Incoterms 2000 Critical points in international transports

In this description, a critical point is that point in transit at which the seller's obligations cease and the buyer's obligations commence.



This chart aims at illustrating the relationship between the seller and the buyer in international trade, and at providing a useful tool both for day-to-day work and for drawing up contracts of sale. The chart is based on the trade terms contained in Incoterms 2000 approved by the International Chamber of Commerce and dealing with the seller's and buyer's obligations to one another. The trade terms only concern obligations stipulated in the contract of sale. As the Incoterms take the form of written text, it is difficult to illustrate in a simple manner all the different situations occurring in international transports.

The contracting parties may adopt the Incoterms as such as the basis for their contract, but in certain cases amendments and additions can be made. In case of difference of interpretations between this chart and the Incoterms, the latter shall be decisive. As for differences of interpretation between the Finnish and Englishlanguage Incoterms, the latter takes precedence. To avoid misinterpretation, this chart should be used together with Incoterms 2000.



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EXW DOCUMENTS RISKS	EX WORKS Collected from consigner (at named place)	EXW DOCUMENTS RISKS
COSTS FCA DOCUMENTS RISKS	FREE CARRIER Free carrier (at named place of departure) Image: Constraint of the parture Image: Constraint of the parture	COSTS FCA DOCUMENTS RISKS
COSTS FAS C DOCUMENTS RISKS	FREE ALONGSIDE SHIP Free alongside ship (at named port of shipment)	COSTS FAS DOCUMENTS RISKS
COSTS FOB C DOCUMENTS RISKS	FREE ON BOARD Free on board (at named port of shipment)	COSTS FOB DOCUMENTS RISKS
COSTS CFR J DOCUMENTS RISKS	COST AND FREIGHT Cost and freight paid (to named port of destination)	COSTS CFR DOCUMENTS RISKS
COSTS CIF J DOCUMENTS RISKS	COST, INSURANCE AND FREIGHT Cost, insurance and freight paid (to named port of destination)* Cargo insurance taken out by seller to port of destination	COSTS CIF DOCUMENTS RISKS
COSTS CPT DOCUMENTS RISKS	CARRIAGE PAID TO Carriage paid (to named place of destination)	COSTS CPT DOCUMENTS RISKS
COSTS CIP DOCUMENTS RISKS	CARRIAGE AND INSURANCE PAID TO Carriage and insurance paid (to named place of destination)*	COSTS CIP DOCUMENTS RISKS
COSTS DAF (2) DOCUMENTS RISKS	DELIVERED AT FRONTIER Delivered at frontier (at named place)	COSTS DAF DOCUMENTS RISKS
COSTS DES DOCUMENTS RISKS	DELIVERED EX SHIP Delivered ex ship (at named port of destination)	COSTS DES DOCUMENTS RISKS
COSTS DEQ J DOCUMENTS RISKS COSTS	DELIVERED EX QUAY Delivered ex quay (at named port of destination)	COSTS DEQ DOCUMENTS RISKS COSTS
DOCUMENTS RISKS COSTS	DELIVERED DUTY UNPAID Delivered duty unpaid (at named place of destination)	DDU DOCUMENTS RISKS COSTS
DDCUMENTS RISKS COSTS	DELIVERED DUTY PAID Delivered duty paid (at named place of destination)	DDCUMENTS RISKS COSTS

KEY TO THE TERMS USED

EXW, FCA etc.

The official abbreviations for the trade terms.

Trade term applicable to transport by ship

Trade term applicable to land transport

All other trade terms are applicable to any mode of transport.

Documents

Documents refers to the seller's and the buyer's obligation to acquire documents to be produced at certain stages of transit. The validity of the documents are, however, not indicated. Such documents include, for instance, export licences, certificates of origin, transport documents and insurance certificates.

The seller must acquire the documents at his own expense and risk. The buyer must acquire the documents at his own expense and risk.

The seller acquires the documents, where requested by the buyer, at the buyer's expense and risk. The buyer is responsible for the documents being valid for a specific purpose. Risks

Exposure to an event which may cause loss of or damage to goods is referred to as a *risk*. Insurance can be taken out against most risks.



Costs

All expenses for goods and transport of goods are referred to as *costs*.

The seller is liable for costs. The buyer is liable for costs.

The critical point to be defined

*Insurance

Under the CIP and CIF clauses, the seller must, on behalf of the buyer, take out insurance at his own expense against transport risks. The clauses provide that the insurance shall be taken on at least the minimum terms and conditions – such as the Institute Cargo Clauses (C) – unless the seller and the buyer agree otherwise. These clauses cover, however, only part of the cargo risks.

> Cargo insurance taken out by the seller up to the named port of destination or the named place of destination.



The trade terms do not define the critical point. Therefore, the critical point, i.e. the place where all contractual obligations are transferred from the seller to the buyer, must be precisely defined in the contract.



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