

## INCOTERMS 2000 - GENERAL OVERVIEW

"Incoterms" are the official International Chamber of Commerce (ICC) rules for the interpretation of international trade terms that defines the respective roles of the buyer and seller in the arrangement of transportation and other responsibilities and clarify when the ownership of the goods takes place.

Incoterms 2000 should be incorporated into international sales contracts starting January 1, 2000. Incoterms 2000 have been revised in line with developments in commercial practice taking into account the increased use of intermodal transport. The new terms provide for the delivery of goods from seller to buyer at any point in the transport chain instead of concentrating as in the past on the moment the goods cross the ship's rail. Another significant advantage of Incoterms 2000 is that they clearly allocate the loading and unloading obligations of both buyer and seller

Following is an overview that briefly describes each of the 13 terms contained in Incoterms 2000. The descriptions, however, provide only a basic summary of the terms and they should not be used for business decision-making purposes. Companies should therefore consider obtaining a copy of Incoterms 2000 by contacting the Canadian Chamber of Commerce (<http://www.chamber.ca/article.asp?id=3607>).

### Revised Incoterms 2000

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

#### **EXW: Ex Works (named place)**

"Ex works" means that the seller delivers when he places the goods at the disposal of the buyer at the seller's premises or another named place (i.e. works, factory, warehouse, etc.) not cleared for export and not loaded on any collecting vehicle. This term thus represents the minimum obligation for the seller, and the buyer has to bear all costs and risks involved in taking the goods from the seller's premises.

#### **FCA: Free Carrier**

"Free Carrier" means that the seller delivers the goods, cleared for export, to the carrier nominated by the buyer at the named place. It should be noted that the chosen place of delivery has an impact on the obligations of loading and unloading the goods at the place. If delivery occurs at the seller's premises, the seller is responsible for loading. If delivery occurs at any other place, the seller is not responsible for unloading

#### **FAS: Free Alongside Ship**

"Free Alongside Ship" means that the seller delivers when the goods are placed alongside the vessel 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. The FAS term requires the seller to clear the goods for export. ***This is the reversal from previous Incoterms versions, which required the buyer to arrange for export clearance.***

## **FOB: Free on Board**

"Free on Board" means that the seller delivers when the goods pass 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 terms requires the seller to clear the goods for export.

## **CFR: Cost and Freight**

"Cost and Freight" means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination. But the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer.

## **CIF: Cost Insurance and Freight**

"Cost, Insurance and Freight" means that the seller delivers when the goods pass the ship's rail in the port of shipment. The seller must pay the costs and freight necessary to bring the goods to the named port of destination. But the risk of loss of or damage to the goods, as well as any additional costs due to events occurring after the time of delivery, are transferred from the seller to the buyer. However, in CIF the seller also has to obtain marine insurance against the buyer's risk of loss of or damage to the goods during the carriage.

## **CPT: Carriage paid to**

"Carriage paid to" means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination. This means that the buyer bears all risks and the buyer bears all risks and any other costs occurring after the goods have been delivered.

## **CIP: Carriage and Insurance paid to**

"Carriage and Insurance Paid to" means that the seller delivers the goods to the carrier nominated by him but the seller must in addition pay the cost of carriage necessary to bring the goods to the named destination. This means that the buyer bears all risks and any additional costs occurring after the goods have been delivered. However, in CIP the seller also has to obtain insurance against the buyer's risk of loss of or damage to the goods during the carriage. The seller contacts for insurance and pays the insurance premium.

## **DAF: Delivered At Frontier**

"Delivered at Frontier" means that the seller delivers when the goods are placed at the disposal of the buyer on the arriving means of transport not unloaded, cleared for export, but not cleared for import at the named point and place at the frontier, but before the customs border of the adjoining country.

## **DES: Delivered EX Ship**

"Delivered Ex Ship" means that the seller delivers when the goods are placed at the disposal of the buyer on board the ship not cleared 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 before discharging.

## **DEQ: Delivered Ex. Quay**

"Delivered Ex Quay" means that the seller delivers when the goods are placed at the disposal of the buyer not cleared for import on the quay (wharf) at the named port of destination. The seller has to bear costs and risk involved in bringing the goods to the named port of destination and discharging the goods on the quay (wharf). DEQ term requires the buyer to clear the goods for import and to pay for all formalities, duties, taxes, and other charges upon import. ***This is a reversal from previous Incoterms version, which required the seller to arrange for import clearance.***

## **DDU: Delivered Duty Unpaid**

"Delivered Duty Unpaid" means that the seller delivers the goods to the buyer, not cleared for import, and not unloaded from arriving means of transport at the named place of destination. The seller has to bear the costs and risks involved in bringing the goods thereto, other than, where applicable, any "duty" (which

term includes the responsibility for and the risks of the carrying out of customs formalities, and the payment of customs duties, taxes and other charges) for import in the country of destination.

**DDP: Delivered Duty Paid**

"Delivered Duty Paid" means that the seller delivers the goods to the buyer, cleared for import, and not unloaded from any arriving means of transport at the named place of destination. The seller has to bear all cost and risks involved in bringing the goods thereto including, where applicable, any "duty" (which term includes the responsibility for and the risk of the carrying out of customs formalities, customs, duties, taxes and other charges) for import in the country of destination.