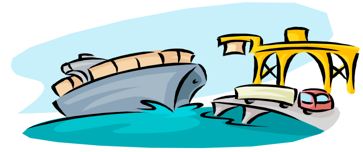


Working With A Freight Forwarder

A wide range of services are essential to the smooth functioning of international trade. International freight forwarders are the intermediaries between sellers (exporters) and air, ocean, truck and rail carriers. Freight forwarders make all the necessary arrangements for these modes of transport. They coordinate the transportation, any needed warehousing, finance, and insurance. A freight forwarder can also clear goods for import into the US if the company is a licensed Customhouse Broker. Forwarders are licensed to handle international ocean shipments by the Federal Maritime Commission, and by the International Air Transport Association for international airfreight.

In recent years, the forwarding industry has incorporated revenue management and cost control systems, electronic data interface (EDI) systems, and on-site and overseas services as clients' needs have increased. Many forwarders have been at the forefront of the technological advances in computer telecommunications and shipping. Other major developments include the growth of information and liability issues, global competition, major market shifts, intermodalism, and professional certification.

A seller must build a strong relationship with its forwarder by providing information quickly, allowing adequate time for shipments to be processed, paying invoices quickly, and, establishing one person with the forwarder's organization to handle emergency situations. In order to avoid delays in shipping, consider providing your forwarder a supply of blank company stationery, commercial invoices and packing lists in case last-minute changes to your original documents are required. Discuss the legal implications with your attorney before doing this.

Services

With power of attorney, a forwarder acts as your agent. The forwarder prepares (or assists you in preparing) the documents involved in a shipment to ensure they are complete, accurate, and in compliance with both US and import destination legal requirements.

At your request, the forwarder will also distribute all documents and will submit the entire package of documents to your bank to expedite payment. They will also advise you of the foreign marking and labeling that may be required for shipping containers.

The services a forwarder offer must include:

- Logistic options to destination
- 'Delivered' services to exporters
- Letter of credit services

- Electronic exchange of documents
- Internet tracking for shippers, consignees and service providers
- Compliance reviews

- Cost analysis
- Hazardous materials audits
- Marine insurance
- Logistics options based on customer goals
- A single source for knowledge about the export process

Compliance

Compliance is a growing management issue. Government audits, fines, and penalties are alerting exporters to the liabilities involved in international transportation. Freight forwarders are well-positioned to act as the exporter compliance officer. The expertise available from reputable international freight forwarders is invaluable to the success of an exporter's international trade business.

Freight forwarders will continue to expand their services to manage the requirements of numerous governmental entities that control various aspects of the export process. For example, the US Department of Transportation controls transport of hazardous material and the US Department of Commerce controls the sale of sensitive technology to undesirable parties in foreign destinations.

Automated Interface

Most freight forwarders will find it necessary to encourage exporters to interface their document preparation with the forwarder's automated programs. Internet tracking and the ability to download shipment data will be a necessity for many exporters. Duplicate keystroking is becoming an increasingly significant cost issue. Both exporters' and forwarders' staff will little time to devote to re-keying data.

Automated Export System (AES) is a central point through which export shipping data that is required by multiple agencies can be filed electronically with Customs, using Electronic Data Interchange (EDI). Errors can be detected and corrected at the time of filing. AES is a nationwide system and is operational at all ports, for all methods of transportation. AES assures compliance to export laws, improves the accuracy of trade statistics and reduces duplication of reporting to numerous agencies.

- The forwarder makes the shipping arrangements and transmits the export data using AES.
- AES system validates the data against editing tables and government agency requirement files.
- A confirmation or error message is generated and sent to your forwarder.
- Corrections as needed are transmitted back to AES.

A particular benefit to exporters is the increased reliability of US export data as a research tool for information about foreign markets.

Automatic electronic document sharing between the exporter and forwarder will become increasingly important to both as they seek to streamline the export process and manage export costs.
AES is a joint venture between US Customs, the Bureau of Census Foreign Trade Division, the Bureau of Export Administration, the Office of Defense Trade Controls, other federal agencies, and the export community.

Selecting An International Freight Forwarder

As your agent, a full service forwarder should be able to carry out the following functions, to help keep your costs, volume of paperwork and staff involvement to a minimum:

- **Ocean freight:** Supervise ocean shipments from your facility to the foreign port of import and, if requested by you or the importer, on to the customer's location in the export market.

- **Airfreight:** Expedite regular (and emergency) air shipments (when your customer requests immediate delivery of critically-needed spare parts).

- **Consolidation:** Combine several sellers' goods into a larger container to reduce your shipping costs. They should be able to consolidate without unnecessary delays.

- **Banking:** Prepare and present documents to your bank for collection and deposit to your account.

Importing: It may be advisable to work with a forwarder who is also a licensed Customhouse Broker. You may decide to import foreign goods as new additions to your own product line, as components in your current products, or in payment for some foreign orders (Countertrade).

Credit terms: A forwarder may ask you to pay within seven days after receipt of their invoice. They may be on seven to ten day terms with the carriers they contract with for shipment of your goods. Clarify your payment terms at the very beginning of your relationship.

Operating hours: Ocean freight shipments: forwarder need only be open during normal business hours. International cargo flights: usually depart in the evenings- the forwarder should have someone available overnight.

Local, National, International: You may frequently need to deliver last-minute documents, forms and merchandise in emergency situations. Using a forwarder with an office near your facility will reduce costs and time lost in travel, faxes and telephone calls.

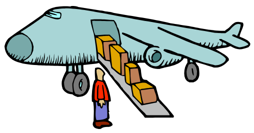
A forwarder with other offices (branches or affiliates) in the US is important for securing the most economical freight rates and for tracing delayed or misrouted shipments.

In emergency situations, it is very useful to have a forwarder with offices or affiliations in foreign markets. When needed, shipments can be traced quicker through the original forwarders, without involving third parties.

References: Contact references to learn how routine, non-routine and emergency shipments are handled. In addition to the references provided by the forwarder, talk to other service providers such international bankers, who also have working relationships with various forwarders through their export clients.

Chose two or three forwarders to meet with personally and select one to work with. File information on the other forwarders that rated highly. If your initial forwarder does not meet expectations, you will have a ready list of screened alternates for review.

Modes Of Transportation

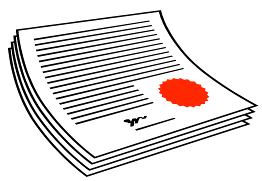
  

MODES OF TRANSPORTATION	PRO	CON
COURIER SERVICES	DHL, UPS offer efficient service for shipments generally under 400 lbs. From major trade lanes.	Extremely high cost. Some evidence of poor Customs compliance.
AIR FREIGHT DIRECT	Book directly with airline. Priority transit. Quick transit.	Expensive particularly at “book” rates.
AIRFREIGHT CONSOLIDATION	Book with forwarder who may match your freight with others. Transit time variable.	Cost is significant but much less than courier and “book’” rates. Some risk of “bumping.”
AIRFREIGHT ‘EMERY’	‘Emery’ type service that allows you to choose service level. More control over costs and still preserve most of the benefits of airfreight.	Significant cost savings and higher probability of “bumping.”
AIRFREIGHT/OCEAN COMBINATION	Somewhat popular with Chinese freight. Air to Korea; Ocean into US	Considerable cost savings but longer lead-time. Be sure that you control the service provider.
OCEAN FREIGHT DIRECT	The default choice for most products.	Inventory management must account for shipping lead times. Advantageous only if you are moving a container.
OCEAN FREIGHT CONSOLIDATION	Similar to airfreight but with ocean transit,	Wide range of services available from incompetent to excessively expensive. Interaction by freight forwarder /broker is essential.
OCEAN FREIGHT TRANSLOAD*	Cargo is laden on board one vessel, which takes the goods to another port for loading onto a vessel bound for named destination.	Longer transit time. Increased handling = higher risk of loss. Sometimes unavoidable.
OCEAN FREIGHT LAND BRIDGE	Ocean and rail combined.	Periodic rail congestion.
OCEAN FREIGHT ‘ALL WATER’	Ocean to closest port. Less expensive where available.	Relatively slow.
TRUCK	Mexico, Canada	Wide range of competencies.

Basic Shipping Documents

Bill of Lading
A document signed by the captain, authorized agents or owner of a vessel as a contract for the transportation of merchandise from a named point or points to some other point or points of destination. It is both a receipt and a contract for delivery of merchandise.

Air Waybill
A receipt and contract signed by an airline company or its authorized agent, signing as the carrier for the transport of merchandise to a specific place of destination. By its nature an Air Waybill is not a negotiable instrument. It is a common requirement that the Air Waybill show the flight number and date.



Certificate of Origin
A signed statement sometimes required in connection with shipments of merchandise from one country to another for tariff purposes or simply for confirmation of the origin of the goods. Usually it is required that such a statement be made by a specific independent party like a Chamber of Commerce. For some countries the signature of the Consul of the importing nation may also be required.

The **NAFTA** Certificate of Origin is required for qualifying products traded in the NAFTA territories (US, Canada, Mexico) to certify the goods qualify for preferential tariff treatment accorded by the North American Free Trade Agreement. Only importers who possess a valid NAFTA Certificate of Origin may claim preferential tariff treatment for *originating* goods.

Shipper's Export Declaration
A statement prepared for the US Government on a specific form, used for statistical purposes, which lists the merchandise being exported from the US.

Samples of these documents can be found in the Appendix.

Transfer Of Title And Risk Of Loss

Title or Ownership of Goods

The ownership of goods (title transfer) passes from the seller to the buyer at some point in every transaction. When title transfers, risk of loss or damage to the goods is also transferred. We would advise every shipper to discuss this important issue with his or her attorney.

In many contracts for the sale of goods the parties involved do not express their intention as to when, how or under what conditions title to the goods is to be transferred. Title to the goods may not even be discussed in the negotiations. It is implicit or taken for granted. The parties are more interested in reaching agreement on matters such as price, quantity, quality, warranties, delivery schedule credit terms, discounts, and other important features. Seldom does the abstract concept of title enter into discussions.

Transfer of title to goods which have been *identified to the contract of sale* passes from the seller to the buyer in any manner and on any conditions agreed upon by the parties to the contract of sale.

The rule is that title to the goods passes when the parties intend it to pass. Where parties have no explicit agreement as to the transfer of title, then title passes to the buyer:

- At the time and place at which the seller completed his performance with reference to delivery of the goods.
- At the time and place of shipment, if the contract authorizes shipment but does not require the seller to deliver the goods to the buyer at destination.
- Upon tender of the goods to the buyer at destination, if the contract requires delivery at destination.
- Upon delivery of a document of title where the contract calls for delivery of such document without moving the goods.
- At the time and place of contracting where the goods at the time are identified to the contract, no documents are to be delivered, and delivery is to be made without moving the goods.
- Title can only be transferred on existing, specific, identified goods. Title cannot pass under a contract of sale prior to their identification.

After formation of the contact of sale, the seller obtains, manufactures, prepares or selects goods with which to fulfill his obligation under the contract. Once the goods have been identified, relative to the contract, title to the goods may pass to the buyer. Title need not pass to the buyer at this point in the transaction! However, once the goods have been identified to the contract of sale, the buyer assumes a *special property interest* in the goods.

- This special property gives the buyer an *insurable interest* in them, even though, in fact, they may not conform to the contract of sale.
- Identification of the goods to the contract does not shift the risk of loss.
- After identification, the seller may under the contract have duties to perform with respect to the goods.

Risk Of Loss

According to the general rule, the risk of loss or damage to goods is borne by the person who is the owner at the time of the loss or damage. This is true in every case.

- *Even where the buyer may have assumed risk of loss, the holder of title to the goods still bears risk of loss.*

- *There is nothing to prevent both the buyer and seller at the same time carrying insurance on goods in which they both have a property interest (title, security interest or special property).*

Risk of loss, as the term is used in the law of sales, means placement of the ultimate loss upon the buyer or the seller. If placed upon the buyer, he is under a duty to pay the price for lost or damaged goods even though he never received them or became owner of them. If placed upon the seller, he has no right to recover the purchase price from the buyer.

There are specific rules that impose risk of loss upon the buyer or the seller irrespective of title or ownership of the goods:

Agreement of the parties.

- An agreement may not only shift the allocation of risk but also may divide the risk or burden in any manner.

Delivery to a carrier.

- If the contract does not require the seller to deliver the goods at a particular destination, risk of loss passes to the buyer upon delivery of the goods to the carrier. If the seller is required to deliver them at a particular destination, risk of loss passes to the buyer at destination upon tender even though the goods are in the possession of the carrier.

Goods and possession of bailee (warehouseman) to be delivered without being moved.

- Where the goods at the time of the contract are held by a bailee and are to be delivered without being moved, the risk of loss passes to the buyer on his receipt of a negotiable document of title covering the goods or receipt of a non-negotiable document of title or other written direction to deliver the goods unless the buyer reasonably objects.

Goods not to be shipped by carrier.

- If they are in the possession of the seller, buyer or other bailee, if they are in the possession of the third party bailees, the contract may provide for delivery to the buyer either without moving the goods or by moving them.

Transfer of title is essential to a sale of goods. *Transfer of title is not essential to the imposition of risk of loss to the goods.*

Risk of loss may follow ownership of the goods but this is not necessarily so. Risk of loss may exist independently of ownership of the goods.

A determination of whether title to goods has been transferred is important with respect to liability for taxes, duties, inventory management and it’s effect on the balance sheet.

Cost Factor Analysis

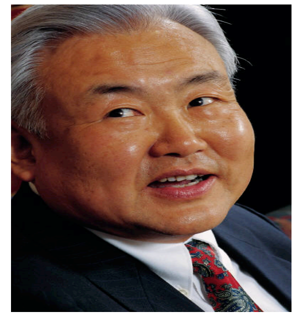
There are many costs to consider that may or may not apply to a particular shipment. To a great extent, most of these costs can be ascertained. Some cannot be anticipated. Others might occur and may or may not be within your ability to control. Expenses might change in response to changes in fundamental factors such as the price of oil, political changes, labor strikes, or natural disasters. Most of these cost factors can affect any shipment, domestic or international. But, the cost factor most effecting the international shipment is that it must travel longer distances, over a greater period of time, and across international borders. This increases the probability of an unfavorable event occurring that will adversely affect customer service levels on an export shipment or, cost of goods sold for an imported product.

Some you will see on every shipment (ocean freight for goods shipped by ocean). Others may never appear, such as detention.

Cost Factor Analysis Check List	**COSTS***	**Who pays? Importer or Exporter?**
Cost of Letter of Credit	**A**	**X**
Cost of the product	**A**	**X**
Packing and loading	**S**	**X**
Delivery from Factory door to Port of Lading	**S**	**X**
Ocean Freight, Air Freight, Truck	**S**	**X**
Terminal Transfer fees	**S**	**X**
Container restriction	**S**	**X**
Inland transportation from Port of Unlading to Customs clearance point	**S**	**X**
Customs examination charges	**T**	**X**
Local cartage to Customs exam site	**S**	**X**
Customhouse clearance fees	**T**	**X**
Bond premiums	**A**	**X**
Marine Insurance	**A**	**X**
Duty	**A**	**X**
Special duties	**A**	**X**
Merchandise processing Fees	**A**	**X**
Harbor Maintenance Fees	**A**	**X**
Delivery costs to destination	**S**	**X**
Credit Insurance	**A**	**X**
VAT (Value added Tax)	**A**	**X**
Excise Taxes	**A**	**X**
Permits	**T**	**X**
Detention	**T**	**X**
Terminal fees	**T**	**X**
Handling charges	**T**	**X**
Document Transfer fees	**T**	**X**

*T(transactional) S (shipment) A (ad valorum)

Who Pays These Fees?



It is the exporter who can guide the negotiations to determine which costs are paid by the exporter and which are paid by the importer.

The fees might be divided into three subgroups:

- **Transaction costs**

  Costs associated with the purchase of the goods. The shipment may be 1 cubic meter of imported goods or 20 containers. Transactional costs are relatively inflexible as to the size of the shipment. For instance, our service fees would remain about the same (small increases might result from multiple duty classifications or delivery orders) whether the shipment was a single container or several dozen containers. Other costs that are transactional in nature are: terminal fees, handling charges, document transfer fees, and, most importantly, the cost of the product.

- **Shipment costs**

  Costs associated with the size or volume of the cargo. They might have some elements of a transactional cost or might be more of an ad valorum cost. They tend to be associated with the volume of cargo being moved. An example of a shipment cost is the ocean freight. If you are moving a container of goods, there is a charge for moving the container. It is irrelevant as to whether the container is filled to it's ceiling with goods or that the goods are set on the floor.

- **Ad valorum**

  Costs that are unrelated to the physical size of the import shipment but rather to its Customs value. Customhouse Brokers call Customs value the *entered value*. Duty, merchandise maintenance and harbor maintenance fees are all based on the entered value. Marine insurance is assessed on entered value plus ocean freight and duty. To a certain extent, the letter of credit costs are also associated with the value of the cargo rather than a transactional cost.

Incoterms 2000

The Incoterms are standardized international terms for quoting prices, published by the International Chamber of Commerce. The most familiar terms are FOB, CFR and CIF. However, even these are sometimes misused and there are may be others that should be specified in particular situations. Confusion and disagreement often result from incorrect references to Incoterms.

The 13 Incoterms are divided into four categories. Categories are defined as to where the seller makes the goods available to the buyer. For each successive Incoterm, risk and costs *shift away* from the *seller, to* the *buyer.*

Group E Departure	EXW	Ex Works
Group F Main Carriage Unpaid	FCA FAS** FOB**	Free Carrier Free Alongside Ship Free On Board
Group C Main Carriage Paid	CFR** CIF** CPT CIP	Cost and Freight Cost, Insurance and Freight Carriage Paid To Carriage and Insurance Paid To
Group D Arrival	DAF DES** DEQ** DDU DDP	Delivered At Frontier Delivered Ex Ship Delivered Ex Quay Delivered Duty Unpaid Delivered Duty Paid

** Applicable for ocean transport only

Importing -The Role Of The Customhouse Broker

The customhouse broker is a vital link in the clearance of merchandise entering the United States. The customhouse broker is a professional advisor to importers through his or her knowledge of the manners and procedures for entering merchandise. The broker is uniquely qualified to handle the practical aspects of bringing commercial shipments into the US. More than 90 percent of all shipments are handled by a customhouse broker on behalf of importers.

The customhouse broker is licensed by the United States government. A broker acts as the importer's agent in his or her business dealings with Customs. Except for the importer himself, the customhouse broker is the only party authorized by law to transact Customs business with regard to the entry and clearance of goods.

The broker is frequently the importer's only point of contact with the US Customs Service. A broker helps the importer understand his critical responsibility to Customs in matters of proper valuation and duty classification of his imported goods. The broker strives to establish a partnership with the importer in all matters concerning their imports. Because of their continuous interaction with the US Customs Service, brokers are often able to prevent importer problems before they develop and, should they develop, assist in their resolution.

Important services offered by brokers include advice on and assistance with:

- the technical requirements of importing,
- preparing and filing entry documents,
- obtaining the necessary bonds,
- depositing US import duties,
- securing release of goods,
- arranging delivery to the importer's premises or warehouse,
- and, meeting the burden of informed compliance.

Customhouse brokers play a vital role in facilitating the entry, clearance and movement of import cargo. There are over 200 laws that US Customs must implement and enforce. Experienced customhouse brokers constitute a valuable resource for Customs in their efforts to facilitate trade.

The work of customhouse brokerage is only a portion of the service that can be provided to an importer. Brokers can also offer:

- overseas consolidations,
- ocean and airfreight routing at competitive prices,
- marine insurance,
- domestic routings,
- auditing of import processes,
- unused merchandise drawback,
- foreign trade zone entries,
- and, consultations and other important services that many importers require.

Importer Self-Audit Review

Your History

- Countries of exportation?
- CF 28's or 29's or prior conferences with Customs?

- Have responses to CF28's and 29's been filed timely?
- Prior penalty or liquidated damage cases?

- Prior audits?
- Prior voluntary disclosures?

- What customhouse brokers represent you?
- How do you acquire information regarding changes in the law or regulations?

Classification

- Review samples of your imported merchandise and compare invoice descriptions to samples
- How do you classify the imported articles for duty purposes?

- Have you obtained binding rulings or other guidance from attorney, customs or other customs consultant?
- How is information relayed to broker?

- Are any goods being entered in conflict with advice received from customs?
- Beginning with the countries of export, have you determined any duty preference for your product?

- Are imported goods subject to quota?
    - Who makes arrangements for obtaining quota?
    - If textiles, how do you verify country of origin and insure against transshipments?
- Is merchandise subject to anti-dumping or countervailing duty investigation?

Marking

- Have you determined the suitability of country of origin markings?
- Have you received a marking notice, ruling or advice from customs?

- Does you resell the merchandise in imported condition or do you manufacture and/or repack it?
  - Is the merchandise properly marked at time of resale?
- Is more than one country involved in production? If so, what is done where?

Valuation

- Are assists of any kind provided (i.e R & D, molds, tools, dies, machines, material, production drawings)?
  - Does the cost appear on invoices?
  - How is the value derived and does the cost include transportation?

- Do you pay any royalties (for licensing, etc.)?
  - On imported goods?
  - To whom and for what?
  - Are there written agreements and are payments disclosed to customs?

- Do you work with an overseas office or are "buying agents" employed?
  - What are their duties?
  - How are they compensated?
  - Are there written agreements and have copies been files with customs?
  - Are agents related to the vendors?

- Is the merchandise purchased at "arm's length" (related or unrelated)?
  - Do you act as a buyer or agent of the seller?
  - Are any goods shipped in "consignment"?

- Are any separate payments, over and above invoice price, remitted to the seller or a third party at any time?
  - How are these remittances disclosed to customs?

- Is the merchandise purchased from a "middleman"?
  - Is it being entered at the proper price?

- Are any invoice prices reduced by reason of credits due from the seller?
- Are the terms of purchase clearly reflected on the invoice?

Record Keeping

- Are you aware of customs' record keeping requirements?
- Are records computerized?
- Is there a company import manual?

- Who, how and where does the importer maintain its import records?
- What coordination takes place between the import (Customs) department and the purchasing, accounting and traffic departments, relating to verification of invoice details?
- Is there an in-house "post entry" review process?

- If goods subject to textile quota, who tracks it and verifies that proper visa obtained?
- Who maintains any records required under the "(a)(1)(a)" list? How long are they retained?
- Is importer aware of customs' audit programs and the files, which will be reviewed?

Drawback

- Do you export any imported merchandise in unused or manufactured condition? Are claims being filed?

- Are you aware aware of record keeping requirements?

Other agency requirements

- Are other government agencies involved? (if so, review data, which must be supplied to other agencies.)
- Is merchandise subject to dumping or CVD investigation?
- Is importation subject to licensing?

- Is merchandise subject to any quota requirements?
- Is merchandise subject to any intellectual property rights (IRP)?
- Are the rights owned by importer and/or are they registered with customs?

Other

- Does company employ customs counsel?

- Does company employ a customhouse broker?
- Review bond requirements.

- How do you maintain granted powers of attorney?
- Have you carefully read the terms and conditions under which your broker works with you?

- Advantages of paying duties though ACH;
- What process do you have in place to notify the broker of changes relating to importations.

Sample dosc
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Incoterms 2000

(EXW) EX WORKS_______________(named place)

The seller must:

1. Make the goods available for the buyer at the seller's premises packaged for normal shipment.
2. Notify the buyer of the time and place of the goods' availability and provide a commercial invoice.
3. Be responsible (assume all risks) for the goods until the buyer picks them up.
4. At buyer's request, help with any aspect of exporting from the US and importing into the buyer's country at buyer's expense.

The buyer must:

1. Clear the goods for export, pay for the goods, pick up the goods from the seller's premises at the time and place designated and move the goods to destination at the buyer's expense.
2. Be responsible (assume all risks) for the goods from the time they are picked up.
3. Pay for any pre-shipment inspection.

The buyer and seller should:

1. Agree that the seller will load the goods onto the buyer's conveyance. In this case the better term to use is FCA.
2. Avoid using this term.

NOTE: WHO IS THE EXPORTER? It is very important to note that, even though this Incoterm places the burden of "clearing the goods for export" on the buyer, our U.S. Government has stated that it will make the seller responsible for the information reported on the Shippers Export Declaration.

(FCA) FREE CARRIER______________(named place) (Use on any transport mode.)

The seller must:

1. Clear the goods for export.
2. Deliver the goods to the carrier nominated by the buyer and at the agreed time and place, and bear all risks for the goods up to that point.
3. Never be required to unload.
4. Provide a commercial invoice and proof of delivery and necessary information for the buyer to insure the shipment.
5. Provide export license and/or other export formalities, if required, and pay all costs thereof.
6. Provide any documents at buyer's expense required to enter the importing country or to transit any country.

The buyer must:

1. Pay for the goods.
2. Provide and pay for import customs formalities, duties, taxes, etc., as well as those in #6 above.
3. Provide for the carrier at the agreed time and place, and bear all risks for the goods after that point..
4. Pay for any pre-shipment inspection, unless required by the exporting country.

(FAS) FREE ALONGSIDE SHIP___________(named port of shipment)(water transit only)

The seller must:

1. Clear the goods for export. (This is exactly opposite of Incoterms 1990.)
2. Deliver the goods to shipside at the named port at the agreed time.
3. Provide export license and/or other export formalities, if required, and pay all costs thereof.
4. Give buyer sufficient notice of delivery and proof of delivery and commercial invoice.

The buyer must:

1. Pay for the goods and any import duties, taxes, etc., as well as formalities in import country.
2. Provide for the ship at the named port with sufficient notice to the seller to make delivery.
3. Pay for any pre-shipment inspection, unless required by the exporting country.

NOTE: If buyer and seller persist in using this term, they should agree to a transport document other than a clean on board BOL.

(FOB) FREE ON BOARD____________(named port of shipment) (water transit only) (If the ship's rail serves no purpose, as in roll-on/roll-off or container shipments, FCA should be used.

The seller must:

1. Clear the goods for export and pay for any export license, formalities, duties, taxes, etc.
2. Deliver the goods over the ship's rail on board the vessel and bear all risks to that point.
3. Provide commercial invoice and any export formalities, such as export license, if required.
4. Provide normal packaging for the trade, sufficient notice of delivery and sufficient information for insurance and provide proof of delivery.

The buyer must:

1. Pay for the goods and take delivery of and risks for the goods as in number 2 above.
2. Arrange for the ship, arrange for and pay for any import formalities, duties, taxes, transit etc.
3. Give seller sufficient notice for delivery to ship and pay any pre-shipment inspection, unless required by exporting country.

(CFR) COST AND FREIGHT________(named port of destination) (water transit only)

(If the ship's rail serves no purpose, (roll-on/roll-off or container shipments) CPT should be used.

The seller must:

1. Clear the goods for export and pay for any export license, formalities, duties, taxes, etc.
2. Provide commercial invoice and any export formalities, such as export license, if required.
3. Deliver the goods over the ship's rail ON BOARD THE VESSEL and contract for and pay freight to and unloading at port of destination, and bear all risks to ON BOARD THE VESSEL.
4. Provide normal packaging for the trade, sufficient notice of delivery, sufficient information for insurance and proof of delivery.

The buyer must:

1. Pay for the goods and take delivery at ON BOARD VESSEL and receive the goods from the carrier at the port of destination.
2. Arrange for and pay for any import formalities, duties, taxes, transit and movement from the ship to final destination.
3. Assume all risks from the ON BOARD VESSEL point at port of shipment.
4. Pay for pre-shipment inspection, except when required by the exporting country.

(CIF) COST INSURANCE AND FREIGHT__________(named port of destination)(water transport only)

(If the ship's rail serves no purpose, CIP should be used instead of CIF.)

The seller must:

1. Perform all functions as stated in (CFR) COST AND FREIGHT above.
2. Provide and pay for insurance coverage for the buyer.

The buyer must:

1. Perform all functions as stated in (CFR) COST AND FREIGHT above.

(CPT) CARRIAGE PAID TO________(named place of destination)(any mode of transport)

The seller must:

1. Perform all functions in items #1, 2 and 4 as stated in (CFR) COST AND FREIGHT above.
2. Deliver the goods to the carrier with whom the seller contracted to deliver the goods to the named place of destination. If more than one carrier is involved, the seller must deliver to the first carrier.
3. Pay the freight to the contracted place of destination.

The buyer must:

1. Pay for the goods and take delivery at the first contracted carrier and receive the goods from the carrier at the point of destination.
2. Arrange for and pay for any import formalities, duties, taxes, etc. and any transit from the contracted named place of destination to any final destination.
3. Assume all risks from the delivery to the first carrier point to the final destination.
4. Pay for pre-shipment inspection, except when required by the exporting country.

(CIP) CARRIAGE/INSURANCE PAID TO____(named place of destn,) (any mode of transport)

The seller must:

1. Perform all functions as stated in (CPT) CARRIAGE PAID TO above.
2. Provide and pay for insurance coverage for the buyer.

The buyer must:

1. Perform all functions as stated in (CPT) CARRIAGE PAID TO above.

(DAF) DELIVERED AT FRONTIER______(named place) (any mode of transport to a land frontier)(If delivery shall take place on a vessel or quay at water port, use DES or DEQ.

The seller must:

1. Clear the goods for export and pay for and arrange any export license, formalities, duties, taxes, etc., plus any requirements for transiting another country(ies) to the agreed named place of FRONTIER.
2. Deliver the goods at the named place/frontier on the carrier, but not unloaded, and not beyond the customs border of the next country and not cleared for import at the frontier.
3. Provide a commercial invoice and contract for and pay the freight to the named place/frontier.
4. Package the goods as per normal for that trade, provide the buyer with sufficient notice to complete the buyer's requirements, provide proof of delivery and assume all risks for the goods to the delivery point at the named place/frontier.

The buyer must:

1. Pay for the goods and take delivery at the named place/frontier and arrange and pay for delivery from that place/frontier.
2. Arrange for any import license, customs formalities for import and pay any duties, taxes, etc. beyond the named point/frontier.
3. Pay for pre-shipment inspection, unless it's required by the exporting country.

(DES) DELIVERED EX SHIP__________(named port of destination)(only water transit)

The seller must:

1. Clear the goods for export and arrange for and pay for any export license, formalities, duties, taxes, etc. in the country of export plus any costs or requirements to transit any country up to the named port of destination.
2. Deliver the goods on board the ship at the port of destination, but not unloaded from the ship.
3. Provide a commercial invoice and pertinent insurance information and contract for and pay for freight up to on board the ship at the port of destination.
4. Provide packaging appropriate for the particular trade route and transport document for receiving the goods.

The buyer must:

1. Pay for the goods and accept delivery of and all risks for the goods on board the vessel at the port of destination and arrange for and pay for unloading and arrange and pay all customs formalities, duties, taxes, etc. for import.
2. Pay for pre-shipment inspection, unless the inspection is required by the exporting country.

(DEQ) DELIVERED EX QUAY_________(named port of destination) (only water transit)

The seller must:

1. Provide all function as in (DES) DELIVERED EX SHIP above, PLUS
2. Unload the goods from the ship to the quay/wharf at the port of destination.

The buyer must:

1. Accept all requirements as in (DES) DELIVERED EX SHIP above, except that the buyer accepts delivery of and all risks for the goods on the quay/wharf, instead of on board the vessel and the buyer does not have to pay for unloading the goods from the ship.

NOTE: The seller no longer has to arrange for customs clearance and pay duties, taxes, etc for import into buyer's country as formerly required under Incoterms 1990. Now the buyer has this requirement.

(DDU) DELIVERED DUTY UNPAID____(named place of destn.)(any mode of transit)

The seller must:

1. Clear the goods for export from the exporting country, but does not have to clear the goods into the importing country.
2. Provide a commercial invoice and provide and pay for any export license, duties, taxes, etc. from the exporting country, plus any transit cost for any country between buyer and seller, but does not provide or pay for any import formalities, duties, taxes, etc. into the importing country.
3. Contract for and pay for all freight and assume all risks for the goods up to the buyer's place of destination.
4. Provide usual packaging for that trade, transport document for receipt of goods and proof of delivery.

The buyer must:

1. Arrange for any import license or formality and pay for the goods.
2. Arrange import customs clearance and pay import duties, taxes, etc.
3. Accept delivery and all risks for the goods from that point and unload from the delivering conveyance.
4. Pay for pre-shipment inspection, unless required by the exporting country.

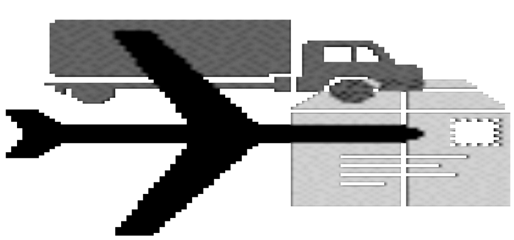
(DDP) DELIVERED DUTY PAID_______(named place of destination) (any mode of transit)

The seller must:

1. Perform all duties as set forth in (DDU) DELIVERED DUTY UNPAID____above, PLUS
2. Arrange for any import license and arrange and pay for import customs clearance, duties, taxes, etc.

The buyer must:

1. Pay for the goods and accept delivery and all risks for the goods from that point and unload from the delivering conveyance.
2. Pay for pre-shipment inspection, unless required by the exporting country.



Points of Interest, Concern and Caution

- Ex Works (EXW) is the only one of the thirteen Incoterms which does not require the seller to clear the goods for export. However, the US Government. requires the seller to be responsible for the content of the Shipper's Export Declaration.

- Observe caution: In Incoterms 2000 "shipper" can refer to the buyer as well as the seller.

- Incoterms do not replace the contract between the buyer and seller, but they affect the contract of sale and they can affect the contract of carriage. They do not transfer ownership.

- Incoterms 2000 require the seller to clear the goods for export under the FAS term. Incoterms 1990 required the buyer to clear the goods for export under the FAS term.

- Incoterms 2000 require the buyer to clear the goods for import and pay duties, etc. under the DEQ term, while Incoterms 1990 required the seller to arrange and pay for import clearance, duties, taxes, etc.

- The seller is never required to unload the goods under the FCA term in Incoterms 2000.

- "Delivery" in Incoterms 2000 refers to the point or place or port at which the seller hands over the goods and the buyer accepts the goods–not necessarily at the buyer's premises.

- **Not a single one of the thirteen Incoterms 2000 requires the buyer to contract for insurance.** Only CIF and CIP require the seller to contract for insurance. Observe the coverage required by these two terms.

- Note the "place of delivery" in Incoterms 2000 CFR and CPT.

- EXW in Incoterms 2000 does not require the seller to load the goods onto the buyer's vehicle. Since the seller's loading is usually recommended, this should be added to the contract of sale.

- If any deviation from an Incoterm 2000 is desired, details should be spelled out exactly, rather than hoping that a word or two added to an Incoterm 2000 will be sufficient.

- The seller is required to provide packaging for shipments under all Incoterms, but only to the extent that it is usually required for that particular trade.

- Look for a process called BOLERO to begin replacing paper transport documents with electronic messages, even on shipments involving banking.

- The following clause is recommended by the ICC for all contracts, to help settle disputes in ICC Arbitration: "All disputes arising out of or in connection with the present contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules."

Courtesy: Brahm & Krenz International; Source: ICC Incoterms 2000