



INCOTERMS – Definitions

2007

1. What are INCOTERMS?

Incoterms are the rules that govern international trading terms in respect of delivery and insurance. These are reviewed regularly by the International Chambers of Commerce and published. The current version of Incoterms is INCOTERMS 2000 and can be ordered or downloaded for a very modest fee from the following website link:

<http://www.iccwbo.org/incoterms/id3045/index.html>

2. Summary of Definitions:

The following is a brief and free of charge summary of each Incoterm. We advise clients to obtain the full definitions of each term that they are likely to use in their international trade transactions.

EXW – Ex Works:

The goods are prepared for collection from the seller's premises or other named place. There is no obligation on the seller to load the goods on to a collecting truck, and the goods will not be Customs cleared for export.

FCA – Free Carrier:

The seller delivers the goods to the buyer's nominated carrier at a named place. Loading is only the seller's responsibility if that named place is the seller's premises. The goods will already have been Customs cleared for export.

FAS – Free Alongside Ship:

The seller is obliged to deliver the goods and place them alongside the ship at a named port of shipment in the country of origin. As soon as the goods are alongside, responsibility passes to the buyer.

FOB – Free On Board:

The seller is obliged to deliver the goods over the rail of the ship at a named port of shipment in the country of origin.

CFR – Cost and Freight:

The seller is obliged to deliver the goods to the port of destination, and responsibility for the goods passes to the buyer when the goods are delivered over the ship's rail at a named port in the country of destination. All insurance costs are for the buyer.

CIF – Cost, Insurance and Freight:

The seller is obliged to deliver the goods to the port of destination, and responsibility for the goods passes to the buyer when the goods are delivered over the ship's rail at a named port in the country of destination. Insurance costs are for the seller until that point.

CPT – Carriage Paid To...:

The goods are delivered by the seller to their nominated carrier, cleared for export. The cost of then delivering the goods to a place of destination will also be borne by the seller. All insurance costs are for the buyer.

CIP – Carriage and Insurance Paid to...:

The goods are delivered by the seller to their nominated carrier, cleared for export. The cost of then delivering the goods to a place of destination will also be borne by the seller. Insurance costs are for the seller until that point.

DAF – Delivered At Frontier:

The goods are delivered but not unloaded, and cleared for export but not import, at a named place at a frontier and before the Customs border of the destination country. There is no obligation on the seller also to insure the goods.

DES – Delivered Ex Ship:

The goods are delivered on board the carrying ship to a named port of destination and not cleared for import. There is no obligation on the seller also to insure the goods.

DEQ – Delivered Ex Quay:

The goods are delivered on to the quay or at a named port of destination and not cleared for import. There is no obligation on the seller also to insure the goods.

DDU – Delivered Duty Unpaid:

The seller is obliged to deliver the goods to the buyer not cleared for import and not unloaded from the carrying transport at a named place of destination. There is no obligation on the seller also to insure the goods.

DDP – Delivered Duty Paid:

The seller is obliged to deliver the goods to the buyer cleared for import and not unloaded from the carrying transport at a named place of destination. There is no obligation on the seller also to insure the goods.

3. How should Incoterms be used?

It is good practise to agree the correct Incoterm at the start of any international trade transaction. That Incoterm should appear on all documents relating to the transaction as confirmation of that agreement, and as an example should be worded: "CIF Felixstowe Port according to INCOTERMS 2000"

This way, both parties are clear about the costs for which they are responsible.