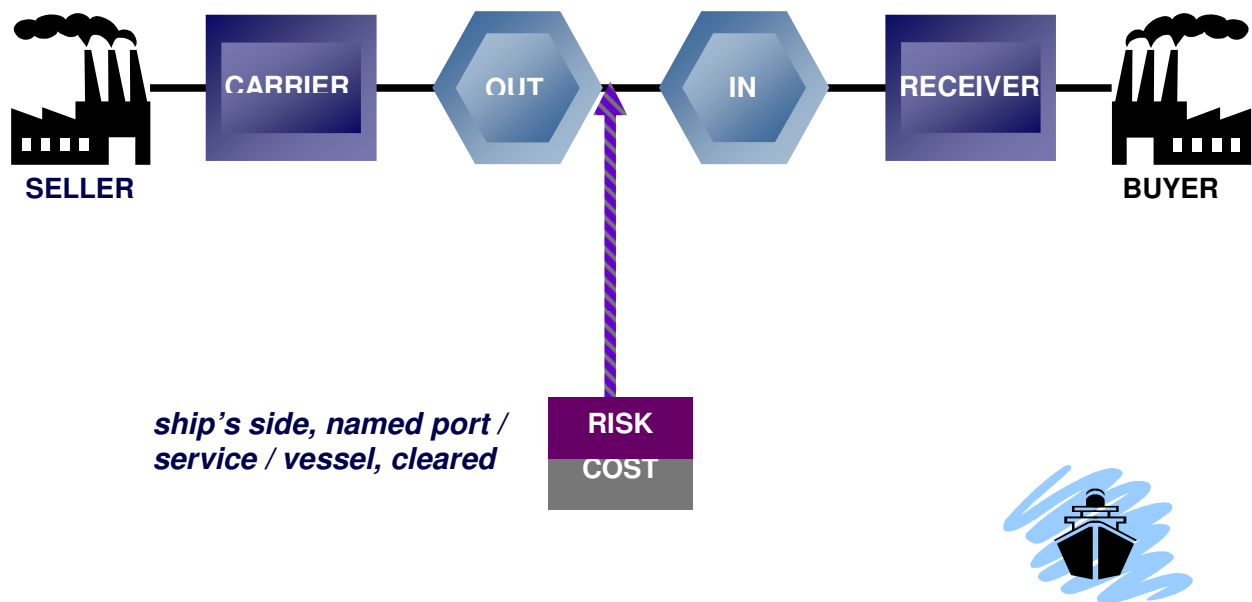


“Free Carrier” means that the **seller** fulfils his obligation to deliver when he has handed over the goods, cleared for export, into the charge of the carrier named by the buyer at the named place or point. If no precise point is indicated by the buyer, the seller may choose within the place or range stipulated where the carrier shall take the goods into his charge. It should be noted that under Incoterms 2000, the chosen place of delivery has an impact on the obligations of loading and unloading the goods at that place. If delivery occurs at the seller’s premises, the seller is responsible for loading of the cargo.

This term may be used for any mode of transport, including multi-modal transport. “Carrier” means any person who, in a contract of carriage, undertakes to perform or to procure the performance of carriage by rail, road, sea, air, inland waterway or by a combination of such modes. If the buyer instructs the seller to deliver the cargo to a person, e.g. a freight forwarder who is not a “carrier”, the seller is deemed to have fulfilled his obligation to deliver the goods when they are in the custody of that person.

## FREE ALONGSIDE SHIP:

FAS (...named Port of shipment)



“Free Alongside Ship” means that the seller fulfils his obligation to deliver when the goods have been placed alongside the vessel on the quay or in lighters at the named port of shipment. This means that the buyer has to bear all costs and risks of loss of or damage to the goods from that moment.

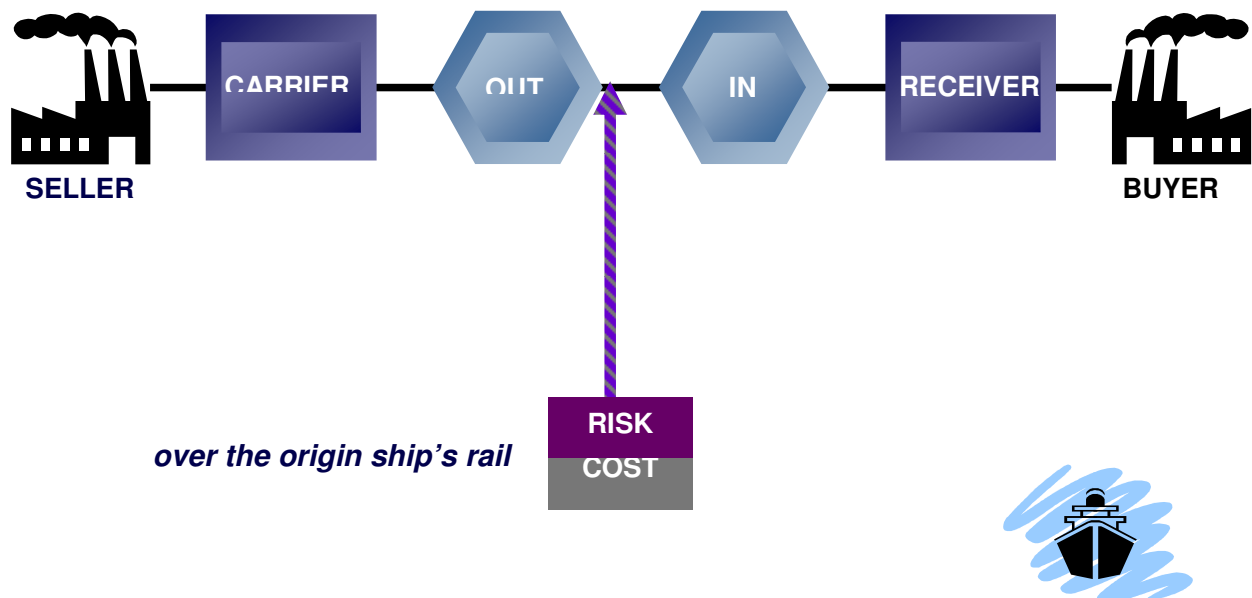
Under Incoterms 2000, the FAS term requires the seller to clear the goods for export. In the past, this was the responsibility of the buyer.

This term can only be used for sea or inland waterway transport.



## FREE ON BOARD:

FOB (...named Port of shipment)



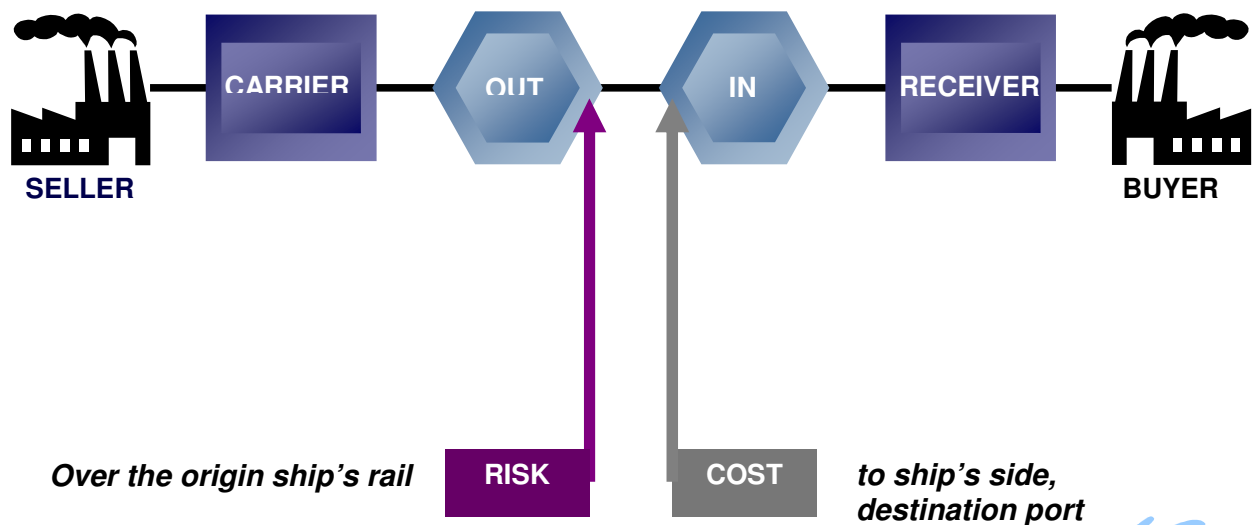
“Free on Board” means that the **seller** fulfils his obligation to deliver when the goods have passed over the ship’s rail at the named port of shipment. This means that the **buyer** has to bear all costs and risks of loss of or damage to the goods from that point.

The FOB term requires the seller to clear the goods for export.

This term can only be used for sea or inland waterway transport. When the ship’s rail serves no practical purpose, such as in the case of roll-on / roll-off, the FCA term is more appropriate to use.

## COST AND FREIGHT:

CFR (...named Port of destination)



“Cost and Freight” means that the **seller** must pay the costs and freight necessary to bring the goods to the named port of destination. However, the risk of loss of, or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered on board the vessel, is transferred from the seller to the buyer when the goods pass the ship's rail in the port of shipment.

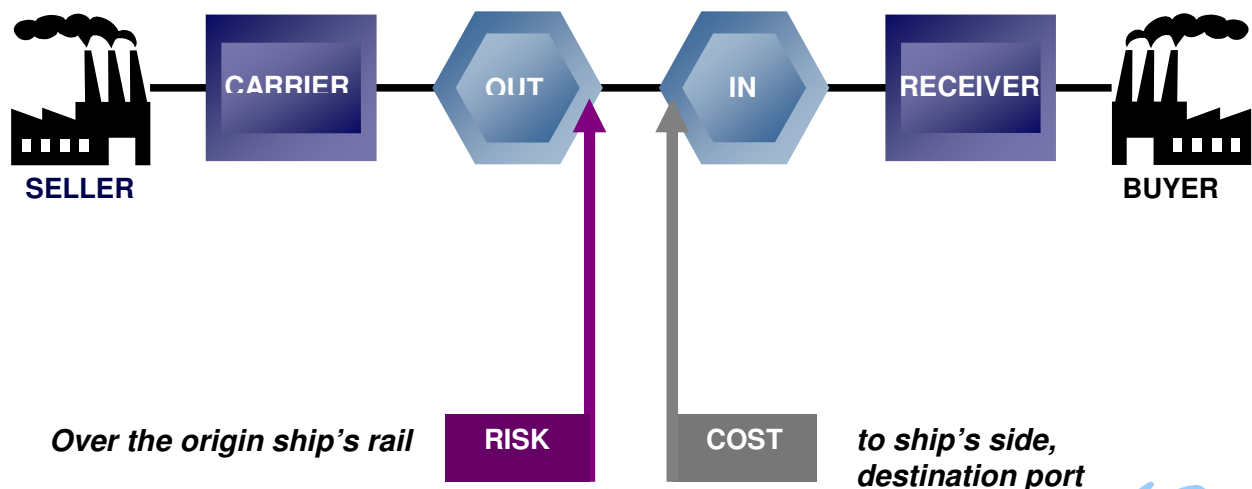
The CFR term required the seller to clear the goods for export.

This term can only be used for sea and inland waterway transport. When the ship's rail serves no practical purpose, such as in the case of roll-on / roll-off, the CPT term is more appropriate to use.



## COST INSURANCE AND FREIGHT:

CIF (...named Port of destination)



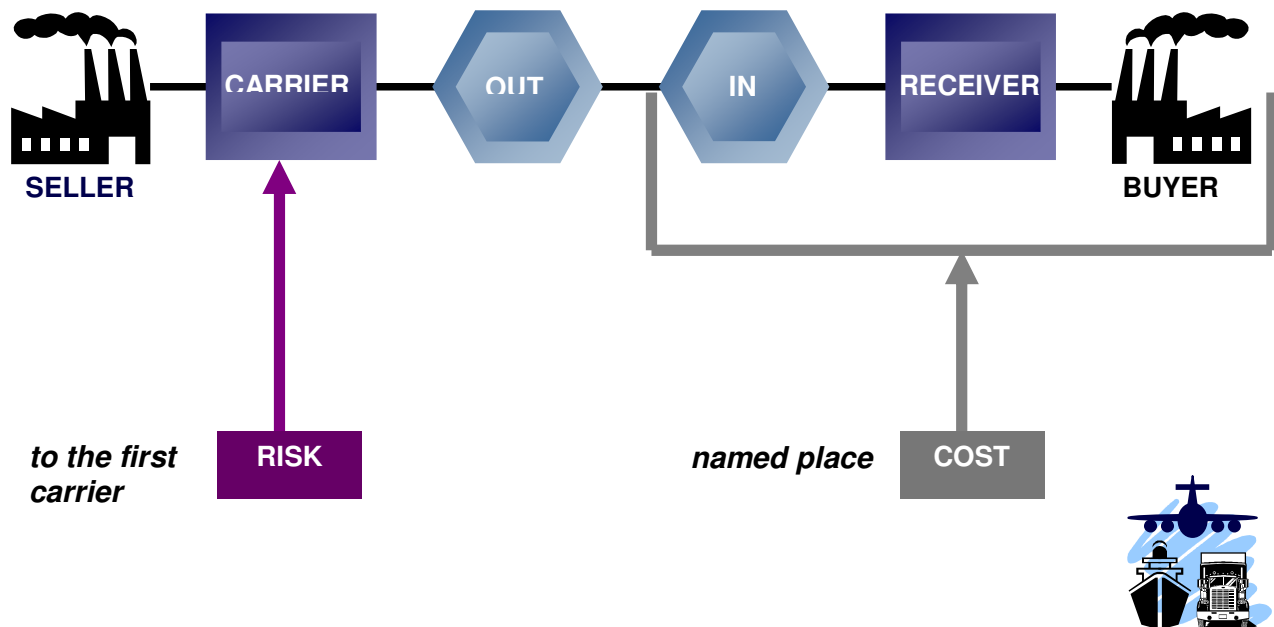
“Cost, Insurance and Freight” means that the seller has the same obligations as under CFR but with the addition that he has to procure marine insurance against the buyer’s risk of loss of or damage goods during the carriage. The seller contracts for insurance and pays the insurance premium.

The buyer should note that under the CIF term the seller is only required to obtain insurance on **minimum coverage**. The CIF term requires the seller to clear the goods for export.

This term can only be used for sea and inland waterway transport. When the ship’s rail serves no practical purposes such as in the case of roll-on / roll-off, the CPT term is more appropriate to use.

## CARRIAGE PAID TO:

### CPT (...named place of destination)



“Carriage paid to...” means that the **seller** pays the freight for the carriage of the goods to the named destination. The risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time the goods have been delivered to the carrier, is transferred from the seller to the **buyer** when the goods have been delivered into the custody of the carrier.

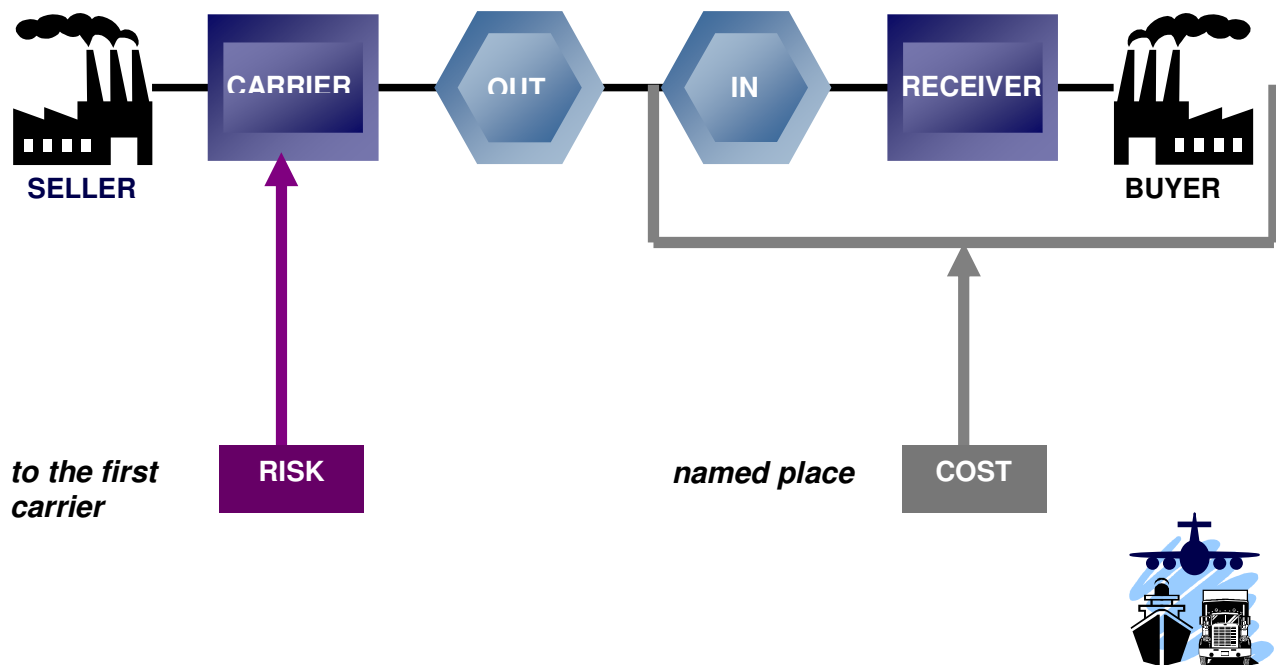
“Carrier” means any person who, in a contract of carriage, undertakes to perform or to procure the performance of carriage, by rail, road, sea, air, inland waterway or by a combination of such modes.

If subsequent carriers are used for the carriage to the agreed destination, the risk passes when the goods have been delivered to the first carrier. The CPT term requires the seller to clear the goods for export.

This term may be used for any mode of transport including multi-modal transport.

## CARRIAGE & INSURANCE PAID TO:

CIP (...named place of destination)



“Carriage and insurance paid to...” means that the seller has the same obligations as under CPT but with the addition that the seller has to procure cargo insurance against the buyer’s risk of loss of, or damage to the goods during the carriage. The seller contracts for insurance and pays the insurance premium.

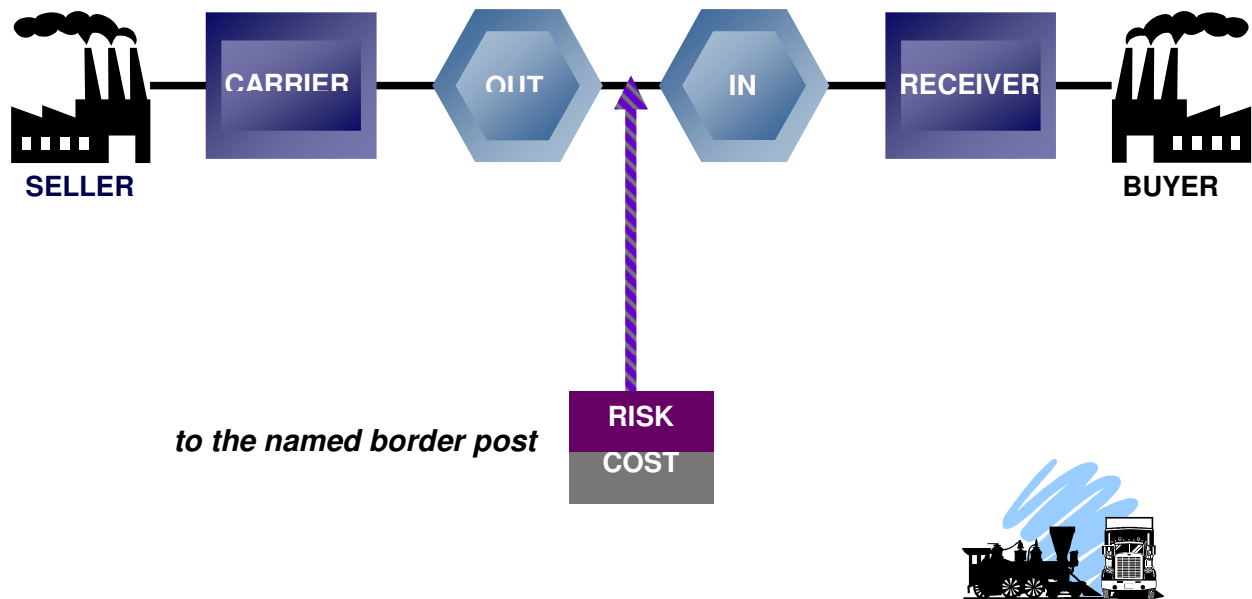
The **buyer** should note that under the CIP term the seller is only required to obtain insurance on **minimum coverage**.

The CIP term requires the seller to clear the goods for export.

This term may be used for any mode of transport including multi-modal transport.

## DELIVERED AT FRONTIER:

DAF (...named place)



“Delivered at Frontier” means that the **seller** fulfils his obligation to deliver when the goods have been made available, cleared for export, at the named point and place at the frontier, but before the customs border of the adjoining country.

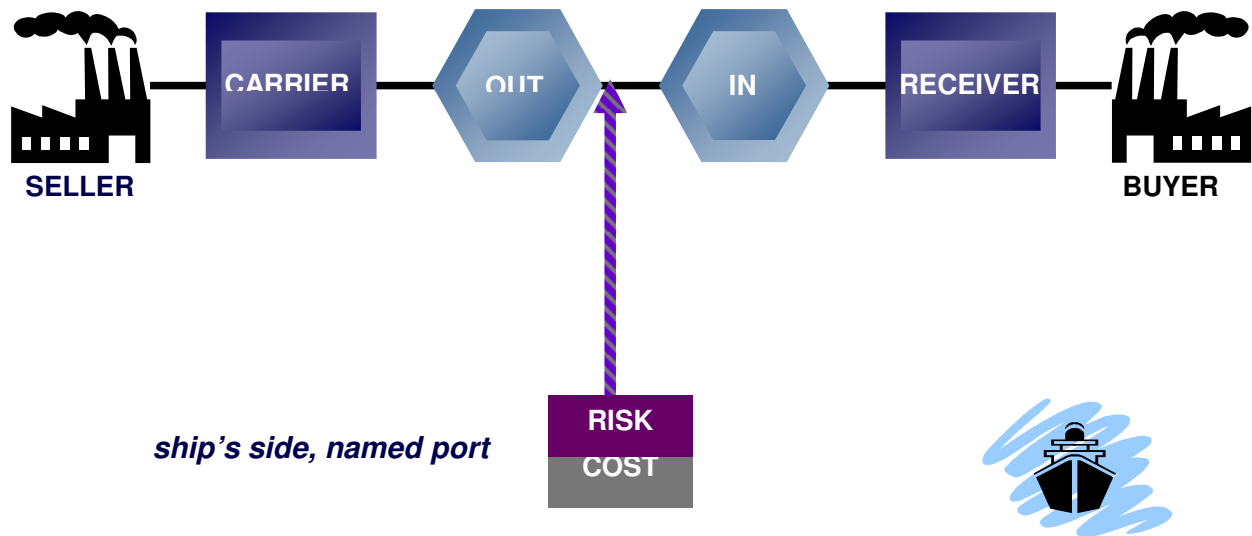
The term “frontier” may be used for any frontier including that of the country of export. Therefore, it is of vital importance that the frontier in question be defined precisely by always naming the point and place in the term.

The term is primarily intended to be used when goods are to be carried by rail or road, but it may be used for any mode of transport.



## DELIVERED EX SHIP:

DES (...named Port of destination)

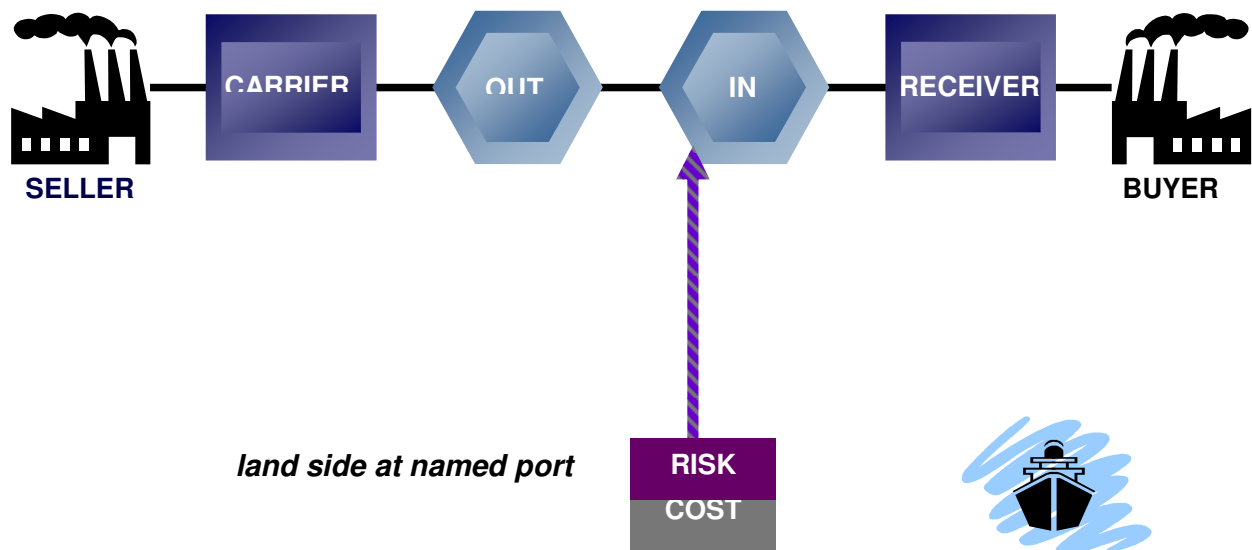


“Delivered Ex Ship” means that the **seller** fulfils his obligation to deliver when the goods have been made available to the buyer on board the ship uncleared for import at the named port of destination. The seller has to bear all the costs and risks involved in bringing the goods to the named port of destination.

This term can only be used for sea or inland waterway transport.

## DELIVERED EX QUAY:

DEQ (...named Port of destination)

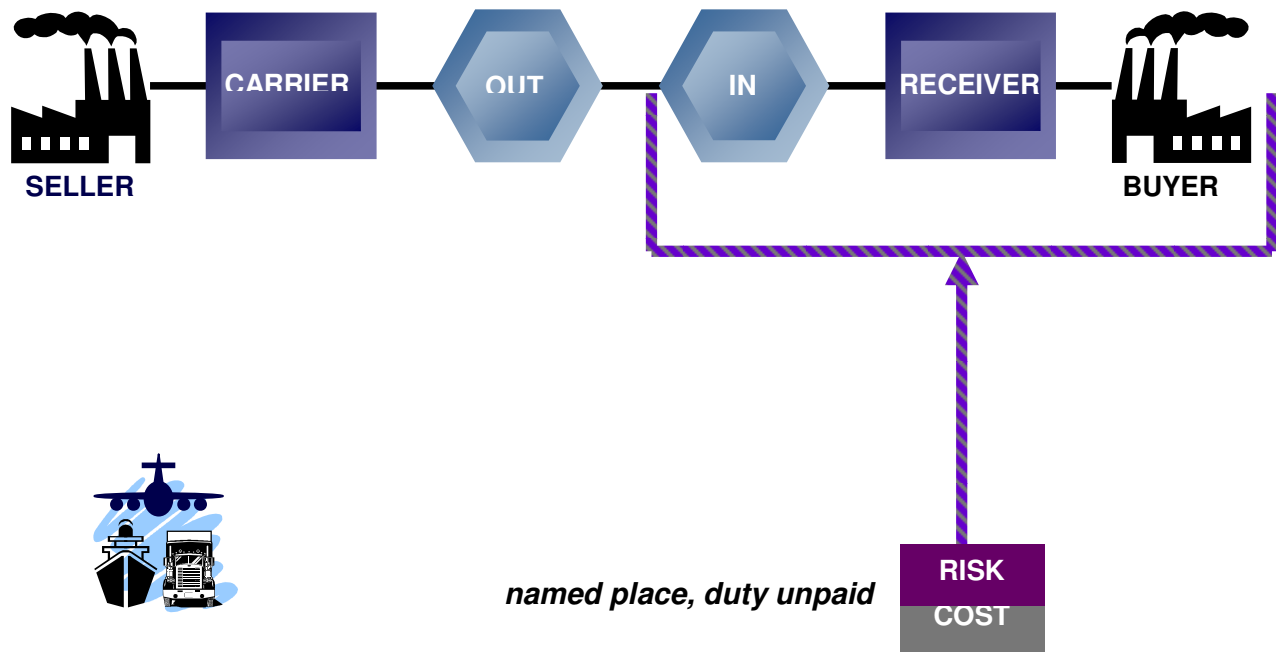


“Delivered Ex Quay” means that the **seller** fulfils his obligation to deliver when he has made the goods available to the buyer on the quay (wharf) at the named port of destination.

Under Incoterms 2000, the DEQ term now requires the **buyer** to clear the goods for import and to pay all formalities, duties, taxes and other charges upon import. This is a reversal from the previous Incoterms versions, which required the seller to arrange for import clearance.

## DELIVERED DUTY UNPAID:

DDU (...named place of destination)



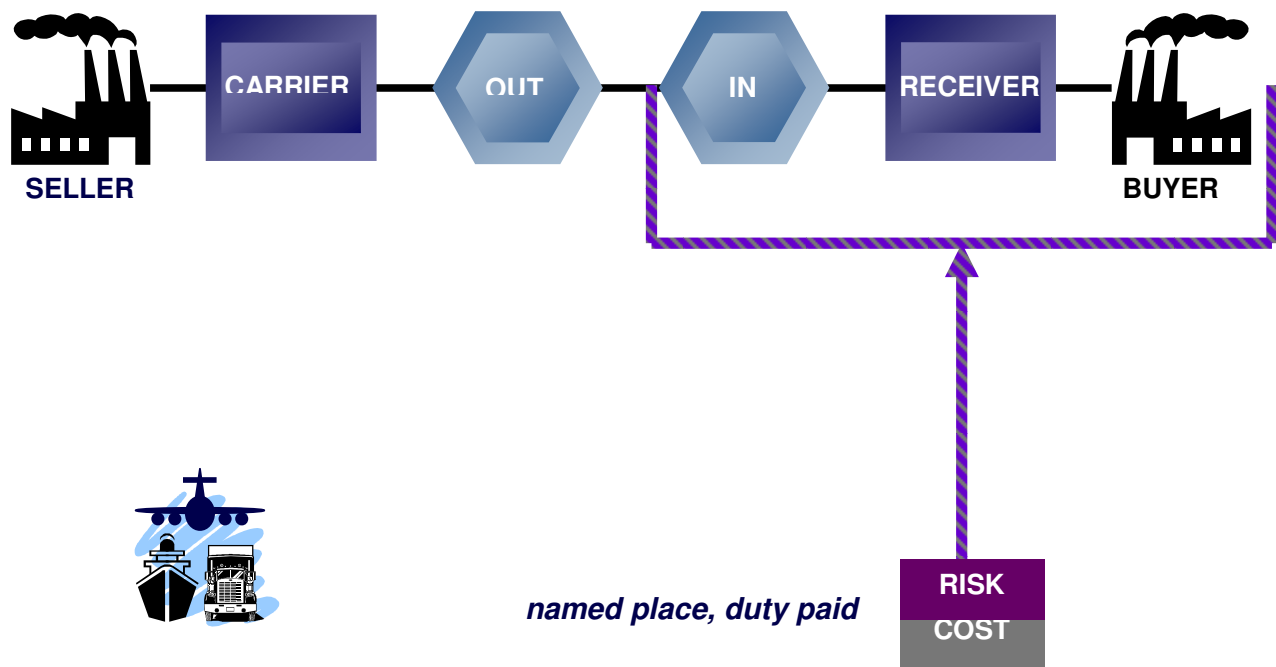
“Delivered duty unpaid” means that the **seller** fulfils his obligation to deliver when the goods have been made available at the name place in the country of importation. The seller has to bear the costs and risks involved in bringing the goods thereto (excluding duties, taxes and other official charges payable upon importation as well as the costs and risks of carrying out customs formalities).

The **buyer** has to pay any additional costs and to bear any risks caused by his failure to clear the goods for import in time.

This term may be used irrespective of the mode of transport.

## DELIVERED DUTY PAID:

DDP (...named place of destination)



“Delivered duty paid” means that the **seller** fulfils his obligation to deliver when the goods have been made available at the named place in the country of importation. The seller has to bear the risks and costs, including duties, taxes and other charges of delivering the goods thereto, cleared for importation. Whilst the EXW term represents the minimum obligation the seller, the DDP term represents the maximum obligation to the seller. This term should not be used if the seller is unable directly or indirectly to obtain the import license.

If the parties wish the buyer to clear the goods for importation and to pay the duty, the term DDU should be used. If the parties wish to exclude from the seller’s obligations some of the cost payable upon importation of the goods (such as value added tax (VAT)), this should be made clear by adding words to this effect: “Delivered duty paid, VAT unpaid (...named place of destination)”.

This term may be used irrespective of the mode for transport.