

# INCOTERMS 2000

Incoterms are standard trade definitions most commonly used in international sales contracts. Devised and published by the International Chamber of Commerce, they are at the heart of world trade.

Among the best known Incoterms are EXW (Ex works), FOB (Free on Board), CIF (Cost, Insurance and Freight), DDU (Delivered Duty Unpaid), and CPT (Carriage Paid To).

ICC introduced the first version of Incoterms - short for "International Commercial Terms" - in 1936. Since then, ICC expert lawyers and trade practitioners have updated them six times to keep pace with the development of international trade.

Most contracts made after 1 January 2000 will refer to the latest edition of Incoterms, which came into force on that date. The correct reference is to "Incoterms 2000". Unless the parties decide otherwise, earlier versions of Incoterms - like Incoterms 1990 - are still binding if incorporated in contracts that are unfulfilled and date from before 1 January 2000.

Term	Description	Mode
<a href="#">CFR</a>	Cost & Freight	Sea
<a href="#">CIF</a>	Cost, Insurance & Freight	Sea
<a href="#">CPT</a>	Carriage Paid To (named place)	All modes
<a href="#">CIP</a>	Carriage, Insurance Paid To (named place)	All modes
<a href="#">DAF</a>	Delivered At Frontier (named place)	Land
<a href="#">DES</a>	Delivered Ex-Ship	Sea
<a href="#">DEQ</a>	Delivered Ex-Quay	Sea
<a href="#">DDP</a>	Delivered Duty Paid (named place)	All modes
<a href="#">DDU</a>	Delivered Duty Unpaid (named place)	All modes
<a href="#">EXW</a>	Ex-Works	All modes
<a href="#">FCA</a>	Free-Carrier (named place)	All modes
<a href="#">FAS</a>	Free Alongside Ship	Sea
<a href="#">FOB</a>	Free On Board	Sea

 Exporter pays

 Importer pays

EXPORTER	INLAND TRANSPORT	INT'L FREIGHT	DOMESTIC CARTAGE	IMPORTER
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## EXW-Ex Works



Importer bears all costs of transportation from Exporter's premises.

## FOB-Free on Board



Exporter responsible up to "on board" point. Importer pays freight.

## CFR-Cost and Freight and CIF - Cost, Insurance and Freight



Exporter brings goods to named point. Exporter pays freight.

## DDP and DDU-Delivered Duty (Paid or Unpaid)



Exporter is responsible for all costs of delivery to Importer (also known as **FIS** - *Free Into Store*)

# INCOTERMS EXPLAINED:

## Ex-Works

Ex-Works means sellers' only responsibility is to make the goods available at their premises. They are not responsible for loading them on vehicles provided by buyers or clearing them for export. Buyers bear the full costs and risks of taking goods from sellers' works to their destination. This is the minimum obligation of sellers.

## FCA-Free Carrier (Named Place)

This can be used with any form of transport (air, sea, rail, truck or multimodal). The "carriers" are the transporters, including any freight forwarders that buyers have designated to receive the goods. Sellers must hand the goods, cleared for export, over to the carriers at the place indicated in the shipping terms. This can involve sellers paying for some transport from the factory to the carrier. Where delivery takes place at the seller's premises, the seller is responsible for loading. If delivery occurs at any other place, the seller is no longer responsible for loading. Sellers may, and commonly do, act as buyers' agents in arranging transport, which buyers pay for.

## FAS - Free Along Side Ship

This term is properly used only for ocean or inland water transport. Sellers are responsible for placing the goods alongside the ship on the quay or in lighters, at the place named in the quotation. "Alongside" means within reach of the carrying ship's tackle. From that moment, buyers bear all costs and risks of loss or damage to the goods. Sellers are responsible for clearing the goods for export.

## FOB – Free on Board

Again, this is properly used only for ocean or inland water transport. Once sellers place the goods, cleared for export, on board a ship at the port named in the sales contract, their obligations end. Buyers assume the risk of loss or damage to the goods once they pass the ship's rail. In other modes of transport, or if the ship's rails are not the point at which the seller transfers ownership to the buyer – such as with container, roll-on/roll-off cargo – FCA is the closest equivalent term.

## CFR - Cost & Freight

Sellers must clear the goods for export and pay the costs and freight necessary to bring them to the named destination. However, buyers assume the risk of loss or damage to the goods, and any cost increases, once the goods pass the ship's rail in the port of shipment. This is another term properly used only for transport by water (sea or inland). In other modes of transport, or if the ship's rails are not the point at which the seller transfers ownership to the buyer - such as with container, roll-on/roll-off cargo - CPT (Carriage Paid To) is the closest equivalent term.

## CIF – Cost, Insurance & Freight

This term is similar to CFR, but sellers must also buy marine insurance for the buyers. Sellers contract with the insurers and pay the premiums, but buyers assume the risk of loss from the time the goods pass the ship's rail in the port of shipment. This term also applies only to transport by water (sea or inland). CIP (Carriage, Insurance Paid To) is the closest equivalent term for other transport modes.

## CPT – Carriage Paid To (named place)

This can be used with any form of transport (air, sea, rail, truck or multimodal). Sellers must clear the goods for export and pay the costs and freight necessary to bring them to the named destination. However buyers assume the risk of loss or damage to the goods and any cost increases, once the goods have been received by the first carrier.

## CIP- Carriage, Insurance Paid To (named place)

As for CPT, but the seller must also contract with the insurers and pay the premiums.

## DAF- Delivered At Frontier (named place)

Sellers fulfil their obligations once the goods, cleared for export, are made available at the named point, which will be before the destination Customs border. Buyers must clear the goods through Customs. The frontier can be the export country's frontier, so it is very important to specify exactly where the delivery point is, as seller bears all costs and risks to that point. This term is designed for rail or road transport, but can be used when goods are shipped by any method. It is useful when shipping to a bonded customs warehouse or a free trade zone.

## DES- Delivered Ex-Ship

This term is normally used for commodity shipments by sea. Buyers assume risks and costs once the ship reaches the named destination, but before the goods are cleared for import.

## DEQ- Delivered Ex-Quay

This is also normally used for commodity shipments by sea. Buyers assume risks and costs on the quay at the named destination. Sellers are responsible for discharge costs and buyers for import clearance.

## DDU- Delivered Duty Unpaid (named place)

Under this term sellers handle everything necessary to deliver the goods to the stipulated place - usually the buyer's own place - except Customs clearance at the country of destination. Buyers pay duties and taxes.

## DDP- Delivered Duty Paid (named place)

This means sellers handle everything, including Customs clearance, to deliver the goods to the stipulated place. Since the stipulated place is usually the buyer's own place, sellers arrange and pay for every step in the process. A common alternative is "DDP exclusive of duty and taxes". This oxymoron is not the same as DDU, because sellers are responsible for clearance, but not for paying duty and taxes.