

## INCOTERMS 2000

INCOTERMS, published by the International Chamber of Commerce, are rules for an internationally acceptable standard interpretation of terms of trade. They are referred to as Delivery Terms. They first appeared in 1936 and the updated current version came into effect in 2000.

INCOTERMS define :

- { the price place of delivery from seller to buyer
- { the responsibility for costs of seller and buyer in the sale and the delivery of goods to foreign markets
- { the point at which the risk passes from the seller to the buyer

INCOTERMS benefit seller and buyer because they avoid any misunderstanding about who should do what :

- { who should clear the jobs for export or import
- { who should pay the costs of loading, transporting and discharging the goods
- { who should the risk of loss or damage to the goods in transit
- { who should take out insurance as a protection against these risks

**\*\* CLARITY IN ADVANCE AVOID MISUNDERSTANDING LATER**

The mention of "INCOTERMS 2000" in a contract determines the obligations of both parties, and contributes to eliminate causes of disagreement. They should always be used. INCOTERMS only apply legally when both parties to the contract agree. Therefore, the contract should expressly include the words : "ICC INCOTERMS 2000".

However, INCOTERMS do not deal with the transfer of property rights, or the transfer of title to the goods. The contract of sale between the parties will cover this.

INCOTERMS are divided into 4 groups, 13 terms in total, as shown in this table. The detailed definitions may be referenced in INCOTERMS, published by the ICC in Paris.

The minimum responsibility for suppliers is "Ex works", where the supplier has few obligations other than to make the goods available at the warehouse/factory gate.

The maximum responsibility for suppliers is "DEQ" or "DDU" as he will then be responsible to manage the whole movement from point A to point Z.

However, it should be noted that the appropriate INCOTERM must be used according to the mode of transport. See chart.

Amongst these 13 terms, the Federation recommends to use the following :

CPT for all goods, except for food items being purchased under DEQ or DDU terms.

Definition :

**CPT - "Carriage paid to ..."** : means that the seller pays the freight for the carriage of the goods to the named place of destination. The risk for the loss or the 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 actually 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 good 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 multimodal transport.

**DEQ - "Delivered Ex Quay"** (duty paid) means that the seller fulfils his obligations to deliver when he has made the goods available to the buyer on the quay (wharf) at the named port of destination, cleared for importation. The seller has to bear all risks and costs including duties, taxes and other charges of delivering the goods thereto.

This terms should not be used if the seller is unable directly or indirectly to obtain the import licence.

If the parties wish the buyer to clear the goods for importation and pay the duty the words "duty unpaid" should be used instead of "duty paid".

If the parties wish to exclude from the seller's obligations some of the costs payable upon importation of the goods such VAT, this should be made clear by adding words to this effect in the contract.

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

**DDU - "Delivered duty unpaid"** means that the seller fulfils his obligations to deliver when the goods have been made available at the named 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.

If the parties wish the seller to carry out customs formalities and the bear the costs and risks resulting therefrom, this has to be made clear by adding words to this effect.

If the parties wish to include in the seller's obligations some of the costs payable upon importation of the goods (such VAT), this should be made clear by adding words to this effect : "Delivered duty unpaid, VAT paid (... named place of destination)".

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

The main reason for using different terms are the following :

CPT - After careful study of the different terms, it has been decided to use this terms which covers best the requirements of the Federation taking also into account that we have our own Global Transport Insurance Policy which covers of all Federation goods in transit world-wide. It should however be noted that it does not cover shipment of NatSocs, even in support of Secretariat co-ordinated operations in the field.

On the other hand, the preferential INCOTERM used for shipment of bulk foods is in our opinion DEQ or DDU, because under this clause the supplier is fully responsible for delivering the goods at the agreed point of delivery in good condition. This means, in other words, that he will bear all relevant costs and risks involved in bringing the goods thereto. The seller will only be paid for the goods actually delivered in good condition. Even though, there might be a slight increase in price, the tenderer will use high quality freight forwarders and insurance companies. Experience has shown that, by using this term, the percentage of loss and damages is extremely low and in very few cases are goods reported to be completely lost. Also the seller will be responsible for submitting the claims file to the insurers and obtain reimbursement for any possible loss or damage. I repeat, we are talking about bulk food as it is not unusual for the quality of such to change during shipment , and the risk for one claim to have a major impact on our insurance is considered unacceptable.

In conclusion, please bear in mind that all contracts should always specify the preferential Federation INCOTERM followed by "ICC 2000 INCOTERMS" . By doing this you will avoid lots of problems and possible confusion.