Incoterms 2000

Incoterms or international commerce terms is a series of international sales terms that is widely used throughout the world. Incoterms 2000 provides a set of international rules, published by the International Chamber of Commerce (ICC) effective 1 January 2000, for the interpretation of the most commonly used trade terms.It divides transaction costs and responsibilities between buyer and seller, reflects state of the art transportation practices and closely corresponds to the U.N. Convention on Contracts for the International Sale of Goods. Incoterms deal with the questions related to the delivery of the products from the seller to the buyer. This includes the carriage of products, export and import clearance responsibilities, who pays for what, and who has risk for the condition of the products at different locations within the transport process.

E -TERMS

Ex works (EXW)
It means that the seller has the goods ready for collection at his premises (factory, warehouse, plant) on the date agreed upon. The buyer pays all transportation costs and also bears the risks for bringing the goods to their final destination.

F -TERMS

Free carrier (FCA)
It can be used for all modes of transportation including multimodal transport. The seller delivers the goods into the custody of the first carrier, and this is where the passing of risk occurs. The buyer pays for the transportation.

Free Alongside Ship (FAS)
It means that the seller pays for transportation of the goods to the port of shipment. The buyer pays loading costs, freight, insurance, unloading costs and transportation from the port of destination to his factory. The passing of risk occurs when the goods have been delivered to the quay at the port of shipment.

Free on Board (FOB)
It is similar to FAS, but the seller also pays for the loading costs.The goods are placed on board the ship by the seller at a port of shipment named in the sales agreement. The risk of loss of or damage to the goods is transferred to the buyer when the goods pass the ship's rail (i.e., off the dock and placed on the ship).

C -TERMS

Cost and Freight (CFR)
It means that the seller pays for transportation to the port of shipment, loading and freight. The buyer pays for the insurance and transportation of the goods from the port of destination to his factory. The passing of risk occurs when the goods pass the ship's rail at the port of shipment.

Cost, Insurance and Freight (CIF)
It is a common term in a sales contract that may be encountered in international trading when ocean transport is used. When a price is quoted CIF, it means that the selling price includes the cost of the goods, the freight or transport costs and also the cost of marine insurance.CIF is identical in most particulars with Cost and Freight (CFR), and the same comments apply, including its applicability only to conventional maritime transport. In addition to the CFR responsibilities, the seller under CIF must obtain in transferable form a marine insurance policy to cover the risks of transit with insurers of repute. The policy must cover the CIF price plus 10 per cent and where possible be in the currency of the contract. Note that only very basic cover is required equivalent to the Institute "C" clauses, and buyers should normally insist on an "all-risk" type of policy such as that under the Institute "A" clauses. The seller's responsibility for the goods ends when the goods have been delivered to the marine carrier or have been delivered on board the shipping vessel, depending upon the terms of the contract.This term is only appropriate for conventional maritime transport, not ro/ro or international container movements.

Carriage Paid To (CPT)
It can be used for all modes of transport including multimodal transport. The seller pays for the freight to the named point of destination. The buyer pays for the insurance. The passing of risk occurs when the goods have been delivered into the custody of the first carrier.

Carriage and Insurance Paid to (CIP)
It can be used for all modes of transport including multimodal transport. The passing of risk occurs when the goods have been delivered into the custody of the carrier. It is the same as CPT except that the seller also pays for the insurance.

D - TERMS

Delivered At Frontier (DAF)
It can be used when the goods are transported by rail and road. The seller pays for transportation to the named place of delivery at the frontier. The buyer arranges for customs clearance and pays for transportation from the frontier to his factory. The passing of risk occurs at the frontier.

Delivered Ex Ship (DES)
It means that the seller has to pay for the same as in CIF, but the passing of risk does not occur until the ship has arrived at the port of destination, but before the goods have been unloaded.

Delivered Ex Quay (DEQ)
It means the same as DES, but the passing of risk does not occur until the goods have been unloaded at the port of destination.

Delivered Duty Unpaid (DDU)
It means that the seller pays for all transportation costs and bears all risk until the goods have been delivered, but does not pay for the duty.

Delivered Duty Paid (DDP)
It means that the seller pays for all transportation costs and bears all risk until the goods have been delivered and pays the duty.